



Report on Wilton Park Conference WP806

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SECURITY IN NORTH EAST ASIA

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Executive Summary

North East Asia faces myriad nuclear and conventional challenges that include potential crises such as the divide on the Korean Peninsula, cross Strait relations, the Democratic Peoples Republic of Korea (DPRK) as a failing state, Japan's quest for identity and China's complicated and growing internal troubles. The disparities involving China's rural areas received attention at the 2006 National People's Congress, with a shift from suppression to a healthier quest to understand the roots of dissent. In addressing the Northeast Asian region as a whole, observers need to consider the unconventional proliferation threat posed by North Korea, increasing Sino-Japanese rivalry, potential economic upheavals and the absence of a regional security framework. There are also energy, the environment, terrorism and epidemiological risks – which have little respect for state or regional boundaries.

Most North East Asia nations are positive or neutral toward multilateral initiatives. Difficulties arise through orientation toward the status quo, unresolved issues like territory and history, a lack of enforcement authority and mechanisms. Arrangements are not action-oriented, and therefore initiatives demand patience and consistency.

Leadership in the Region

1. Questions arose as to the impact of generational change in mitigating the legacy of popular memory. What is the impact of rising Asian leadership in multilateral institutions, namely from the possible emergence of a new Asian United Nations Secretary General (UNSG) to leadership in the World Health Organization (WHO) and elsewhere? The European Union may find itself playing a disproportionate role in North East Asia. Questions also arose as to the possibility of a back-to-the-future scenario, wherein Sino-U.S. conflict might usher in a new Cold War. Corruption and rapid urbanisation emerged to define the basis for growing unrest.

2. Several North East Asian participants suggested a more appropriate focus should be the opportunities in North East Asia, namely steps toward gradual integration on the Korean Peninsula; progress until late on the Taiwan issue; Japan addressing the identity issue through a more constructive and participatory global role; continued deterrence, enhanced economic ties; the complexity of global issues and the gradualist nature of a rising Asia. China should be regarded not as a threat, but as a reality given its size and growing influence. Questioning China on the nature of its rise, particularly in terms of transparency on military expenditure was appropriate, especially given prospects for the state of international relations in 20-40 years time.

3. There is a possibility that the Six Party Talks process – involving South Korea, North Korea, China, Japan, Russia and the United States – on North Korea nuclear issues provided a foundation for further cooperation. History and popular memory are also important, notably Chinese concerns about Japan.

4. There is some Korean and Chinese optimism toward North East Asia. Underlying talks, however, were concerns about alliance maintenance, vacuums left by U.S. shifts away from the region – notable given overwhelming focus on the Middle East the first half of the decade – and potential contributions by the EU and others. Specific questioning arose as to the likelihood of greater U.S. engagement in the remainder of the second Bush administration, specifically U.S. Secretary of State Rice's cancellations of visits to Australia in light of Middle East developments.

Washington appears more moderate in tone and functionaries now engage North Korea directly. However, the Iran issue could draw attention away, as well as put the United States, Asia, and the EU at odds on approach. Suggestions of an expanded Russian role led to mention of the Shanghai Cooperation Organization (SECO), concerns about absorption of Chinese immigrants, and Russia's emergence as a key arbiter in oil and gas management. Smaller nation participants noted the appeal of (Association of South East Asian Nations) ASEAN plus three and expanded roles in issues such as development of environmental management initiatives. The need for United Nations reform arose as an issue in light of Asian under-representation and inequities relative to Japan and India in terms of Security Council membership, a likely Asian new UNSG and Asian contributions in peacekeeping, humanitarian aid and other UN priority areas.

