

A Grand Design for the Stability and Prosperity of Northeast Asia

by

Mr. Tamotsu Nakano

Tamotsu Nakano: Professor Ikenberry, thank you very much for your kind introduction. Firstly, I'd like to express my sincere appreciation to the Sasakawa Peace Foundation USA, particularly Mr. Iwatake and Greg. I'm so honored and glad to be here today to talk on the subject of a grand design for the stability and the prosperity of Northeast Asia, particularly since President Roh Moo-hyun is in New York and he is coming here, probably in a couple of day's time. Our prime minister, Junichiro Koizumi, also will come to the U.S.

In the last decade, I have been deeply involved in the activities for the development of Northeast Asia through the United Nations Industrial Development Organization. I was an area officer covering Asia Pacific, including North Korea, in Vienna, and I was deeply involved in activities when North Korea and South Korea became a member of the United Nations in 1991. I worked at the UNIDO headquarters for five years and I moved to the Economic Research Institute for Northeast Asia located in Niigata because I wanted to learn from a regional view; Niigata faces the Sea of Japan and is not so far from the Korean Peninsula. I had a lot of opportunities to visit that region.

I also worked with the East-West Center, Honolulu, which is a U.S. government supported research organization and I also worked with a Japanese leading consulting firm. So based on my experience in several organizations like the United Nations, or Japanese and U.S. think tanks and Japanese consulting firms, I'd like to draw an ideal development vision on the white canvas of the 21st century while utilizing special techniques, such as a spatial development plan or physical integration.

Importance of Multilateral Engagement Policy to Deal With North Korea

The Bush administration's war engagement policy or the Rumsfeld doctrine are too dangerous to resolve the issue of the Korean Peninsula. Kim Dae-jung's Sunshine Policy is probably too naïve. Therefore, I'd like to advocate the importance of multilateral progressive and constructive engagement policy for North Korea.

Let me outline five important elements for the development of Northeast Asia. First, what is Northeast Asia; second, rapid change of the international environment surrounding the Korean Peninsula; third, security framework; fourth, physical integration or spatial development plan; fifth, concrete projects such as the Northeast Asia natural gas pipeline project or establishment of a new international organization including cost analysis.

No Support for Preemptive Action

Before going to the main topic, let me tell you my philosophy and beliefs. First, preemptive action: I don't support preemptive action. But Professor Ikenberry mentioned that in 1981, twenty-two years ago, after graduating from university, I was assigned to work in Baghdad. At that time, Israeli fighters attacked a suspected Iraqi nuclear power plant. I thought Israel did a terrible thing but nine years later, the Gulf War started. I think if Israel did not use preemptive action, probably something would have happened, and President Bush would not have been able to beat Saddam Hussein's regime. So preemptive action is important psychologically although I don't support it. Sometimes a stick is needed from the United States' side to North Korea.

Second, my belief is that I don't support economic sanctions. I support constructive engagements. I went to South Africa for two years to fight against apartheid—in Durban and Cape Town. At that time, Japan and major European countries were supporting economic sanctions against South Africa to isolate and eradicate apartheid. But the Reagan administration was using a different approach, that was constructive engagement policy—to invest more in South Africa, to create jobs for black people, to create educational opportunities for black people and to look at what was the mutual interest between white and black people.

I asked white people, why do you maintain apartheid? A majority of white people replied that if we give a chance for blacks to vote, they say South Africa will be a communist country. It is important to promote educational opportunity for blacks. Black people need educational opportunities so the mutual interest between the white and black population is education. Encouraging investment in South Africa without economic sanctions means to create jobs and educational opportunities for mainly non-white people in South Africa. That's why apartheid finished successfully within five years' time. So I believe in the importance of constructive engagement while providing job and educational opportunities. It is possible to apply this successful policy to resolve the issue of North Korea.

Apply Preventive Diplomacy in North Korea

Third, I believe in preventive diplomacy. I worked in Liberia through the United Nations Industrial Development Organization. My job was to promote small and medium scale enterprises in Liberia. I stayed in rural areas not so far from the Ivory Coast. I stayed there for two years without water, without electricity. It was a wonderful time to learn the area, to teach the importance of development or transfer of technologies. After completing my assignment in Liberia, I was

assigned to work at the UNIDO headquarters in Vienna. Two months later, a regional conflict took place in Liberia. That regional conflict continued for six years and one-third of the Liberian people became refugees. Once the regional conflict started, it was hardly resolved. Therefore, I strongly believe only way to minimize the victims is to implement successful preventive diplomacy. North Korea is an ideal place to apply successful preventive diplomacy.

I believe in Boutros Ghali's agenda for peace including preventive diplomacy, peacemaking, peacekeeping and peace-building. Unfortunately, in the Iraq issue, Japan is a kind of subordinate of the U.S., as we have been in U.S.-Japan security treaties. Japan was in a position to support the United States in the Iraq war. The role for Japan is peace-building activities to contribute to the reconstruction of Iraq. It will cost about twenty billion dollars per year for the next three to five years and a majority of costs will be spent for maintaining 74,000 troops in Iraq. I want to support preventive diplomacy to prevent regional conflicts in advance.

Characteristics of Northeast Asia

Let me return to the main topic. What are the characteristics of Northeast Asia? Northeast Asia consists of four nations and two regions: Mongolia, North Korea, South Korea, and Japan, and the northeastern part of China and the Russian Far East. Probably Taiwan should be included there. The population of Northeast Asia is about 300 million. The size of Northeast Asia is like the United States. This area has economic complementarities. The Russian Far East has abundant natural resources; Mongolia and probably North Korea have natural resources. China and North Korea have capable labor forces. Japan and South Korea have capital and technology. Once we combine these elements, it is possible to create a natural economic territory or economic sphere in Northeast Asia.

In the last 120 years, there were five major wars here starting in 1897—the Sino-Japanese War, the Russo-Japanese War, the Japan-China War, the Second World War, and the Korean War.

We have a huge gap here, such as economic or political or social differences—communism, state-capitalism or capitalism. The economic gap between Japan and Mongolia is one hundred times. Also, we have different historical recognitions. There exist psychological gaps in this region.

Rapid Change on Korean Peninsula

Concerning the rapid change of environment surrounding the Korean Peninsula: in the last eight months, we witnessed a very interesting movement. Our prime minister Koizumi visited Pyongyang last September and the Pyongyang Declaration was made. The North Korean leader apologized to Japan for the incident of Japanese nationals being kidnapped by North Korea. We expected that normalization talks between Japan and North Korea would be realized successfully. But last October, when Mr. James Kelly of the U.S. State Department paid a visit to Pyongyang, North Korea said that North Korea was entitled to develop nuclear weapons to protect itself from other countries.

Because North Korea is part of the “axis of evil,” the United States might attack North Korea. And North Korea withdrew from the NPT. IAEA inspectors were forced to leave North Korea. Immediately before President Roh Moo-hyun’s inauguration, North Korea launched missiles. North Korea has still continued nuclear brinkmanship.

But on the other hand, North Korea is making efforts for multilateral cooperation. For example, North Korea has already established diplomatic relationships with 156 nations. North Korea has already established relationships with 13 EU nations, except France and Ireland. North Korean leader Kim

Jong-il visited Beijing and Moscow. He is making efforts to establish diplomatic relationships with former hostile nations and promote multilateral cooperation. The North-South Summit was successfully held three years ago.

Psychological Pressure on North Korea

North Korea needs hard currency, that’s why North Korea is using terrible tactics to export missiles and may be involved in the development of weapons of mass destruction and drug trafficking. In terms of changing the attitudes of North Korea towards cooperation, my idea is that we need a kind of stick as a psychological pressure. At the same time, we should try to give a big carrot—a big carrot means a grand design describing economic cooperation. I support multilateral progressive engagement policies with a view to encouraging North Korea to comply with requests from the international community.

