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MEMORANDUM FOR THE VICE PRESIDENT

THE SECRETARY OF STATE
THE SECRETARY OF THE TREASURY
THE SECRETARY OF DEFENSE
THE SECRETARY OF COMMERCE
THE DIRECTOR OF CENTRAL INTELLIGENCE
UNITED STATES TRADE REPRESENTATIVE
THE CHAIRMAN, JOINT CHIEFS OF STAFF

SUBJECT: U.S. Policy Towards East Asia and the Pacific (S)

The New Pacific Community (NPC) conceptualized by the President in Seoul and Tokyo established the framework for our post-Cold War policy towards East Asia and the Pacific. Crucial U.S. economic, security and political interests are at stake in this region -- the most dynamic economic region in the world and increasingly the third leg in a tri-polar world. (S)

Strengthened U.S.-Japan relations will empower the NPC, but its driving force will be shared effort and a sense of collective benefit and destiny among East Asian/Pacific nations. The NPC agenda would promote: (1) open economies and free trade; (2) accelerated democratization and protected human rights, and (3) stable military alliances and sturdy security arrangements. (S)

The building blocks of the NPC are in place. ASEAN (Association of Southeast Asian Nations), APEC (Asia-Pacific Economic Cooperation) and possibly the proposed Northeast Asian security forum, comprise the institutional bases of the NPC. We must shape these fora into a new economic and security architecture suited to the unique challenges of post-Cold War Asia. (S)

To implement the NPC we need an action plan that defines a comprehensive and coherent strategy, incorporating regional aspects of our bilateral ties with Japan, China, Korea, Vietnam, and Cambodia, on which separate papers exist, and with other countries important to U.S. interests such as Australia and the ASEAN states. At the APEC ministerial in Seattle, the President would elaborate on our vision, setting in motion a region-wide dialogue that would constitute the first step towards building the NPC. (S)

In preparation for a Deputies or Principals Committee meeting, a policy paper should be provided by September 17 using the best current information and assessments to address the questions below in Parts I and II. This paper must also analyze advantages

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and disadvantages of specific policy options and requirements for implementation. Conflict among options should be part of the analysis and limitations on policy should not be presumed. (S)

BACKGROUND

The New Pacific Community: The Cold War's end, East Asia's explosive economic development and its growing democratization provide the U.S. a critical window of opportunity to shape the region's security and economic architecture. As the President has stated, we must build a New Pacific Community unified not by the common Soviet threat of the past, but by shared strength, prosperity and commitment to democratic values. The NPC will be the touchstone for shaping existing bilateral arrangements, building new institutions, and developing our policies and priorities in the region. (S)

Economic Stakes: East Asia is singularly important to the U.S. economy and thus to our domestic policy goals of growth and job creation. This region has the fastest-growing economies in the world, substantial foreign exchange reserves (Taiwan's \$84 billion constitutes the world's largest holdings) and it has become our most important regional trading partner. Two-way trade reached \$344 billion in 1992; 50 percent more than our trade with Western Europe and three times greater than our trade with Latin America. Last year, U.S. exports to East Asia worth \$128 billion supported approximately 2.4 million U.S. jobs -- more than any other regional export outlet. (S)

Economic growth in East Asia is projected to outpace North American and Western European growth this decade. In 1991, East Asia produced one-quarter of both world output and exports; by the year 2002, it is projected to produce one-third of each. This growth has conferred a new self-confidence and assertiveness in the region and a strengthened willingness to challenge U.S. policies on trade, human rights and other areas. (S)

In 1993, we have a unique opportunity to set our economic agenda with the region for the rest of this decade. We chair APEC this year and should look to the November Ministerial in Seattle and the informal APEC leaders conference as opportunities to shape our economic policy goals in Asia, to reaffirm our commitment to engagement, and to initiate a dialogue on the NPC. In the long-run, APEC can be the forum for developing region-wide economic agreements and a mechanism for public and private sector leaders to tackle regional economic problems (such as technology transfer and transportation bottlenecks). (S)