'Soft Security' Cooperation

5. Improving preparedness for pandemics, disasters and other transnational challenges may prompt a fundamental reconceptualisation of security. China regards North East Asia geographically, not an economic unit or political security community, and this raises the spectre of debate over sovereignty. Chinese economic strength can enhance stability, and increase cooperation on counter-terrorism, disaster prevention and other issues. There are European differences between those who view sovereignty as fundamental and the international arena as inherently conflictual, and soft security advocates, who are more concerned with protection against transboundary threats. Traditional and non-traditional concerns will continue to coexist in North East Asia, with primacy of focus on the first, especially North Korean issues. Human security concerns in North Korea are increasingly important. Once traditional security concerns ease, non-traditional challenges will loom large. There is a need to co-operate on pandemics like avian flu and malaria, floods, droughts and earthquakes, and challenges like organised crime, narcotics trafficking and counterfeiting. Unregulated marketisation and the risks of a nuclear accident in North Korea are concerns. North Korea lacks airlift capabilities to counter a nuclear accident, raising the question of possible Chinese People's Liberation Army (PLA) or Japanese Self-Defence Force (SDF) response. Growth in

migration and refugees and maritime safety are also challenges. Lack of regional preparedness is a concern. A partial rationale for China's expanding military budget might more effectively meet the expanded roles and missions associated with soft security. Europe may play a role in helping North East Asia better address this critical area.

Economic Stability and Risk and Competition for Energy and Resources

6. North East Asia faces opportunities and challenges associated with its lauded growth rates and skyrocketing energy demands. Knowledge-based economic growth was essential to meet the demands of globalisation. 'Traditional' attributes of high savings, diligence and attention to education are central. Economic growth appears vitally linked with security and stability. China points to the attractiveness of its markets and economic opportunities as a key motivator for regional cooperation, arguing for an East Asian community. China could offer a 'helping hand' to its neighbours, notably North Korea. It could provide food and energy and encourage economic reform and openness.

7. Fundamentally challenging economic growth are energy issues, including rising oil prices, potential shortages and rising needs. China and Japan are urging Russia to increase its Siberian production. Complicating prospects for a more united North East Asia front, however, are increasing Sino-Japanese 'balance of power' struggles. China hopes to emerge as the second largest global economy by 2010. Internally, China faces growing gaps between a privileged elite and poor masses, as well as large gaps in urban and rural incomes. Questions arose as to the impact of growing trade frictions and the extent of aid to North Korea, where capital flows are government, not business-led. Concerns about DPRK willingness to make fundamental economic reforms given the risks of associated political opening also emerged. 'Half-steps' were better than none at all.

8. Mongolia is advocating free trade agreements with the United States, Japan and Korea. Support for pipelines through Mongolia is a salient issue. Diversification also was noted relative to Chinese strategy in Central Asia, Latin America and elsewhere.

China's vociferous description of Japan as a 'threat' neglects Japan's long-term support for China as its largest overseas development assistance provider.

9. Questions arose as to the question of labour supply in China, foreign investment and the impact of China-U.S. economic relations. The issue of financial sector health and under-performing and non-performing loans also emerged. The politicisation of Chinese investment, notably U.S. Congressional objections to last year's Chinese bid for UNOCAL, was criticised. China's World Trade Organisation (WTO) membership could help open sensitive sectors such as airlines, telecommunications and post.

10. Significant attention was paid to the rampant environmental costs of accelerated industrial growth in North East Asia and need for more effective legislation and enforcement. Maintaining growth levels in excess of seven percent was needed for China to avoid significant socio-economic unrest.

11. Securing more energy resources and building oil supplies was deemed essential to serve the growing Chinese economy, as was the transfer of technologies. China argues for more long-term and cooperative approaches. Russia's emergence as an arbiter on oil and gas security requires China to maintain a co-operative approach. China is introducing a new energy policy that promises a reduction in consumption of 20 percent by 2010.

China's Power in World Peace and Security

12. Some in the U.S. perceive Beijing as pushing new relations and agendas with foreign powers against the U.S., resisting currency devaluation and other economic concerns, hoping to replace U.S. power in Asia and resisting progress on Taiwan. China is more engaged with the U.S, and holds U.S. foreign debt. Europeans see China as less threatening. China's goal for the coming decade is to amass power. It has set a goal of 2020 as a year of strategic opportunity. Impeding progress are internal economic disparities, land issues, public health and environmental challenges. Sometimes China disregards external concerns about human rights

(Sudan), non-proliferation (Iran) and irritants to U.S. power (Venezuela). By avoiding confrontational policies, China is working to remain outside U.S. strategic priorities.