North Korea was asking the United States for bilateral talks, but the United States mentioned multilateral talks are important. Particularly after the Iraq war, I guess North Korea would have changed her attitude towards conciliation, because Mr. Kim Jong-il was watching Fox TV or CNN or because he realized how serious Bush’s war engagement policy is. Maybe the Bush doctrine or U.S. national security strategy including preemption gave a strong signal to North Korea in terms of giving up a risky blackmail strategy against the international community. So, hopefully, Kim Jong-il realizes brinkmanship or nuclear brinkmanship is not a successful strategy to preserve the Kim regime.

No Need to Isolate North Korea

As North Korea’s interest is to secure its regime, discussing non-aggression treaty is crucial. I don’t think North Korea will attack any foreign countries because North Korea is such a weak country. We, Japan, South Korea, China, the United States, and Russia are

powerful countries so there's no need to isolate North Korea. We should try to implement a progressive engagement policy.

Six-party talks are very important, as this region is the only region with a Cold War structure still remaining. I think there are two different sets of players—first one is North Korea, China and Russia, and South Korea, Japan and the United States are another part. We should discuss issues multilaterally. And also, we must discuss the North Korean nuclear issue at the United Nations Security Council. Unfortunately, Japan and South Korea, major players of this region, are not members of the United Nations Security Council.

So this is a chance for Japan to be the member of the P-5 while playing an important role in solving issues of North Korea. And also this issue must be discussed at the G-8 summit.

North Korea became the member of the ASEAN Regional Forum (ARF). This is the only formal multilateral dialogue covering North Korea in East Asia. Taking a look at the track two process including NGO or local government approaches, there are several multilateral dialogues with North Korea such as the Northeast Asia Economic Forum having annual meetings in Northeast Asian countries.

Concerning the security system, there are four different types of security systems: hegemonic stability structure, and balance of power structures. Since the 38th parallel on the Korean Peninsula, there exists a balance of power security structure in Northeast Asia. And this structure will move to the collective military security based on the missile defense and so on.

Japan and the United States support the missile defense because of the uncertainty of North Korea, but South Korea, China, Russia, and Mongolia do not support the missile defense. Their concern is the possibility of

military expansion due to the deployment of a Missile Defense System.

And the next most advanced stage of the security framework is a cooperative security framework on the basis of economic cooperation. If this region changes from the black hole to the last frontier, I think it's possible to create a physical integration, economic cooperation and economic sphere. This cooperative security framework will be the ideal security mechanism in Northeast Asia. I met with Dr. Sadako Ogata at the Ford Foundation last week. She said human security is important in terms of encouraging human-to-human cooperation. Also, I think cooperative security and comprehensive security are important. So nowadays, security has a lot of linkage between the military collective security and cooperative security. All Japan has to promote is to realize a cooperative security while maintaining the U.S.-Japan security treaty. Probably Japan's military involvement in this region will be 20 or 30% but a 70% effort should be concentrated on the cooperative security framework.

Grand Design for Stability and Prosperity of NE Asia

I'd like to explain the grand design for stability and prosperity of Northeast Asia. The National Institute for Research Advance (NIRA), which is one of the most powerful think tanks in Japan, conducted the research on the development of Northeast Asia. I participated as an active member for coordinating this project. Famous economists, journalists, practitioners—not only Japanese but also South Koreans—former Prime Minister Nam, the Mongolian ambassador and several people participated in this project. We organized the workshop in Stockholm for the purpose of exchanging wider views from the European side and the United States side. This book was published at the end of last year and became one of the best selling books among the NIRA Challenge book series. The English version will be completed soon.

The objective of the grand design is to create ideal development scenarios and also to create economic spheres like symbiotic communities we can share, while utilizing physical integration to build a national gas pipeline, international public transportation, telecommunication network and so on. We applied a spatial development plan for the new frontier of Northeast Asia. Nippon Koei built the largest hydropower dam at the Yalu River running between the border of North Korea and China more than 60 years ago. This 700,000 kilowatt hydroelectric power station was built before the Second World War. This power station is working sixty years later while providing energy equally to North Korea and China.

As Japan has this kind of technology before the Second World War, our idea is to build international public goods beyond the borders through multilateral cooperation. If we see a picture of North Korea taken by a NASA space shuttle in the evening time, we can see how North Korea is suffering from an energy crisis. The northern part of the Korean Peninsula is completely dark. We can see the continuing lights of international transportation corridors such as the Siberian railways. There are nine major international transportation corridors in Northeast Asia. But unfortunately, there are no appropriate connections beyond the borders.

Natural gas is the most environmentally friendly energy in the world. Russia and the Far East including west and east Siberia have 20% of natural gas reserves in the world. China has been heavily depending on coal for more than 70% of its energy. Therefore, we have been faced with serious environmental concerns such as the acid rain problem or green house effect problem. If China shifts from coal to natural gas, it is possible to solve the problem of this environmental issue. The natural gas pipeline is from the Russian Far East, to Mongolia, China, North Korea, South Korea and Japan.

North Korea really liked this kind of project. The North Korean representatives expressed interest when they attended the Northeast Asia Economic Forum held in Honolulu in 1996. As to the questions of the risk of laying the natural gas pipeline through an unreliable country like North Korea, there is a good example. During the Cold War era no one cut the natural gas pipeline from Eastern Europe to Western Europe. This is the kind of energy that is a very important source. So I'd like to propose this project—the Korea Energy Development Organization whether to scrap or expand. I hope this expands because this is the only multilateral project in Northeast Asia. But the problem is that it's a U.S.-led project. The United States, South Korea, Japan, Australia, and Argentina—these countries are supporting the KEDO project. Russia and China must be included as major supporters but they are not supporting it.

There are two different types of multilateralism in Northeast Asia. A Chinese-led one—probably this is the Shanghai five, China, Central Asia and Russia. Another one is China and ASEAN through the overseas Chinese and the Tumen River development project led by UNDP—along the border of North Korea, Russian Far East and China. I got involved in this project through UNIDO—Japan and the United States are not keen to support this project because it is a communist-led project. Since a Cold War structure remains in this region, we must integrate two different types of projects. The Northeast Asia natural gas pipeline project is an ideal multilateral project because all six nations of Northeast Asia are able to share energy resources reciprocally. And also we can build a telecommunication network, an electric power grid and a tourist development project. We will try to integrate all different kinds of projects together. This has become very cost effective. Japanese ODA or UNDP country programs are based on the countries of priorities. This is the problem in terms of duplication of hard infrastructure. It is better to have a spatial development

project to connect border to border. We can create a cost effective project.

Multilateral Projects Key to Cooperative Security

How much does it cost to pursue this kind of big project? According to our estimate, we will spend about a couple of years. It costs about \$10 billion per year in the next ten or twenty years to create this kind of project. \$10 billion is very expensive, I think very high, but compared to the war engagement policy of the Bush administration, the reconstruction job in Iraq will cost \$20 billion annually in the next few years or more. North Korea is the most dangerous country in the world. North Korea is using a terrible brinkmanship. The international community must maintain the position not to compromise with North Korea's blackmail. It's better to prepare the road map based on preventive diplomacy or cooperative security and spend \$10 billion.

If North Korea becomes a member of international financing institutions like the Asian Development Bank or World Bank or European Bank for Reconstruction and Development in London, these three existing international organizations can provide \$1.5 billion and the Japanese bilateral or private sector or several private sectors from all over the world can provide probably \$1 billion to North Korea. As we need \$10 billion, therefore we have a vacuum or we are short about \$6 or \$7 billion. Therefore, we propose to establish a new international organization in this region.

The new international organization is not easy to build. We must understand that East Asia has a potential to become one of the three polars along with the EU and NAFTA. The location of the international organizations are in New York, Washington, DC, Paris, Geneva, Vienna, where a majority of international organizations were built in European countries or the United States. There are no big international organizations in Asia. The Asian Development Bank is in Manila, ESCAP is in

Bangkok, the United Nations University is in Tokyo. Many people do not know about the United Nations University. It's better to build a new international organization in East Asia. China said, we want to organize Olympic games, a world exhibition and attract international organizations.

A New Organization Is Necessary to Preserve Balance of Power

But if China builds an international organization—the power balance of East Asia will deteriorate. Therefore, the best way is to establish a new international organization, which is able to share three different functions while three major countries such as China, Japan and South Korea are able to share mutual interests. It needs three windows to cover three different functions such as development, social and monetary functions.

