

# East Asia in Transition

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

The United States has many interests in East Asia. Economically, the United States and East Asia are tightly bound through trade and investment. On the security front, the United States continues to be heavily involved in the region. For example, over 78,000 U.S. troops are stationed in East Asia.<sup>1</sup>

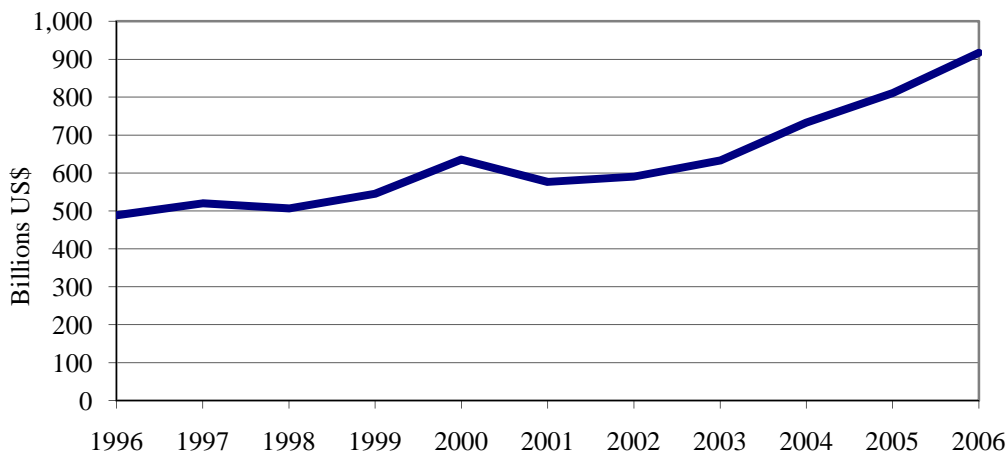
### ECONOMIC INTERESTS

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

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

**Chart 1**

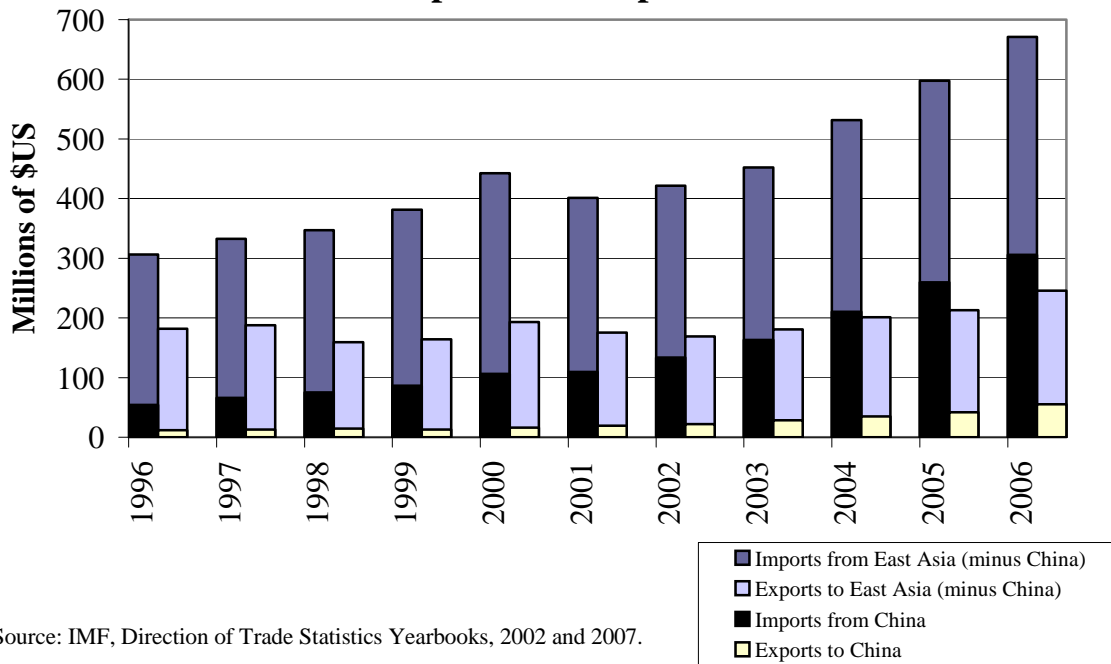
**United States Total Trade with East Asia**



Source: IMF, Direction of Trade Statistics, 2002 and 2007.