13. A lingering question is whether China is a status quo or revisionist power. It is not proactively seeking to change structures and rules and there is no clear strategy to pursue hegemony in the Asia Pacific. China may wish to be the dominant power in the region, but Beijing believes it is being constructive. It also benefits the U.S. economically, in restraining Japanese power, though it may be more comfortable with Japan in some ways, in spite of concerns about U.S. troops in Central Asia near Chinese borders. Chinese companies appear to be diversifying, a trend that does not appear state planned. A contention is that China is using multilateral institutions to check the U.S. China is dissatisfied with the prevailing international system and is seeking to change it. The U.S. has challenged China to be a responsible 'stakeholder', something that China says it aspires to and increasingly is. A new objective is to encourage Beijing to become more proactive and strengthen the international system. Though not wholly new, this approach is bearing fruit.

14. China recently joined the WTO, is active in Southeast Asia through ASEAN plus three and other entities, and has helped progress the development goals of the Millennium Summit, with China exempting developing country debt after the 2006 National People's Congress. China has been active in peacekeeping and is active in fighting organised crime and other transnational threats. Questions remain as to China's position on Iraq and its reconstruction. China's contribution to fighting avian flu has been modest; \$10 million promised compared to \$100 million from the EU and \$300 million from the U.S. China, given its strong ties, has great potential to 'reign in' Iran on nuclear proliferation.

15. Some in China adopt Deng's prescription to "get things done" and make a contribution. How change occurs will determine much. If China grows disillusioned with market reform, faces separatist calls or Taiwan independence, it may behave more aggressively. Equally China might become more assertive if the U.S. takes a more supportive approach towards Taiwan's nationhood, strengthening the U.S.-Japan alliance, or bolster missile defence. If China perceives the U.S. as limiting or denying China a greater role, confrontation could occur. Despite Bush administration

limits, it has managed to improve relations relatively well, and future administrations will need to adjust to meet these challenges.

16. The two Koreas, like many neighbours, are watching developments closely and fear the impact of a division between China and the United States. Moreover, China's instability would challenge North East Asia. These nations feel China needs to develop a more responsible and engaged regional role.

17. In the context of the Six Party Talks, China's engagement has had little to do with North Korean behaviour or nuclear capabilities – with China now suspecting more than earlier thought – but more with U.S. engagement and pressure. Though not necessarily envisaged, China feared the U.S. would follow-on its intervention in Iraq with one in North Korea, but now China sees a distracted U.S. Maintaining stability on the Korean Peninsula is paramount; there is more China can do, but maintaining its border security given high employment and an ethnic Korean minority along its North East border appears a priority. Some East Asians suggest China was actively seeking a key role, and that the talks were a testing ground, with the bottom line being continued participation and leadership. In the U.S., some doubts remain about 'empowering' China in this regard, and China's role has evolved and become more assertive. If there is a diplomatic solution in the Six Party Talks, there may be a greater role for China.

18. China remains concerned about potential NATO engagement and the maintenance of U.S. troops in Central Asia, which the U.S. has stated it does not plan to maintain. There is a fear of containment and encirclement. The 2006 visit by Hu to the United States may assuage those concerns.

19. Australia senses a tension between its long term alliance with the U.S. and booming economic partnership with China. Taiwan presents a nightmare scenario for Australia. Public perceptions also appear to have shifted, with many Australians being more favourable to China, rather than the U.S. Though tempered by antipathy towards the Bush Administration, the shift in public mood reflects changing dynamics. It is uncertain whether the U.S. really wants a more active and engaged China given strategic differences.

20. Some Chinese moves, notably its claims to Koguryo legacy, angering many Koreans, have raised concerns in North East Asia. Equally there are concerns about Chinese intentions to provide aid to North Korea and its immediate neighbours, and support regimes that violate human rights. There is internal debate in China about whether China is giving too much whilst domestic needs remain considerable. China suggests that part of Deng's legacy was to state that China would not emerge a hegemon, and that concerns are overstated. Chinese President Hu Jin-tao has articulated a vision of peaceful integration and prosperity that strikes a 'harmonious balance'. China notes European, Korean and other enhanced understanding in this regard. Concerned observers maintain uncertainty remains: China's hedging does not assuage concern about future threats. Transparency rather than slogans provides real assurances. Some Europeans nevertheless regard China as an economic opportunity.