Establishing a window for development funds in China as China will be a major donor country for the development of North Korea. Establishing a social factor in South Korea as South Korea needs a huge amount of money for the unification of the Korean Peninsula. Establishing a monetary function in Japan because Japan is interested in stabilizing monetary functions from the experience of the Asian economic crisis in 1997. It is possible to establish one international organization called the East Asian Economic Social Development Organization with three different functions at three different locations. I proposed this idea to the Tokyo Foundation Project— I spent one year and hopefully it's time for us to have a new idea to deal with the problem in the 21st century without heavily depending on the conventional system.

I respect Ryoma Sakamoto who is the hero of the Meiji Restoration. Chomin Nakae, who respected Ryoma Sakamoto, participated in the Iwakura missions in the early days of Meiji.

This mission was the first large scale and long-term overseas mission. Nakae stayed in Paris

for a couple of years. When he came back, he published a book called “A Discourse of Three Drunkards on Government”.

“A gentleman educated abroad” and “Mr. Hardliner” visit “Teacher Nankai” with a bottle of brandy and they drink and discuss the future of Japan. “Mr. Hardliner” insists that the expansion of armaments is indispensable to protect the country from invasions by the great powers, and that expansion into the Asian continent is also necessary. “The gentleman educated abroad” claims that military expansion should be avoided because the safety of Japan can be maintained through the enhancement of economic and cultural interactions with other nations and gain international respect. Listening to the arguments by both, “Teacher Nankai” says, “although the ideas of ‘Mr. Hardliner’ would not be denied in the age of imperialism, it would extract a heavy price: war.” He also states that “the vision of ‘the gentleman’ would render Japan a prey to the great powers, but in 100 years, such diplomatic solutions could become practical and realizable.”

Strengthening Economic Gap Is Effective Way to Avoid Conflict

Applying Nakae’s foresight to today’s international situation, we cannot help but conclude that collective security systems and missile defense policies are no longer effective countermeasures against the international terrorism of the 21st century, and that strengthening economic cooperation to reduce the gap between rich and poor is a more effective way of avoiding conflict. In other words, “cooperative security,” consisting of enhanced economic assistance and minimal military solutions, and which promotes cultural and economic interchange, is an approach with important implications. As Nakae predicted 100 years ago, the ideals of “the gentleman educated abroad” might be finally realized in the 21st century. So history is a mirror to assure the future direction, future visions. Thank you very much.

John Ikenberry: Very good. Now, we will have our discussants. Dr. Akaha, will you take the floor?

Tsuneo Akaha: Thank you. I also want to thank the hosts of this program for inviting me all the way from Monterey. Although the weather was a bit nicer out there, I’m interested in the intellectual discourse that’s being initiated so far by Nakano-san. I also happen to have the privilege of reading the English version of the Northeast Asian grand design that Nakano-san was kind enough to email to me prior to my coming to Washington.

The Japanese version has been published and this is the grand design. Nakano-san couldn’t go into the details of the grand design but I do have some comments to share with you about the grand design. This is not a very comprehensive analysis of the grand design because to provide a comprehensive analysis will probably take a whole hour minimally, but I’m given only ten minutes so I have to do that in ten minutes. But I would also like to contribute my own thinking, my own analysis of Northeast Asia in addition to what Nakano-san has articulated so far so as to make the sponsorship of my travel from Monterey worthwhile.

Challenge of a Multilateral Engagement Framework Without the U.S.

I think one of the issues that Nakano-san articulated is how to develop a multilateral, first in history, engagement framework in Northeast Asia, with the absence of the United States. I think that is the most important, most challenging task ahead for Northeast Asian peoples, societies, cultures, and governments. Throughout the Cold War, even the post-Cold War era, the United States’ role has been key to bringing some of the Northeast Asian countries into something of a multilateral framework. The most dramatic, most recent example of that is the Chinese-U.S.-North Korean tripartite discussion, although as

expected, it is not producing immediate results. Nobody expected immediate results, but at least it is a framework in the making. KEDO also was instituted primarily by the thrust of the U.S. strategic security and intellectual input although the financial input came from Japan and South Korea.

Other schemes of a non-governmental nature that have been tried to establish multilateral institutions in Northeast Asia have also been sprung up by intellectuals here in the United States. This includes the one that Nakano-san and I have been participating in over the years, and that is the Northeast Asia Economic Forum. This really is a consortium of organizations and individuals including business people, some government officials or ex-government officials and academic and others interested in the development of the multilateral economic cooperation framework encompassing all of the Northeast Asian countries. This is basically a brainchild of someone who lives in Hawaii, who spent many years in Hawaii.

I have looked also at several other multilateral institutions that either partially or wholly embrace Northeast Asia, including the Tumen project which again could not have been initiated without U.S. participation or U.S. push or U.S. encouragement. Another one is the Northeast Asia cooperation dialogue which is a Track Two Forum; NEACD is the acronym for it. It basically started out as an academic forum but invited government officials in a private capacity to participate in addressing security issues, hard-core security issues of Northeast Asia, including North Korea. That also was initiated here in the United States.

ASEAN and APEC Described by Some American Analysts as “Talk Shops”

CSCAP is a multilateral forum, also started out as an academic exercise but it has become a Track Two framework engaging diplomats again acting in private capacity. It was also

started here in the United States. The only forum or forums in East Asia begun by Asian initiatives, which partially cover issues of concern to Northeast Asian countries are ASEAN and APEC, but as you know, ASEAN and APEC are described by most, if not all, American analysts as “talk shops,” not moving beyond dialogue and discussion and some consultation with very little to show in terms of substantive results.

When you look at all of these efforts that started either in the brains of U.S.-based intellectuals or Asia-focused thrusts, you notice several challenges that have really prevented any one of these institutionalization efforts from becoming truly multilateral constructive engagement forums that Nakano-san was talking about. I think it is good to have a grand design that encompasses all the ideals that this region needs to overcome, all the obstacles that are there. But I think, from the perspective of an academic such as myself, I tend to look at the realities that make it very, very difficult. I know that Nakano-san realizes and recognizes the difficulty of establishing such a forum but I need to point out what those difficulties are, and Nakano-san pointed out some of them.

Difficulties of Establishing a Grand Design

First, there is no common strategic vision among Northeast Asian countries. I have to be very brief in listing all these factors.

Secondly, domestic priorities in each of these countries compete against any foreign policy interest on the part of some intellectuals or some business people, including some think-tanks. And so far, domestic priorities in each and every one of these countries, including North Korea, have prevailed over foreign policy interests, including the possibility of Northeast Asian multilateral cooperation.

Thirdly, there is a huge gap between the priorities of the central governments of each one of these countries in Northeast Asia and the

regions or the provinces. Most of the impetus in terms of human resource participation, dedication of some funding, have come from provincial levels in each of these countries, perhaps with the exception of China where in the Tumen River project, the Chinese government has made substantial investment as well.

Fourthly, the market forces within each one of these economies of Northeast Asia have engaged with other market forces beyond this area, if you look still today at the Chinese market integration with the rest of the world, Japanese market integration with the rest of the world. And certainly Russian, Mongolian, even South Korean market integration with the rest of the world, the degree of integration there is far greater and far deeper than integration within the region.

There is some change towards a greater importance of intra-regional trading and investment within Northeast Asia but still, as was indicated in the aftermath of the 1997 financial crisis, the U.S. economy, the U.S. open market, is essential. It is crucial to the recovery of each and every one of these economies, including Japanese and Chinese. So it is very, very difficult to establish even a market-driven multilateral framework such as a free trade framework or whatever, just within Northeast Asia without engaging the United States.

Multilateral Forums Will Be Difficult Without U.S. Participation

And for political and security reasons, multilateral forums within Northeast Asia, as ideal, necessary, and desirable as they may be, will be extremely difficult without U.S. participation. So I think that's the first, most important difference of opinion that I have to share with you—that is, with respect to the role of the United States economically, strategically and politically.