Security/Political Stakes: The United States has vital security interests in Asia. While there are no wars in the region, the seeds of potential conflict are ever present. Tensions across the Taiwan Straits and across the 38th parallel in Korea, competing national claims to the Spratly Islands and a continuing Cambodia peace process all have the potential to ignite significant sub-regional conflicts. (S)

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We have a strong interest in encouraging democracy and respect for human rights, which enhance prospects for peace and stability. Four years after Tiananmen, China continues to restrict severely many internationally recognized human rights. And, while there are democratic transitions in South Korea and Taiwan, several countries in the region deny fundamental freedoms and resist political liberalization. Some governments are showing solidarity in resisting what they characterize as imposition of inapplicable Western human rights concepts, though many Asian NGOs endorse the principle of universality. (S)

East Asia and its periphery host an enormous concentration of military power, both conventional and nuclear. China and Russia have significant and sophisticated nuclear arsenals, and Japan, Taiwan, North Korea and South Korea have the capability to develop nuclear weapons in a relatively short time-frame. Some of the largest armies in the world are in Russia, China, the two Koreas and Vietnam. Military modernization throughout the region, though aimed to build or maintain defensive capabilities, raises the specter of an arms race. (S)

Our military presence continues to preserve stability in East Asia and secure its economic dynamism. We have mutual defense agreements with five nations -- Japan (the key security relationship and foundation of our Asian presence), Korea, Thailand, Australia and the Philippines -- and our forward-deployed forces literally stand guard to maintain peace in the region. We are a welcome presence, regarded as a stabilizing force and a restraint on the potential power aspirations of regional (and global) actors such as Japan and China. (S)

However, the strength of our continued security commitment is questioned by our Asian allies and is of serious concern to them. They know they no longer act as the bulwark against Soviet communism and fear that without this Cold War rationale for our intensive involvement, we will disengage. Their anxiety is fueled by our current and necessary focus on domestic issues and budget difficulties, attention to trouble spots elsewhere in the world, closure of our Philippine bases, and, to a lesser extent, the North Atlantic Free Trade Agreement (NAFTA). (S)

We can allay these fears somewhat by strengthening bilateral ties with Asian nations. Key, in the short-run, will be our active participation in the ASEAN PMC process and APEC, which must become principal mechanisms for security and economic dialogue within the region. In the long-run, the development of the NPC (from ASEAN, APEC and other fora) will underscore clearly our commitment to the region. (S)

PART I: ASSESSMENT OF THE SITUATION

1. What are our objectives for the New Pacific Community (C):
 - a. Economic? (C)
 - b. Strategic/security? (S)

- c. Political? (C)
- d. Global (e.g., environment, population growth, migration, human rights and democratization)? (C)
- 2. How do these individual objectives mesh and define a strategy for creating the NPC? (C)
- 3. Are our objectives compatible with those of our allies in the region? If not, what tensions might exist? (C)
- 4. Are current strategy and resources adequate to achieve the goals of the NPC? What more must be done? (C)
- 5. What are the best frameworks within which to pursue the economic leg of the NPC, including expansion of free trade and development of poorer Asian nations such as the South Pacific Islands and Mongolia? (C)
- 6. What are U.S. strategic/security interests in East Asia and the Pacific in the post-Cold War period? How will these be expressed in the NPC? What are the future threats to U.S. interests likely to be? (S)
- 7. What are the most pressing global/transnational concerns (refugees, narcotics, environment, proliferation, human rights and democratization) affecting the region? (C)

PART II: OPTIONS FOR POLICY

Within this broad context, we need to review the following:

Economic Issues:

- 1. How should the U.S. use APEC -- and our APEC chairmanship this year -- to advance our economic goals in East Asia and begin to build the economic leg of the NPC? (C)
 - a. How can we increase trade and investment with/in the region, particularly job-producing exports? What role should the departments of the Executive Branch play in this effort? How can embassies and consulates help? What U.S. legal and regulatory policies are trade-restrictive with Asia? (U)
 - b. What is our strategy for trade in goods and services with East Asia? What is the best mechanism to promote expanded trade between the U.S. and the region? (C)
 - c. What should be our strategy and time-frame for promoting Free Trade Areas (FTAs) in East Asia? Should we pursue bilateral FTAs, regional FTAs, both or neither? (C)
 - d. How does the EAEC caucus affect APEC and our interests, and how much support does it have from our allies? (C)