The U.S. Strategic Role and Military Presence in Asia

21. The United States has shifted dramatically its force posture in the past three years, working closely with Japan. It remains essentially committed to the stability of North East Asia. Over the past sixty years, U.S. presence in the regions has been a stabilising factor. The U.S. sees primary threats in the North Korean regime, its nuclear weapons and other capabilities; it does not see the rise of China in the same light. The U.S. is engaged heavily with Japan in missile defence – relative to North Korea. The U.S. worries about the 'miscalculation' of developments in the Taiwan Straits.

22. Force posture change in Korea and Japan has proved controversial given the length of time and manner in which the U.S. has engaged with South Korea. By 2008, the U.S. hopes to leave 12,500 personnel on the Peninsula, to reflect post Cold War realities. The Strategic Policy Initiative is aimed at redefining relations between the U.S. and ROK militaries, eventually exploring post-unification roles for the United States. The U.S. maintains that its continued maintenance of forces reinforces confidence among the nations of North East Asia.

23. Japan has proven more difficult. The continued U.S.-Japan relationship will remain the centrepiece of U.S. role in Northeast Asia. Although the bilateral alliance is the cornerstone of U.S. relations and the U.S. and Japan have agreed to common strategic objectives, maintenance of troops involves overcoming significant concerns about their impact. Shifts within Japan are lessening concerns about Okinawa.

24. China notes a gap between the U.S. Cold War disposition and the challenges of today's North East Asia. China feels the United States fails to understand Chinese intentions and that without a stronger strategic rationale should withdraw forces from North East Asia. Fears of U.S. leaning toward Taiwan are China's major concern. A Chinese observer urged time, patience, respect and a new security concept in addressing sensitivities over Taiwan.

25. The military maritime consultative agreement and opening of a military hotline are key confidence and security building measures between the U.S. and China. The EU questions the determination of DPRK to obtain nuclear capability and state of the art conventional forces. South Koreans note the continued asymmetrical threat from North Korea. How would popular opinion in Japan, South Korea and the U.S. react if popular referenda called for U.S. withdrawal? The U.S. acknowledges the impact of generational change, and loss of memory of the U.S.' war contribution.

Japan's Approach to Security and Defence

26. With the emergence of the North Korean nuclear threat and end of the Cold War, Japan re-evaluated and updated its defence capabilities. It now finds itself extended well beyond Japanese shores inter alia in the form of peacekeeping operations. Fierce arguments will occur in Japan over playing a more substantial role. After extensive debate, Japan may likely alter its post-war constitution.

27. Japan entered into dialogue with North Korea earlier in the decade as a result of South Korea's sunshine policy and U.S. preference for direct dialogue with North Korea under the Clinton Administration. The harder-line approach of the Bush Administration left North Korea open to engage Japan at the dialogue table. Those

negotiations saw a commitment by the DPRK on the abductee issue, until now a commitment unfulfilled. The bilateral momentum has continued in the multilateral approach of the Six Party Talks. Although slow, dialogue resulted in a North Korean agreement to dismantle its nuclear arsenal. Problems are rooted in the 'mismatch' of the Washington and Pyongyang regimes. North Korea remains highly suspicious in all its dealings, and the U.S. equates terrorism and proliferation in the post 9-11 era, solidifying resistance among Washington neo-conservatives. The U.S. also has been focused more on Iraq and now Iran.

28. Progress will only occur when there is serious dialogue between North Korea and the United States. North Korea ultimately needs to abandon its nuclear programmes. The Six Party Talks will evolve to address implementation of any agreement, and the vital issue of verification, hopefully a confidence-building body aimed at cooperative security. It is necessary to curtail North Korean proliferation on its own grounds and to counter calls from within Japan for it to go nuclear, which would challenge the continuation of the Non-Proliferation Treaty. Only a few powers can effectively move North Korea through negotiation - Japanese efforts here might provide a potential solution.

29. Japan and China need to move beyond the issue of the Japanese Prime Minister's shrine visits to a fundamentally comprehensive dialogue based on an understanding of respective structural changes. This is possible given the evolution of China's diplomacy and voicing of more constructive international policies with Russia, Central Asia, Southeast Asia, South Korea and the United States. The Chinese government's decision to curtail the 2005 public protests represented a strategic dilemma, and Japan is pleased to have seen the issue superseded. Japan contributed significantly to China's development with \$300 billion in aid and infrastructure, support for WTO entry, and persuading the G-7 to not isolate China in 1989. It is ironic then that China-Japan relations have deteriorated markedly in recent years. Efforts to strengthen the relationship between the two should be made.