Secondly, I do embrace the idea of, as I said earlier, ideals being put together into a grand

design clearly differentiating itself from a previous attempt by the Japanese, developing a grand design of sorts, that is the East Asia Co-Prosperity Sphere. I think this new design is quite new and there should be no mistake about the fact that this has nothing to do intellectually or otherwise with the East Asia Co-Prosperity Sphere.

But to overcome the suspicion, especially when these ideas come from Japanese intellectuals is extremely difficult and the difficulty comes, I think, from two sources. One, so far the international relations among Northeast Asian countries during the Cold War and after the Cold War, and even to this day, is driven by states, not by the markets, not by individuals, not by corporations, but states, that is, representatives of central governments, supplemented increasingly by representatives of provincial and local governments.

But still, the level of local-provincial influence on the national priorities across national borders is extremely limited, and much of the political game, much of the economic engagement, most of which is bilateral as opposed to multilateral, is driven by the interests of the states, unfortunately. And until this dynamic changes, developing market-based private sector oriented institutions of a multilateral nature is going to be extremely difficult, and even if it were established for some reason, the effect, the impact, the policy impact, and the political impact of this would be rather limited. So that's another very cautionary note that I'd like to share with you.

Legacy of the Past Continues

The second reason why it's extremely difficult to overcome potential suspicion that the Japanese are at it again is that at the human level, the legacy of the past continues. Northeast Asian people do not identify themselves as Northeast Asians. First and foremost, the Chinese identify themselves as Chinese. First and foremost, the Japanese identify themselves as Japanese. First and foremost,

Koreans identify themselves as Koreans, and first and foremost the Russians that are living even in the Asian part of the Russian Federation consider themselves Russians, clearly not Asians. And as long as the identity of each significant individual who is in a leadership position, in a position of power in each of these countries, as long as that individual's identity is merged with the national identity as opposed to transnational identity, it's going to be very difficult for a multilateral forum to overcome suspicions that are generated by the state-centric, nationalism-driven ideas and concerns; they are going to be very difficult to overcome.

Migration Has Helped to Break Down State Erected Barriers

Having said all of that, we need to break down the barriers erected by the states, territorially, politically, and certainly economically, and where do we begin? Well, the phenomenon has already been in progress for the last ten years, generally known as migration. My colleagues at the Monterey Institute and my colleagues at the United Nations and elsewhere and I have been discussing how to use the new opportunities that migrants are providing and how to deal with the challenges that the migrants are presenting as they cross national borders.

We are looking at the Chinese in Japan, in South Korea, in the Russian Far East. We are looking at the Russians in China, South Korea, Mongolia and Japan; we're looking at Koreans of various kinds—North Koreans, South Koreans, Central Asian Koreans, Far Eastern Koreans, Chinese Koreans, as they move across national borders.

Our hope has been, and continues to be, that with the increasing flows of human beings across national borders, local governments, regional governments and national governments will find it necessary to develop multilateral frameworks to address common issues and concerns. For example, what

happens if a migrant moves from country A to country B on his or her way to country C? There ought to be uniform human rights protection standards, for example, among countries A, B and C.

And this is happening in large numbers—tens of thousands of Chinese, some people say hundreds of thousands of Chinese are moving into the Russian Far East, although that's a bit exaggerated. Some people say that two hundred thousand North Koreans are resident in Northeast China, in hiding for the most part, although those numbers I think also are way exaggerated. And tens of thousands of new Chinese and new Russians, new South Koreans, and a few Mongolians are moving into Japan. I say "new" because they are to be differentiated from the Koreans and Chinese that were forced to move to Japan whose descendants are now more Japanese than Chinese or Korean, who are now living in Japan.

At any rate, the influx of migrants throughout Northeast Asia is an extremely important dimension of international relations—I call it the human face to international relations of Northeast Asia that has no historical precedent. And these people are moving voluntarily, not because they are forced to. And most of them are being pulled and pushed by economic factors, but some by cultural factors. And unless and until their energies, their talents, their human resources are harnessed by the local governments, by the regional governments and eventually by the national governments, the grand design will remain simply a grand design, and it will be very difficult to implement it because after all it's the people whose winnings and losses will either make or break the successful implementation of the grand design.

So with that, I'd like to finish. Thank you.

Kongdan Oh: I also join the previous two speakers about this wonderful opportunity but also I would like to add that John, our very handsome chairman's leadership and organi-

zational skills have made this exciting dynamic program for the last couple of years such a highlight, as I can see from the attendance here. I was expecting maybe twenty at most, tonight being a Monday night, but I'm so glad to see very exciting faces here. I called Tamotsu because he's like my younger brother and as a younger brother I can retile the "grand design" as "multiple resources and multiple dreams." I'm the little cooler level-headed elder sister who is a bit wiser and more realistic. I'll call it "multiple problems and no multilateral solutions."

But it's very refreshing, particularly in this very political town that everybody basically has a gag order not to speak with condescending voices. But when it says that North Korea is entitled to have nuclear weapons or we cannot engage in very destructive wars, it's kind of very refreshing to hear that. Also, it's nice to have an optimistic view, why not?

We can have a much more grand vision, I think that's a very good beginning. But since I mentioned that I will play a little bit of a nasty elder sister role, let's be very grounded on the reality here. Also I give full compliments to Akaha-san. I knew immediately as soon as he was the first discussant, I didn't have to worry about the serious discussion at all because he will take on all the great jobs and I'll be very succinct.

If you look at Northeast Asia—although we are all familiar—just quickly envision the Northeast Asian region—the regional core—China, Japan, two Koreas and Taiwan, I agree with Tamotsu that we should include Taiwan. And the Far East Russian Mongolians are on the periphery, they are the marginal players no matter what they say. And there are 100,000 American troops even though we are 8,000 miles away; it's permanently positioned in the region. And as history showed, Europe and NAFTA show the good example that so-called multilateral institutions are possible. After the hundred years war, the bloody Europeans finally have one currency which really made

my European trip very simple. And the U.S., Canada, and Mexico today work very well together.

But again, let me describe Northeast Asia today. China still threatens Taiwan; North Korea is still hostile towards South Korea, Japan and the United States. Russia and Japan forever contest the Kurile Islands issue, territorial issues. China and the U.S. fear each other and no matter what they say at the Crawford farm doesn't make any difference, they view each other with a deep suspicion and China and Russia basically are on kosher terms but they are not genuine close friends at all.

Lack of Unifying Multilateral Institutions

So certainly the region has a lot of problems, and there is a lack of unifying multilateral institutions. And so going into the little bit more serious questions, if such institutions were formed, would they reduce hostility? What form should such institutions take? Primarily economic? Maybe based on the theory that economic cooperation leads to political operation? Or as some people argue, security related because based on the theory that secure countries can may be downsize their militaries, thereby becoming less threatening to their neighbors and more prosperous.

These are very big questions. And if you look at today's reality, since my first specialty is North Korea, the focus of U.S. anti-terrorist policy in the Northeast Asian region that we are talking about, the grand design is on North Korea. North Korea is geographically centered in the region; it can easily spread trouble in the form of attack or refugees flows to South Korea, Japan and China.

Washington has its hands full dealing with North Korea today, not to mention contending with the growing China as you always hear. What about stimulating the lethargic Japanese economic recession and all these problems, and cooperating with an increasingly independent South Korea?

You've heard about entire American sentiments today, right? And that's the reason why President Roh is making a work visit to work hard together with Bush, or will the regional multilateral institutions promote the greater cooperation in economic and security affairs in Northeast Asia and help bring peace and prosperity to the region? If so, what has prevented the formation of such institutions? Why? I think this is a very core question.

Before answering this question, although I really hate theory, let me just summarize the two very existing important kinds of thoughts on the so-called international relations.

Realistic View of International Relations

The first one of course is the realistic view of international relations currently prevailing in the Bush White House, basically emphasizing the importance for each state's security. Should each state secure power, militarily mostly but also use other forms to protect itself from other states? States cannot trust other states or multilateral institutions to protect their own states' interest but such institutions can play a subsidiary role as a tool to help balance power between states. This is basically a realistic view, which is adopted by the Bush administration.