[Click here for larger version of chart](#)

**Chart 2**  
**U.S. Trade with East Asia:**  
**Imports and Exports**



[Click here for larger version of chart](#)

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

The economic connection between the United States and Japan remains strong. The United States is now Japan's second-largest trading partner, after China.<sup>3</sup> Japan is the United States' fourth-largest trading partner, after Canada, China, and Mexico.<sup>4</sup> Both countries also have substantial foreign direct investments in each other's economies.

Nevertheless, there have often been tensions in U.S.-Japan economic relations because of the different ways in which the United States and Japanese economies operate. In Japan and much of the rest of East Asia, governments are usually much more involved in economic planning and business. Some in the United States argue that government economic involvement in East Asia provides East Asian businesses with unfair advantages.

U.S. imports from Japan are more than double that of Japanese imports from the United States.<sup>5</sup> The United States accuses Japan of closing its market to American goods through the use of tariff and nontariff barriers to trade. The United States argues that Japan is closing its market to American goods at the same time that it is flooding the United States with its products. Japan responds that one of the main reasons that more American products are not sold in Japan is that the United States has done a poor job of developing goods that Japanese consumers want to buy.

There is some truth in both of these positions. Japan does make it difficult for foreign countries and businesses to sell their products in Japan. Specifically, the Japanese government imposes

high tariffs on some imports. It also provides a competitive advantage to its own companies through tax breaks and financial support. In addition to this government support, many foreign companies face a traditionally closed Japanese business culture. This business culture includes a Japanese aversion to working for foreign businesses. Finally, it is often difficult for a foreign company to find a Japanese distributor without financial ties to one of its Japanese competitors.

In agriculture, foreign rice farmers face up to a 750 percent tariff on rice they want to sell in Japan.<sup>6</sup> The United States argues that this tariff is unfair to both international farmers and the Japanese people. Because of the tariff, Japanese citizens must pay a much higher price for rice, the country's food staple. Japan responds that the production of domestic rice is a matter of Japanese security.

On the other hand, American companies often have not effectively produced and marketed products that are attractive to Japanese consumers. One example is in the auto industry. Because of the high cost of gasoline and the narrow roads in many parts of Japan, Japanese consumers prefer small, fuel-efficient automobiles. In addition, since cars are driven on the left side of the road in Japan, the steering wheel is on the right side of the car. Nevertheless, for many years U.S. automakers did not manufacture cars that met such preferences and needs.

### **U.S.-Chinese Economic Ties**

The United States and China also have strong economic ties. China is the United States' second largest trading partner, and the United States is China's largest trading partner.<sup>7</sup> The United States is also a major source of foreign direct investment in China. American companies benefit from Chinese demand for their goods. American consumers benefit from Chinese manufacturing exports because they are produced so inexpensively. The average price of clothing and shoes in the United States has dropped by 10 percent since 1995.<sup>8</sup>

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

Another reason for the trade imbalance between the United States and China is that Chinese labor is very inexpensive. The minimum wage in many Chinese cities and provinces is less than \$100 per month.<sup>10</sup> As a result, thousands of Chinese factories produce goods at a fraction of the cost that they can be produced in the United States or elsewhere.

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

## SECURITY INTERESTS

The United States has long had major security interests in East Asia. The United States entered World War II after Japan bombed Pearl Harbor. During the Cold War, the United States fought wars in Korea and Vietnam. After the September 11, 2001, terrorist attacks, the United States strengthened its security ties to several countries in the region. Here, we concentrate on U.S. security relations with three countries: Japan, China, and North Korea. The U.S. security connection to Southeast Asia is also addressed.

### Japan-U.S. Security Relations

Japan's constitution was written under U.S. direction during the United States' post-World War II occupation of the country. In Article 9 of this constitution, Japan rejects war as a "sovereign right of the nation" and renounces "the threat or use of force as a means of settling international disputes." Japan's constitution further states that "land, sea, and air forces, as well as other war potential, will never be maintained."<sup>11</sup>

Since the occupation, the United States has borne the primary burden of defending Japan. In 1951, this arrangement was formalized in the Japan-U.S. Mutual Security Treaty. In return for protecting Japan, the United States has been allowed to station troops in the island country. In 2006, roughly 50,000 U.S. troops were stationed in Japan.<sup>12</sup>

Japan has developed a Self Defense Force (SDF) during the postwar years. Since the late 1980s, the SDF has grown in size and strength. Indeed, the end of the Cold War raised new questions about the Japanese-American security relationship. Some Japanese groups believe it is time to revise the constitution. They argue that Japan has a right to strengthen its defense forces and an obligation to participate in international peace initiatives. Some have gone on to question the United States' continued military presence in Japan.