30. Japan and China find themselves then at a crossroads, with Japan proposing a grand bargain approach that would depoliticise historical memory issues; intensify dialogue and step-up a more transparent security dialogue; guarantee stable

economic growth, given income disparities (13:1 in income in the China coastal/inland divide) and the need for energy and environmental security; and East Asia community building, countering the impact of growing nationalism in China, the ROK and Japan.

31. Russia plays a key role given its emergence as a global energy producer and there may be progress in the area of pipelines and a resolution of the Japanese-Russian islands dispute. It was suggested that lessons lie in the legacy of the Agreed Framework with North Korea and the Korean Peninsula Energy Development Organization (KEDO). A EU-style arrangement will not develop, but progress may be made on a free trade area and in capacity building. Japan underscored the need to improve understanding the linkage of historical memory issues and governance.

32. There is support for an enhanced EU role in recognising the vitality of the East Asia economies and population and to work out precise ways to increase European involvement on security issues, given the global nature of the challenges. Extending the Six Party Talk process to other issues also would benefit from Mongolian, Australian and Canadian participation.

Korean Security and Cooperation

33. In spite of pledges toward enhanced cooperation between South Korea and North Korea, there has been little progress on the part of Pyongyang. Essential to progress on security, political and economic fronts is North Korea's abandonment of its nuclear weapons programmes. The political challenges of unification and costs of integration will be extraordinary, suggesting a tremendous future burden for South Korea. Support would be needed from the entire North East Asian community. Seoul has made strides with the openings at Kaesong and Mount Kumgang in industry and tourism respectively. Creating an infrastructure for North Korea is a major goal that will help mitigate the eventual costs of unification. The key to development on the Peninsula is resolving the DPRK nuclear problem, working toward better inter-Korean relations in the military security field and enhancing inter-

Korean economic relations. This suggests the essential task is to change the North Korean regime, and how to do it.

34. Ways to enhance stability through bolstering a U.S.-ROK political relationship in sharp decline should be found. Japan's role could be a potential intermediary with multilateral efforts involving a range of actors including the EU. China would appear to be the biggest loser should North Korea acquire nuclear weapons

35. It is uncertain whether a Five Party process in North Korea's absence is viable. Alternatively a Seven Party grouping and the idea of working groups, akin to the basket groups of the Helsinki Process, might work. Expanded 'two track' approaches ensue by way of both bilateral and multilateral efforts and layers of traditional and non-traditional security ad-hoc groupings. It is debatable whether it is essential to move forward only through nuclear dialogue, given its primacy and immediate concern, or whether a range of approaches and groupings should run concurrently.

36. The U.S. role on the Korean Peninsula was deemed essential. A 'sea change' has occurred in the second Bush Administration, reflecting new pragmatism. Japan suggests the U.S.-Japan-Korea Trilateral Coordination Oversight Group process should be bolstered. China suggests Washington's financial transaction crackdown may come at the expense of progress of the nuclear front, though South Korea notes the seriousness of counterfeiting activity. There was general consensus that the range of challenges is significant, and that finding creative solutions is required.

37. The recent South Korean national elections suggest continued willingness to promote openness with the North. Unification is regarded the 'ultimate dream' of the Korean people. However, convincing young South Koreans, who have grown up in prosperity, to absorb the cost associated with North Korean integration may prove a challenge. The potential for sudden crisis and spectre of refugee flows remains, and the impact of nationalism should be mitigated to help ensure a more effective international response to the myriad challenges ahead.

Armaments Efforts

38. New security capabilities that are being introduced into the region warrant enhanced international attention. The desire to upgrade and larger defence budgets have led to arms growth. Regional distrust, notably in Sino-Japanese and Korean-Japanese relations, present further complicating factors. China feels that neither the Japan-U.S. security relationship nor Sino-Japanese security relationship form viable cornerstones for North East Asia security, but that a China-U.S. security condominium provides the basis for more sustainable security in the region. China is also concerned about Taiwan's armament programmes as a source of instability in arms, but others suggest that Chinese militarisation is exacerbating the situation. EU states could help arms control dialogue.