On the other hand, institutionalists believe that multilateral institutions can change the nature of international relations in the direction of greater cooperation, more restraint and less conflict so it's close to the grand design version. By creating so-called informational structures and opening channels of communication, institutions can help states communicate with each other and understand each other.

So institutions may constrain members in a so-called web of interdependence. For example, by building a domestic political constituency that favors cooperation over confrontation. So if you combine these two groups of thoughts for both realists and internationalists, then the

issue is not whether to create international institutions but what kind of institutions will best serve the interest of each state and all states collectively. For example, the very famous political scientist, Robert Keohane, has proposed that the most useful institutions are those dominated by only a few members which is similar to the realist view that a bipolar balance of power is more stable than a multipolar balance.

Institutions Should Have Members With Similar Values and Political Systems

And also Robert insists that this should consist of members that have similar values and political systems. This is very important because these social values are not per se important and critical but they're reflecting that there are different rules of law, business ethics, basic respect and integrity towards human and individual rights. And if you look at Northeast Asia, what do we have? We have a total totalitarian country, North Korea, of which the transparency is, if you give a scale of 1-100, maybe close to zero. And China today is reportedly evolving and developing and they are aware of the importance of that but nonetheless through the very tragic case of SARS, we see that from 1 to 100, you can name your own number, maybe close to the younger generation age.

Foreign Policy-Decision Making Model of International Relations

And so in regard to formulating policy towards the dictatorial regime that Akaha-san mentioned, that Northeast Asia—mostly states are the main actors, but I think there is one exception, that is North Korea. So in that case, it may be worth mentioning another view of international relations, that is, the foreign policy decision-making model of political psychologists. According to his model, the primary actors in international relations are policymakers because maybe in North Korea we are not talking about policy makers but maybe one maker than states. So in

that case, there is a third element that is needed.

So there are no grounds for expecting that the states of Northeast Asia will establish a strong economic or political community in the foreseeable future. I put the word “foreseeable” with emphasis because I do hope that Northeast Asia is changing. The barriers to building such a community are very, very obvious today.

But let me end my notes with a little bit of an optimistic note. One may be the possibility for the first time to test whether multilateral corporation before any grand design can be successful—that question is that test will be the testing of multilateral cooperation excluding North Korea to resolve the nuclear issue. Can all the countries in the region work together to deal with the so-called either nuclear rise North Korea or a nuclear rising North Korea. It will be a very interesting and challenging test for the future design. If Northeast Asia fails again and says that the U.S., you are the only one who can do it, otherwise we will be wishy washy, we’ll be fluttering, we’ll be complimenting, we’ll be sliding and silencing and hiding, then again I think the Northeast Asia grand design will be postponed to a little bit more distant future rather than the foreseeable future. These are my comments.

Q & A

Ikenberry: Thank you very much. Well, we have a full agenda here and we have information and arguments that will allow the optimists in the crowd to be happy and the pessimists to have their views confirmed as well so we’ve got the full range. What we’ll do now is open things up and introduce yourself and direct your comments to one or more of the panelists and then we’ll let the panelists read their reactions to each other as we go along.

Questioner: I understand Mr. Nakano’s posi-

tion is very optimistic towards the future. And then Professor Akaha’s and Dr. Oh’s comments are a little bit cautionary response to that optimistic view. I’m wondering whether either position can break through the middle point which will be a grand design with many components as information technology development or natural gas or railroad construction.

I’m wondering whether these components, instead of taking all together which is a massive undertaking, whether you can break it—maybe put the railroad first in terms of priority, or telecommunication or financial institutional development. And in each case, whether each country involved can take a leadership role. For example, in financial institution building, Japan may be in charge of construction of railroads, or Korea may be responsible. Or China will be in charge of maybe something else like trade development or whatever. So the practical way is there is something you can go in between rather than become optimistic or less optimistic or more pessimistic. I wonder whether you can comment on these three points.

Nakano: Thank you very much. You know, I’m very optimistic and we need a dream. We must show five years later what kind of picture will be in Northeast Asia. And like President Putin who will show railway diplomacy or energy diplomacy, President Putin is an extremely pragmatic president and also President Roh as far as I know in his inauguration speech, he talked about peace and prosperity of Northeast Asia—grand visions. He had a vision. He knows that there may be ideal situations. He is also a pragmatic president and President Roh respects state democracy. So if we try to identify the mutual interest between North Korea and the international community, we can create some concession on both sides. This is peace and prosperity. And also, dialogue engagement, cooperation are key to these regions.

And we try to forget war engagement since North Korea has nuclear weapons. It’s the end

of war so we have that action or attack there. So concessions are needed but we must show the dream so I'm optimistic.

Questioner: In terms of priority, which one comes first?

Nakano: That's a good question, thank you. For example, Mekong River project where we made a mistake. For the Mekong River project we started from every sector without having an overall image. This is a grand design in Northeast Asia, plus we have a vision to try to integrate everything—railways, natural gas, electric power, telecommunications are integrated beyond the border to build international public goods. I think the priority is to integrate, this is important. Thank you.

Akaha: Just two thoughts. I think the sectoral approach is the reality. In some areas, mostly bilateral still, but some multilateral cooperative arrangements have already been made such as the easing of visa requirements for business people and other tourists, such as the customs inspection regulations standardization, some communication in terms of transportation development including between North and South Korea. And there are many ideas of multilateral sectoral schemes such as the ones that Nakano-san has mentioned, particularly the natural gas pipeline issue.

And also the Tumen project also started out as a grand design in the minds of some people but when it came down to actually implementing the design, it was basically a sectoral approach—transportation, communication, and infrastructure first and then manufacturing, tourism, and so forth, and then finally environmental concerns were integrated as well.

Grand Design Would Have to Be Implemented by Sectors or Areas

But what this says is that you could start with

a grand design as an ideal but in actuality the implementation would have to be sector-by-sector or area-by-area. When Nakano-san was talking about how geographically one ought to define Northeast Asia, he used the term “natural economic territory.” Bob Scalapino coined the term. It doesn't have to encompass the entire China or even the entire three provinces of Northeast China. It doesn't have to encompass the entire South Korea or even the entire North Korea.

If you concentrate on the border regions, you may be able to develop some pieces of a puzzle that would eventually grow into a much larger mosaic. The second idea I would like to share with you is that while these economic, technical, sectoral projects are proceeding, I think it is important for people of this region to become habitually thinking in terms of cooperation.

The first thing that comes to most political leaders and business leaders is, can we trust the people across the border? That mindset has to be changed to one in which the first thing that occurs to people is okay, we decide that cooperation is a mutual benefit. How do we cooperate? So we start out from the premise that cooperation is essential, is necessary for our own self-centered interest. And in this respect, I think it includes non-traditional security areas, including human security such as health, such as how tourists ought to be treated by government agents.

Perception of Mistreatment Between Russians and Chinese

I mention this because I just came back from Vladivostok, where there is much talk about Russians who have traveled to China being mistreated in their perception. They were there to buy consumer goods so they can bring them back to Russia and sell them for ten times as much as a way of making a living. But when they returned, they spread rumors or personal experiences, personal stories, about how badly they were treated by the Chinese

because from their perception the Chinese now feel that they are superior in some way for the first time in their history of dealing with the Russians. The Russians feel that the Chinese look down upon them, it's so humiliating they can't take it, so they spread rumors about how badly they are mistreated. But when the Chinese come into the Russian Far East, they are mistreated by the local Russians. So mistreatment is mutual.

This mistreatment should be checked through some kind of NGO or government-sponsored workshops or inter-cultural training programs as to how to treat people from other countries as decent human beings; very basic education is essential. Unless that kind of soft infrastructure in the minds of the people develops in parallel with the physical infrastructure or railroads and so forth, I don't think even essential parts of the grand scheme can be successful, particularly the health issue, because it hurts everybody. It hurts the national government as well. Look at the SARS case. The Chinese government will have a long way to go to recover their credibility as someone who can inform the rest of the world as to how many people have come down with SARS.