Other analysts, however, have reached different conclusions. They maintain that the Japan-U.S. security relationship is more important than ever because it provides a sense of peace and stability to the United States, Japan, East Asia, and the rest of the world. It also links the world's two largest economies close together. Many East Asians remember Japan's imperial ambitions earlier in the twentieth century. They remain concerned about Japanese militarism and want the U.S.-Japanese relationship to stay in place.

For its part, the United States has supported Japan taking a bigger role in peacekeeping and other missions. Indeed, Japan has taken part in several peacekeeping initiatives since the early 1990s. After September 11, Washington became even more interested in the Japanese military developing an offensive capability and becoming more internationally involved. In 2004, the Japanese military sent personnel to help in the reconstruction of Iraq. This was their first mission in a combat zone since 1945.

## **China and the United States**

After U.S. and Chinese forces fought in the Korean War, U.S.-Chinese relations remained tense. Tensions often surrounded long-standing disagreements over human rights and Taiwan. President Richard Nixon's 1972 trip to China helped improve relations significantly. However, the Chinese government's brutal repression of a pro-democracy movement in 1989 soured them significantly when the Tiananmen Square massacre left hundreds dead.

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

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

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

Many human rights campaigners in China argue that as memories of Tiananmen Square fade, so too does foreign concern with human rights in China. For example, in 1993, the United States officially opposed China's 2000 Olympics bid because of human rights concerns. In 2001, the United States remained neutral on China's 2008 Olympic bid, and Beijing was awarded the Olympics. The United States hopes that the Beijing Olympics will further integrate China into the world economy and help improve human rights by focusing the world's spotlight on the country.

## **North Korea and Nuclear Weapons**

Over fifty years after the end of the Korean War, the United States has roughly 37,000 troops stationed in South Korea.<sup>13</sup> These troops are there to help defend against possible aggression from the North. Indeed, North Korea remains a repressive and impoverished communist state.

Like his father before him, North Korea's reclusive leader, Kim Jong Il, has often used confrontational rhetoric, broken promises, and a nuclear weapons program to frustrate U.S. leaders and diplomats.

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

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

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

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

### **Southeast Asia**

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

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

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

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<sup>1</sup> Department of Defense, "Active Duty Military Personnel Strengths By Regional Area and By Country," June 30, 2006, <http://siadapp.dior.whs.mil/personnel/MILITARY/history/hst0606.pdf> (accessed January 22, 2007).

<sup>2</sup> International Monetary Fund, *Direction of Trade Statistics*, (Washington DC: International Monetary Fund), Yearbook 2006, p. 510.

<sup>3</sup> Ibid, p. 273-275.

<sup>4</sup> Ibid, p. 510.

<sup>5</sup> Ibid.

<sup>6</sup> United States Trade Representative, "Transcript of Ambassador Susan C. Schwab Remarks on the Doha Development Agenda," National Press Club, Washington DC, July 7, 2006, [http://www.ustr.gov/Document\\_Library/Transcripts/2006/July/Transcript\\_of\\_Ambassador\\_Susan\\_C\\_Schwab\\_Remarks\\_on\\_the\\_Doha\\_Development\\_Agenda.html](http://www.ustr.gov/Document_Library/Transcripts/2006/July/Transcript_of_Ambassador_Susan_C_Schwab_Remarks_on_the_Doha_Development_Agenda.html) (accessed January 26, 2007).

<sup>7</sup> International Monetary Fund, *Direction of Trade Statistics*, p. 510, 133-135, op. cit.

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

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

<sup>10</sup> Thomas Fuller, "China Feels a Labor Pinch; Costs are Rising and Prices May Be Next," *The International Herald Tribune*, April 20, 2005.

<sup>11</sup> The Constitution of Japan, Chapter II, Article 9, <http://www.sangiin.go.jp/eng/law/index.htm> (accessed January 25, 2007).

<sup>12</sup> U.S. State Department, "Background Note: Japan," November 2006, <http://www.state.gov/r/pa/ei/bgn/4142.htm#relations> (accessed January 25, 2007).

<sup>13</sup> Jim Garamone, "U.S. Set to Leave 25,000 Troops in Korea," *American Forces Information Service*, August 8, 2006.