Nationalism, Education and Media

39. Nationalism emerged in China, Japan and Korea as a counter-ideology to foreign influence and colonialism in the 18th and early 19th centuries. The role of intellectuals is central to objective understanding of the history of colonialism in North East Asia. Ongoing debates about historical vision and contrasting textbook accounts influence contemporary international relations. A North East Asia working group on the issues and expert group on community efforts in Japan could help alter thinking on historical issues. Information efforts at all educational levels and among general publics are essential to fostering more balanced understanding of the past.

40. Some argue China has encouraged fairness and responsibility in the media. For example, the Chinese media covered extensively the Six Party Talks. Some in China regard the 2006 protests against the Prophet Mohammed cartoons as irresponsible. The media has a significant role in promoting regional and international awareness of natural disasters and public health pandemics. The new media can play an important role in spreading information and depicting North East Asia's economic and cultural dynamism.

41. Reporting the truth should be regarded as the most important function of the media. However, China's state-owned media is not free although there has been significant liberalisation in the last 30 years. Reporting the SARs crisis represented a breakthrough. The need for public information demanded greater governmental accountability. Some suggest Chinese President Hu Jin-tao is manipulating the media in the guise of press freedom to solidify his political base, and it is feared censorship is increasing.

Developing a Framework for Regional Security in North East Asia

42. The vital question of developing a regional security framework for North East Asia relies on a common understanding that the region has been without formalised structures like NATO and lacks geographic and other traditions that form the basis for multilateral security. North East Asia security relations most often have been regarded in the context of bilateral relations, often referred to as a 'hub and spoke' pattern, with each entity seeing itself at the hub from which other relations are determined. For example, U.S. and other security analysts regard Washington as the hub of sixty years of security guarantees. Asia-Pacific bilateral relations have operated with ASEAN as the foremost entity in Southeast Asia, now welcoming North-east Asian participation in the form of ASEAN-plus-three (China, Japan, South Korea) and the ASEAN Regional Forum (ARF). The last decade has involved an impressive evolution from KEDO and Four Party Talks (China, U.S., South Korea and North Korea) to the Trilateral Commission Oversight Group (TCOG), ASEAN-plus-three and the Six Party Talks. The Asia Pacific Economic Cooperation (APEC) forum in the economic realm has undertaken political and security missions which have reinforced the bilateral dynamic. The East Asia Summit and Asia-Europe Meeting (ASEM) cover other issues without United States' involvement in spite of their economic focus.

43. Initiatives to create an enhanced framework for regional security have seen the greatest reluctance from the largest powers, namely China and the United States, except in fora like the Shanghai Cooperation Organization (SCO), where China and Russia plays the principle leadership role. China has found value, notably with the

United States, in hosting the Six Party Talks, aimed at negotiating a way out of the North Korea nuclear issue. The United States, despite reluctance in the Bush first term, increasingly advocates a multilateral resolution. This is especially the case given lessons in Iraq, suggesting Washington appears to embrace a 'selective multilateralism'. The Six Party Talks beg the question of fora appropriate for discussions of issues beyond nuclear proliferation aimed at creative solution building. The model of the European Bank of Reconstruction and Development (EBRD), a Northeast Asia Development Bank (NEADB) or programme would address the infrastructure and other developmental challenges common to North Korea, rural China, Mongolia and the Russian Far East. Despite its origins, KEDO represents a new type of 'minilateral' approach with Korean, Japanese, EU and US support, which is ad-hoc and limited in scope and duration. New institutions such as a Korean Peninsula Agricultural Development Organization (KADO), might address agricultural reform, employing Australian, Canadian and Mongolian participation to help alleviate North Korean problems. Similar 'minilaterals' could address technology, sustainable development, sustainable energy solutions, and confidence and security-building measures (CSBMs). European contributions are critical in this regard. Middle level and smaller diplomatic contributors, such as Mongolia, which enjoys historical and ethnic linkages to the Peninsula, official ties with South and North Korea, and Nuclear Weapons Free Zone (NWFZ)-status might reinforce the momentum of the 1991 Inter-Korean Denuclearization Accords, (an increasingly convenient forum for North East Asian dialogue on peacekeeping operations and human security).