Oh: I just would like to introduce one episode that I experienced, a very almost humorous example. I visited Guangzhou, really the main engine of the Chinese development. I observed a Chinese general trading company making cardboard, the shipping boxes with English labels made in Korea, then the boxes were filled with unlicensed illegal goods such as snakeskin bags and dog fur coats. I asked if the products came from Korea and they smiled telling me you are *hunbun*—you are very stupid—I speak a little Chinese.

That Chinese trading company will be free from trouble if these boxes were confiscated because the traders will just simply claim that they were merely forwarding and shipping South Korean original products. One example of that is they stopped doing it simply

because there was an international inspection team that basically inspected all of the cardboard.

So I think that's what I'm saying is that unless you introduce rules, mistrust will not be going away very easily because that has been habitual as Akaha-san said. So I think the turning point has to come.

Questioner: I'm with George Washington University and the Woodrow Wilson Center. I have a question for Mr. Nakano and then comment I guess from both Dr. Akaha and Mr. Nakano. The question is quite simple in the sense that you mentioned that in your view North Korea does not propose a serious threat to the region as a potential nuclear power. I would agree with you on some level.

But if you could talk a little bit about what is going on in Japan in terms of the interpretation of serious threats so as to move Diet members as well as media and the country to consider taking up a much more hard line position on self defense. And I understand there is a lot of domestic manipulation and politics involved, but if you could talk a little bit about that—your view versus what the trends are right now.

And then my comments are regarding your mention of the states leading versus multilateral institutions or multilaterals leading, etc. And Dr. Akaha's comments about migration. I think one area in which states and transnational forces, states and people, have been meeting together in a new orientation which is very—if one were to look at your optimism as evidence, I would say, is if you look at pop culture in East Asia in the last ten years, there has been something that's been changing. And that's something that most of us who study security and foreign policy don't look at.

Increase of Cultural Exchanges

The softer areas of exchanges, commu-

nication, give and take, integration, in the last ten years—and there's a lot of literature in the English language by Americans as well as Asians, Australians, Canadians, Brits, etc. who focus on these cultural exchanges—the exchange of music, arts, travel of course, education—Korean students going to China, Japanese in China, Koreans in Japan, vice versa. These are all increasing over the years and it's not just a one-way street.

So that's one area—educational exchanges—that one can look at to see how the human forces might be helping to integrate a region over the very, very long haul. And also introducing new ideas, lifestyles, etc. Pop culture, most East Asians know, Korean videos, Korean hip hop groups, etc. have made hits in Japan, Japanese come over to Korea to sing together and form bands together with Koreans.

These are phenomenal changes, both as peoples and as government policy. These were not allowed before. About a year and a half ago, the Chinese government allowed a boy and girl hip hop team to go to South Korea to be trained in hip hop music and performance for I think a two month period. I read this in the *New York Times* and I was flabbergasted reading the news because this was the Chinese government officially sponsoring this kind of trans-national government sanctioned exchange of pop culture that's rather risqué in China and potentially incendiary in some way for the youth.

What's also interesting is that Koreans are deemed so nationalistic by the American press, by some Korean media etc. But the 20s generation who are deemed the most nationalistic is still the same generation that seems to be the least nationalistic or increasingly less nationalistic towards Japan and the most cosmopolitan toward all of Asia and even towards the United States.

So if we look at the human factor on many of these levels, I think there is some truth to both

the vision as well as some of the recent history that you are commenting on. But I think that one thing that hasn't been mentioned perhaps is that in order for these migration flows to continue and in order for these cultural flows to continue, economic growth in East Asia is vital.

You're not going to have studied migrants in South Korea and Japan a bit and you're not going to continue to have the numbers of people coming and going and forcing governments to change. The South Korean government changed its citizenship requirements because of not only Chinese migrants—the dominant group—but also the migrants from Southeast Asia, even parts of Africa who are advancing their personal interests by marrying or by having children with Korean women faster than the government could handle it. And it was the government who had to respond in late '97.

Government Pushed Into a Multinational Identity

So people are pushing the government in some direction toward this multi-identity, multinational identity, multinational transnational orientation. At the same time, people aren't going to move to Japan, to Korea, even to China unless the economies continue to prosper in some way and people can't consume one another's cultural goods unless the economies can produce them and allow for people to have that consumption power. So I think all of these forces are tied together and if you would comment on any of them, I'd be grateful. Thank you.

Nakano: Thank you very much. Your first question is if North Korea is the most dangerous country and the response from Japan and the new conservatives in Japan are getting stronger. I think partly I appreciate most Korea because Japan is becoming a normal country.

Questioner: Thanks to North Korea.

Nakano: Thanks to North Korea. For example, the kidnapping issue. North Korea did a terrible thing. Last October, I went to a Japanese coffee shop and sushi bar. Students and women, everybody was talking about the kidnapping issue. Japanese people, ordinary people started talking about the security issue and diplomacy. This is very good. Fortunately some hawks in Japan are quite happy to build a missile defense system, including discussing nuclear weapons.

Concerning the nuclear issue, I have very strong opinions and probably some people here have read a book by Ishihara Kanji, *the Final War Theory*, published before the Second World War. He said Japan will be the main player of Asia. The United States is a leader of the West; the two countries are going to fight the final war. One of the countries will use an atomic bomb.

Ishihara Kanji is a Buddhist who admires Nichiren, but at the end of the time he had a big fight with Mr. Togo who was head of the Japanese imperial army. Ishihara is the man who insisted in withdrawing the Japanese army from Asia, but the United States used the atomic bomb twice—in Hiroshima and Nagasaki. That's why calm and peace came for permanent peace in terms of avoiding nuclear weapons. Japan's biggest contribution was to show the danger of the atomic bomb through Hiroshima and Nagasaki.

Local Exchanges Between Japan and North Korea

The second question is the role of local governments, NGOs and the human-to-human concept. I lived in Tottori and Niigata for five or six years. These two prefectures are facing the Sea of Japan. For example, the Japanese government doesn't have any diplomatic relationships with North Korea but Tottori, Sakaiminato, a very small city, has a cultural exchange with North Korea. Tottori promotes cultural exchanges with Wonsan, North Korea—local governments try to create

something. The problem of North Korea is that one hundred North Korean technocrats control probably 22 million people.

In general North Korean people are not so bad. The North Korean regime is bad but we should contact the 22 million people to create dialogue engagement, exchange or cooperation, so we can solve the problems through track 1.5 or whatever, we should build different channels to contact an isolated country like North Korea.

Ikenberry: Other comments?

Akaha: I just want to echo the idea that you've expressed about the importance of culture being transmitted from one country to another or one part of a country to another by the flows of people, and the economic growth that is necessary for those flows to continue. I would like to be cautionary. I've been looking at the influx of increasing numbers of Russians into Japan to test the theory of Huntington's civilization clash on the ground. Not just Russians from the Far East but also Ukrainians as well, mostly women by the way, are coming in large numbers.

For example, in the city of Wakkanai which is a very small city with a population of around 40,000, each year 47,000 Russians come and leave there quickly. Because most of them come off the boats to purchase consumer goods and bring them back to Russia and sell them for ten times or twenty times to make a living as was said earlier. What's very interesting and also challenging is that when I interviewed local people about their perception of the Russians coming in large numbers is that they don't know them personally but they see them on the streets. They see them in bars; they see them at the harbors. They also remember a headline in local newspapers about the Russians killing each other, shooting each other on a street corner. While the Russians coming into the bar are drunk already or walking down the main street of this little provincial town half naked, now if

you know anything about sailors, sailors have their own culture, whether they are Japanese sailors or Russian sailors. What the Japanese locals remember is that these are Russian sailors. So that concept of the Russian stays in their minds, so even though they have no personal experience with the Russians, they already have made up their minds that the Russians are to be warded off, that they're not to be trusted. And of course the Japanese government's propaganda for the last fifty years has been saying to the Japanese that Russians are not to be trusted.

Regulated Immigration Is Essential

So given that, this new information that they gather by looking at local media coverage further worsens their image of the Russians. So I think some regulated or some managed immigration or trans-border flows of people is essential. It's a good thing for people to be able to cross the borders, no question about that, but if that is not regulated somehow, the impact could be rather negative than positive.