44. Although China has been selective in urging multilateral action where it dominates and blocks any suggestion of discussion on issues like Taiwan, the NEADB and similar projects would allow China to be both a contributor and beneficiary. This is notable given its considerable rural development challenges, highlighted in the most recent session of the National People's Congress. Greater international engagement may flow from Beijing's hosting of the 2008 Olympics (the 1988 Seoul and 1964 Tokyo Olympics ushered in greater international orientation for both host nations). The United States' recent efforts to sanction North Korea in the area of financial transactions has been apparently effective but has draw some criticism for being out of step with other regional players. Japan, though seemingly inclined toward multilateral solutions, may be less motivated to become involved

given the rise in Sino-Japanese tensions and continuing tensions with China and Korea over shrine visits, textbooks and territorial disputes.

45. These realities beg the essential question as to the real level of agreement beyond basic goals. For example, Japan's primary concern vis-à-vis the Korea question is the issue of abductees from the 1970s. By contrast the U.S. and China are concerned about nuclear proliferation, questions about China's democracy, U.S. troops and a stronger Korean ethnic mass on the Yalu. South Korea is pre-occupied with the potential for a cost-effective integration of the Korean Peninsula (the German unification experience has been instructive but inter-Korean costs will be much higher). The question of cost-effective integration suggests enhanced burden sharing among North East Asia players including the U.S., EU and Russia is required.

46. The prospects of a power vacuum in the wake of a significant U.S. disengagement portend dangerous outcomes such as a North East Asia arms race. It is uncertain how any security vacuum would be filled. This suggests the need for enhanced multilateral and minilateral initiatives in arms control, CSBMs, economic, energy and environmental security, disaster relief and other human security issues (such as pandemics).

47. University of California Berkeley Professor Emeritus Robert Scalapino has suggested natural economic territories for North East Asia. There is potential akin to natural economic/energy/environment security territories (NESTs) and, progressively, natural security territories (NSTs). Regionalism and nationalism appear to be growing in the Asia-Pacific. How North East Asia resolves these twin dynamics will be crucial to its further development. The rise of India and EU expertise in confidence and security building measures (soft security) are positive factors, which North East Asia should draw upon to meet challenges and opportunities.

48. It is essential to think beyond institution building toward enhancing North East Asia networks between and among policy-makers, academia, NGOs, foundations, research institutions and business as well as between individuals. Meetings such as Wilton Park, and North East Asia studies and exchange programmes are important in

finding ways to interest and inform general publics, and building a sense as stakeholdership. Enhancing information sources and flows is important. The Nautilus Institute, a think-net tank, and its Northeast Asia Peace and Security Network (NAPSNet), are examples.

49. Mongolia is a small nation with a potential role. The Tokyo to Helsinki rail connection could play a role in building closer links between North East Asia and Europe. Russia has improved rail infrastructure for North Korea. Japan has helped improve comprehensive security, and China could help balance internal and international needs for deriving benefits from a new framework.

50. Enhanced gender balance with societies could generate new ideas and new efforts aimed at reconciliation and development. Greater gender balance in governance and at North East Asia security meetings could help resolution of North East Asian challenges.

Europe and Security in North East Asia

51. European interests, roles and approaches should build on and expand beyond economic engagement. The rise of China obliges the EU to think in terms of both direct implications and the whole of North East Asia and to refocus on substantial interests. The EU tries to take a broad approach to security and one cognisant of commitments to human rights and freedoms, global development and meeting global challenges. China, Japan and Korea are major trading partners and competitors, and are potential partners on the way to energy security. With emerging ties come new vulnerabilities, and the lessons of the 1998 Asian Financial Crisis imply any marked decline in China would have wide-reaching impact. Good relations with North East Asia are crucial for energy security, governance, and progress on climate change.

52. Hard security issues in North East Asia are also fundamental to EU interests given the damage that could be done to the EU, U.S. and other allies. A strong U.S. contribution to security issues remains central. Korea and Taiwan represent

flashpoints, but the rise of competitive nationalism also represent significant tensions that could impact EU interests. Some fundamental interests differ from the U.S, notably as a result of the U.S's more recent military involvement in the region.