The important role of the media was dramatically seen in the case of the five Japanese abductees that Nakano-san was talking about earlier. If the media had paid no attention whatsoever during those first few days when the revelation came out that North Koreans treated them terribly, that there may have been many other abduction cases and so forth, I think the Japanese people would have continued to support Koizumi's approach to North Korea—the opening of diplomatic ties with North Korea eventually.

Media Played an Important Role in North Korea Abductee Issue

So the media played an extremely important role, but if you look at the *Asahi Shimbun*, the *Mainichi Shimbun*, the headlines are pretty much identical. Most people don't read the details; they look at the headline and the first few paragraphs, they come to the conclusion that all North Koreans are horrible, the

government is not to be trusted and how dare the prime minister go to North Korea without getting some kind of return on their diplomatic investment. And if I stated something like this in Japan now, nobody would listen to me tomorrow because the mass hysteria against North Korea is just so intense now. Even newspaper reporters told me in Niigata who have long historical ties—Niigata has long historical ties with Korea and with the Russian Far East as well—the reporters told me they can't write anything critical of the Japanese mass hysteria over the abductee cases. One of the abductees actually lives in Niigata. They are receiving lots of emails or angry letters from the readers so they're censoring themselves in line with the national mood which is very, very negative against North Korea today, which is very unfortunate.

Questioner: I'd like to fully support Mr. Nakano and also after listening to the three professors that it's time to be positive because we've been negative about the developments in Northeast Asia for a long time.

But when you look at what happened in Northeast Asia including Japan—I'm from a generation that experienced a little bit of World War II and many of you still see Korea during the Korean war through MASH on the TV program; Japan was essentially a war-torn developing country and look where it's gone in sixty years or even fifty years. Today's GNP per capita is, let's say, \$30,000 per capita if not more, depending on how you calculate it.

Korea in the '80s, when I worked at the World Bank in East Asia, was a very poor country in 1985 still. And China just opened up to projects. The stories of how poor China was, was common knowledge, and look where they are today.

There's only one pocket where that development did not catch up, and that's North Korea for various reasons. But to say North Korea is a huge threat when it's total economy is less than 1% of Japan's and less than one-fifth of

1% of that of the United States and to attribute that to be a major world threat is ridiculous as far as I'm concerned. Then I suspect that there are people making money off this huge projected threat and living off that threat.

That's the part that I'd like to make some comments because the real way to go now just as in the last half of the 20th century, East Asia including Russian East Asia, made this fantastic progress. Now is the time to start looking for the next fifty years when there's going to be real progress in Northeast Asia and for those countries other than Japan to catch up with Japan to \$30,000 per capita. That's my comment.

Ikenberry: Comments or reactions?

Nakano: Thank you very much. Kikuchi-san and I were in the same airplane about six months ago and Kikuchi-san sat beside me and talked about this issue for ten hours. Kikuchi-san worked at the World Bank for almost 30 years and I had an opportunity to make a presentation at the World Bank and I talked about this grand design. The Japanese who worked in the bank supported my idea because these days everyone is talking about infrastructure, governance, something like that. Japan has to denounce war. We cannot be involved in military-related activities, so we must create a peace building or activity—preventive activities, preventive diplomacy, so through the grand design we want to create concrete measures.

So that's all, thank you very much.

Oh: I do also, although I play a very bad cop role here today, but to be just a little bit sensible to keep the balance of power, I do believe that in 20 or 30 years or when I'm gone to be fertilizer for the earth; I think that for example U.S. forces from Asia will withdraw, China will be a transparent working democracy and the Koreas will be united and Japan will play a humbling but still very interesting leading role in high tech and stuff like that.

I do believe so but the problem is that, particularly with the Bush administration and 9/11 and all these changes in the environment, it's a very, very negative and tense situation. The North Korea policy or the so-called debt we may pay this bad ruler because we're just enlarging the size of stress unnecessarily and I am in 100% agreement with you. When I was a member at RAND in 1993 when North Korea announced that they were withdrawing from the NPT, I was one of the unique minority basically advising the Perry team at the Pentagon. I said, "if I were you, I will just not touch them and let them just move out."

I used the analogy of the golf course, golf club. The golf club attire or manners is required but here is this half naked gangster coming in, womanizing, drinking, in the middle of play, what would you like to do? You cannot kill him but if he says I'm resigning, I say great, let him go.

Somehow I felt that North Korea was bluffing and the second mistake of the American government was maybe again the continuing, the tragic situation, that is so-called functionalist arms control nuclear proliferation experts would like to solve only from the viewpoint of NPT proliferation. At that time, I was suggesting that you should listen to area specialists and Korean specialists who know maybe how to handle the negotiations. But I do not want to name names but all of the top dogs basically were telling me, "we don't want to hear anything about the North Korean internal dramatic situation, it's none of my business, we don't care about what North Korea is doing. We only would like to stop Yongbyon."

And I thought at that time it was blackmailing and so that's the reason why today we are facing this situation. And again, we don't have any better solution but I think we have to have a clear mind not to worry too much about it, have a little bit of a benign neglect and prudence and patience working together among the East Asian region countries. I think

we may come up with a much better solution but again I give you a realistic note, this administration is not listening very clearly.

Ikenberry: Your questions or comments.

Questioner: I would appreciate your optimism on the grand design, Nakano-san. I have two questions: the first, how far has the grand design been developed and from your point of view, what is the toughest hurdle to go over to implement your whole grand design?

Nakano: Thank you very much. We started building the grand design about two or three years ago, but before starting we spent about seven or eight years through the Northeast Asia economic program—Akaha-san has been involved in it, and we discussed it through the Northeast Asia Economic Forum which is the international NGO and after having several different experiences I joined Nihon Koei, a leading Japanese consulting firm; this was a wonderful time for me. Everyone was talking about the study on the desk but our company had experience to build a design through physical integration.

So we are talking about building the big physical integration, a big economic sphere or symbiotic community, multilaterally, since Japan has capital or technology. This, combined with natural economic theories and after preparing this one, we submitted this one to some ministers. I had a face-to-face meeting, and I talked about this to several bureaucrats and many people said this was too optimistic.

But in my view, it is just kind of a combination or combined expertise of think-tanks, universities and consulting firms. For example, who was the winner over the Iraq war? Bechtel? My company, not Bechtel, but anyway, Japan must provide \$10 billion as war contribution money, even though we are facing a serious economic crisis. We try to think of a win-win situation. We need visions. I just want to show a dream and to work

together. North Korea is happy to build and also the Japanese government or several enterprises must be involved. Everything depends on the Bush administration and North Korea. Fortunately, North Korea doesn't have any oil so therefore the possibility of preemptive action against North Korea is very small and the Bush administration has been seeking a diplomatic solution, unlike with Iraq, so this is a chance for us.

The U.S.-Japan security treaty is a cornerstone. And Akaha-san mentioned that the United States is not opposing the creation of a multilateral network here so now is the chance for us. The United States made a big mistake to attack Iraq because it requires a huge amount of money to reconstruct it, so the U.S. thinks it should seek a diplomatic solution in this region.

So this is our grand design which hopefully will meet the Bush administration's interest. Concerning the natural gas pipeline, Exxon is the key to be involved. So not only the six Northeast Asian nations but also some U.S. private enterprises are to be involved. This is the scenario or the situation at the moment.

Ikenberry: One more question from someone on this side and then we'll have the three panelists present their last thoughts.

Questioner: The incentive for the cooperation in Northeast Asia including the United States is probably economic development. In NAFTA, I'm sure that many people, many advocates want to increase GDP. That's very, very strong. Mr. Nakano pointed out that the Bush administration is kind of an obstacle but I'm sure that without any exception I think all countries are interested in economic growth especially since the U.S. economy is going down so it may be interesting, and of course Japan's economy is shrinking.

I think economic growth incentive may work, so my question is what is the characterization of the economic growth future in East Asian

cooperation? Is there any possibility for such a thing, such as some laws of the prospect of economic gain for cooperation?

Ikenberry: I'd like to add that when the three of you speak, what role or how critical is robust economic growth going forward? In other words, if we actually have another decade of recession and slow growth and cycling in and out of growth, nothing very robust, what will that mean for regional cooperation?

Nakano: Thank you very much. If we invest money in Northeast Asia, particularly the effective part, the multiple effect in this region is attractive. For example, if we invest the money in Hokkaido or in a rural area of Japan, the multiple effect is very low—1.2 or 1.3 times. It might be minus. During the 1960s Japan borrowed money from the World Bank to construct the shinkansen and Meishin highway, the multiple effect was very high. And so we have a lot of pension money, we must invest our pension or bring those assets to Northeast Asia. So this is the kind of combination, security issue and economic cooperation. We can achieve two goals at the same time. Thank you.

Akaha: I think that as long as there is the complementarity of the economic aspects that these countries have within the Northeast Asian region, even if economic growth that is the larger of the economies does not pick up let's say in the next five to ten years, I think there is still a prospect of the complementarity eventually bringing these economies closer, assuming that all of these countries will be able to overcome or survive the current phase of threats and SARS, nuclear threats, TMD, etc.

I'm not so optimistic about the U.S. being convinced that North Korea is not really a serious threat and therefore we don't need to pay too much attention to their rhetoric. I agree with you that North Korea is, objectively speaking, not a great threat, but the

mentality, the psychology, the strategic thinking that exists in Washington, D.C. among certain key circles does not agree with our thoughts.

Ikenberry: Not to defend the administration but there is a view that if the reprocessing of plutonium takes place and the fissile material is then in a form where it can go anywhere and escape detection, and it can feed into sort of networks of terrorism and that nuclear material can become a bomb that could find its way up the Potomac so once you reach a certain threshold, North Korea could become a huge threat because of the material that they would be able to surreptitiously pass off to others.

That's pretty scary. So I want to say that there's at least two different views on North Korea, and whether it's a threat or not. But the threat view is not so much based on GNP or the willingness to attack South Korea or Japan but the way in which the regime can feed weapons of mass destruction into shadowy networks that can be dangerous.

Akaha: Two points I'd like to make: one is that I think we do need to clarify the difference between conventional threat, military threat that you just mentioned, that is, attacks engaging in a long-term war, a historically aggressive kind of a threat. I don't think that exists in North Korea. To the extent that any threat does exist, I think it is the nuclear material that may be shipped out of North Korea. But even that, I don't think, goes along with my understanding of Kim Jong-il's rather calculating rational decision making with which he has gained quite a bit in the 1993/1994 negotiations.

To the extent that he can continue in that mode of thinking, I doubt seriously that he would risk his life, his regime's survivability, and the North Koreans' survivability by allowing or by encouraging the leak across borders of the nuclear material. I think it is part of the bluff.

North Korean Threat Exaggerated

I hope I'm right. I do know that several of my colleagues at the Monterey Institute—the Center for Non-Proliferation Studies are watching North Korean behavior from the global perspective of the global non-proliferation needs and they oftentimes end up not looking at the peculiarities of North Korea, the geography, North Korea's relationship with neighboring Northeast Asian countries. So they end up, to my mind, exaggerating a little bit the North Korean threat.

Somebody mentioned in the audience as well that when growth takes place in Northeast Asia, that is a good thing. Of course it is a good thing. But if growth continues to the point of a convergence of levels of economic performance, then complementarity diminishes. So I think it is good that different countries are at different levels of economic development and progressing at different rates with different internal economic structures.

Japan, as I understand, is a very different economic structure today from what it was thirty years ago thus reducing, for example, at least for the time being, its need for natural resources. So natural resource based industrial manufacturing is not nearly as important as before, although there is another school of thought—Japan cannot continue hollowing out its own economy.

Optimistic for Future Economic Growth

But I guess the point I'm trying to make is that as long as complementarity remains there and as long as two or more of the economies continue to grow, the rest of the economies don't have to grow at the same rate because complementarity will be there and if political problems and historical legacies can somehow be overcome, I think that complementarity will push and pull economic investments, human resources investments in terms of labor capital across the national borders. So I'm rather optimistic of the future growth of economic

performance of Northeast Asia. There will be some periods or some countries that would suffer deflationary economic patterns or lack capital investment, etc. but others will fill in the gap, again as long as the political barriers can be overcome and the legacies of history can be overcome. Thank you.

Oh: Let me be very short because everybody would like to have a glass of wine. Let me say that for the short term, I may be sounding like an *Economist* article; in the short-term it's not very promising, for the mid-term, it would be much more stabilizing, for the long-term, it's optimistic. But the short-term is also very important and I think there are three factors why I think short-term is pessimistic. I think still the current administration and the major players and principals living in the mentality of the same frame of the mentality of 9/11 and the amount of money we are spending and instead of thinking of the economy and all this whatever—co-prosperity, I think we are spending huge amounts of money. I think this tendency will continue until we have some solid understanding about what international terrorism looks like. The second thing is the so-called America's deep suspicion particularly looking at the region, the so-called North Korea nuclear crisis of a different behavior pattern, the credibility of each player about what the Russian Defense Minister says, that North Korea will take about fifty years to develop one bomb so Russia is out.

And China is basically saying that North Korea doesn't have any bombs at the same time when Kelly was stationed in Beijing so China's credibility is also going down. And South Korea is basically saying that we would like to have a nuclearized North Korea rather than a collapse of North Korea which again is very alarming, and Japan is basically saying that if North Korea should shoot one missile we should shoot our own missile towards North Korea.

So in a sense the credibility situation is basically having a tremendous globalization

trade investment pattern. And if you look at all these New York investment bankers and everything, or with the 9% of foreign direct investment pulled out from South Korea after the nuclear crisis. And after SARS I think there are deep talks about moving the center of NAFTA and the production basis of Nike and everything toward Latin America.

I think the short-term is very pessimistic and I'm sorry about that.

Ikenberry: Well, on that wonderful uplifting note, would you join me in thanking our panelists for a very stimulating evening. (End)

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About the Panelists

Main Speaker **Mr. Tamotsu Nakano** is a Visiting Fellow at the Center for Northeast Asian Policy Studies at the Brookings Institution. He also is chief researcher at KRI International, Tokyo. Previously he was secretary-general of the Northeast Asia Project Development Center, Osaka, senior fellow at the East-West Center and visiting lecturer at Akita Keizai Houka University. At the United Nations Industrial Development Organization, Mr. Nakano was an associate expert in Liberia and an area officer in Vienna. He received a B.A. from Kwansai Gakuin University and was a Rotary Scholar at the University of Cape Town. He holds an honorary Ph.D. in economics. Mr. Nakano publishes monthly columns for the NHK Information Network and the *Nihonkai Shimbun*.

Discussants **Dr. Tsuneo Akaha** is Professor of International Policy Studies and Director of the Center for East Asian Studies at the Monterey Institute of International Studies. He was a Fulbright scholar at the University of Tokyo and Seikei University, and a Japan Foundation Research Fellow at Hokkaido University's Slavic Research Center. Professor Akaha has served as president of Asian Studies on the Pacific Coast (ASPAC) and of the Comparative Interdisciplinary Studies Section of the International Studies Association. He received a Ph.D. and M.A. from the University of Southern California and a B.A. from Waseda University. Among Professor Akaha's publications are *The Future of North Korea* (editor, 2002), *Politics and Economics in Northeast Asia: Nationalism and Regionalism in Contention* (1999), and *Japan in Global Ocean Politics* (1985).

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Moderator **Dr. G. John Ikenberry** is the Peter F. Krogh Professor of Geopolitics and Global Justice at Georgetown University. In addition, he was a Senior Associate at the Carnegie Endowment for International Peace and a Fellow at the Woodrow Wilson Center for International Scholars. He received his Ph.D. from the University of Chicago. Dr. Ikenberry is the author of numerous publications, including *State Power and World Markets: The International Political Economy* (2002), *After Victory: Institutions, Strategic Restraint and the Rebuilding of Order after Major Wars* (2000), and *Reasons of State: Oil Politics and the Capacities of American Government* (1988).