53. The EU will continue exercise its weight as an economic partner, in terms of developed relationships bilaterally and more importantly regionally. The EU has been developing a more detailed strategic dialogue. The fast-growing relationship with China has led to talk on a wide range of issues. There is also engagement elsewhere in the Asia Pacific, notably vis-à-vis South East Asia. The EU is aware of criticisms it is not doing enough, but emerging roles suggest a different direction.

54. The question remains what the EU should do with its growing interests. A number of areas demand focus, refinement, louder articulation and stronger intention, including cross Strait relations, discussions with the DPRK to reach a reasonable solution, and regional security architecture. Where differences exist on global issues, the EU must be clearer in defining and increasing its involvement. The Six Party Talks casts an impression that should permit greater dialogue on other proliferation issues, human rights and with other security issues. Managing risks related to Taiwan demands creativity, and encouraging WHO engagement on avian flu suggest practical cooperation is possible.

55. Indo-Chinese international attention is likely to shift from the rise of China to the impact of the Indo-China relationship, as well as the nexus between Russia and the U.S. Interests in Central Asia will grow from Afghanistan and terrorism to energy security and political cooperation. The Solana document on Common European Strategy suggested a U.S. role, but with differences. Drawing up a common security agenda has been difficult, with varying levels of interests and national priorities. A proliferation of organisations and roles suggest many links to Europe, but no one in Europe or North East Asia feels the right policies have yet been achieved. ASEM and other meetings have left unanswered questions, and time will see greater efficacy and more instruments. A more coherent viewpoint on China will be expressed in coming months. NATO expansion is unlikely to impact North East Asia. The EU arms embargo is a political statement and makes little difference as an export regime measure; it is more an indication of perceptions of China's rise, its

perception as a 'free-rider', and description of what Europe is up to about North East Asia.

Conclusions: Priorities for a New Security Agenda

As hard security concerns came into focus, nationalism, arms sales and flashpoints leave great concern about China's future role. China's rise represents a more fundamental geo-strategic change than the rise of extremist Islam. China's economic rise has been accompanied by a rise in political confidence, diplomatic dexterity and hard power. The pace of Chinese growth has been assumed, and more attention need focus on the impact of any possible downturn. There exist tremendous downside risks given growing inequalities and military expansion. Lessons from South East Asia may be relevant for North East Asia.

The Japan-U.S. relationship remains strong and the 'cornerstone' of U.S. Asia policy. The U.S. favours Japan's push toward normalisation and readiness of the Security Defence Forum (SDF) toward combat and constitutional changes likely will occur. The China-U.S. relationship could be potentially conflictual and may mark a period of competing hegemonic influence. Energy security has led China to greater involvement in the Middle East and Latin America, areas of significant recent U.S. involvement. The Bush Administration's second term appears to be less unilateralist. Fundamental disagreements cloud the Japan-China relationship, on history and popular memory, despite Japan's considerable aid and diplomatic assistance.

North Korea is widely regarded as a failing state with many complex security challenges, notably nuclear proliferation. Varying objectives in the Six Party Talks offers amongst South Korea, the U.S., China Russia and Japan. The changing role of the U.S. in North East Asia is an increasingly salient consideration.

State sovereignty remains the paramount consideration in North East Asia relations. The debate centres on the necessary preconditions, size and mandates for institutions. Gaps could be filled by new institutions, but there is limited scope for honest brokers. There are opportunities for progress in non-traditional security

issues, including on disease, natural disaster and crime. The Six Party Talks may present a platform for wider issues, expansion, even in Five and Seven Party processes. Mongolia has emerged as a new additional partner. Though the UN is not central to North East Asia security, a new East Asian UNSG could potentially facilitate efforts for progress in North East Asia.

Nationalist leaders in the region could hinder pragmatic solutions and real progress. Asian nationalism appears tinged by ethnic chauvinism. Anti-Japanese sentiment in North Korea is more salient than anti-Americanism, although the U.S. is not exempt. Depoliticising history is a priority, though mitigating the impact of nationalism will be difficult.

China remains largely a commercial opportunity for EU actors. Europeans needs to intensify diplomatic activity in the region, so it can contribute more pro-actively to creative solutions.

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