Strategic/Security:

3. What strategic/security concerns do we currently face and how do they shape our vision of this leg of the NPC? (S)
 - a. Are Asians convinced our security presence continues to be meaningful? (S)
 - b. How best can we reaffirm our security commitment to East Asia with more limited defense resources? (S)
 - c. Is it possible to continue force draw-downs under the three-phased East Asia Strategy Initiative (EASI), and still reassure Asian nations of our continued engagement in the region? How? (S)
 - d. What are the most realistic contingencies in which U.S. troops might be required for combat in the region? (S)
 - e. Are current levels of burden-sharing (by Japan and Korea) and divisions of financial responsibilities for the forward deployment to U.S. troops appropriate? (C)
4. Can we build from the ASEAN PMC process a new regional security dialogue? What new mechanisms, if any, are needed for the NPC? Should multilateral security regimes (such as an Asian version of a CSCE) supplement, replace, or overlap with existing bilateral arrangements? (S)
 - a. Should we actively pursue South Korea's proposal for a Northeast Asian forum of the two Koreas and the four major powers (U.S., Russia, China and Japan) to discuss regional concerns, particularly Korean Peninsula issues, including the DPRK's nuclear program? (S)
 - b. How best can Northeast and ASEAN countries be brought together for regional security dialogue? (C)
5. How do we involve North Korea and China in building the region's new security architecture? What efforts can or should we undertake to integrate them into the NPC? What would be the outcome of their isolation? Can we have a meaningful NPC without China? Without North Korea? (S)
6. What are the primary issues that might appear on the agenda of regional security discussions? How should we address other issues: (S)
 - a. Conflicting claims by six countries to the potentially oil-rich Spratly Islands, and Chinese reassertion of its claim, make the Spratlys a possible trouble spot in the near term. What role, if any, should the U.S. play in seeking a resolution of these claims? (C)

- b. The role of the UN in settling Asian regional crises, e.g., nuclear proliferation, Cambodia, North/South Korea, the Spratlys? (C)
- c. Whether our new nuclear posture allows modification of our current policy towards New Zealand, or should we continue our arms-length approach towards New Zealand until it revises its anti-nuclear policy? (S)

Political Issues:

- 7. What is the role of Russia as an Asia-Pacific power? How quickly and to what extent should the U.S. and its Asia-Pacific partners integrate Russia into regional or sub-regional economic or security fora or activities? What are the advantages and disadvantages of Russian participation? What factors limit the extent to which Asians will accept/tolerate Russian participation? Should Russia be part of the NPC? (C)
- 8. What are our human rights priorities in the region? What are the challenges to promoting democracy? How do we pursue this effectively? Whom will it bring us into conflict with and what consequences will it present, including conflicts with other interests? How do we balance other interests emerging from the NPC? (S)
- 9. Are there special roles Japan, ASEAN and other like-minded countries/organizations can play in cooperation with the United States on democracy and human rights issues? (C)
- 10. What are the prospects for democratic regimes surviving and flourishing in East Asia? Would accelerating democratization in Asian countries affect our military strategy and planning? (S)

Global Issues:

- 11. Which global issues (AIDS, population growth, narcotics trafficking, proliferation, refugees) pose special problems and where? What role can we play to address these -- unilaterally, bilaterally, regionally, through the UN? (C)
- 12. Which environmental concerns -- global warming, increased energy consumption, deforestation, etc. -- require immediate attention? How can we forge a regional consensus and approach on these issues? (C)

PART III: TASKING

The Assistant Secretary of State for East Asian and Pacific Affairs shall convene an Interagency Working Group, task specific drafting responsibilities, and set deadlines for drafts. Any differences of opinion should be clearly stated rather than compromised for the sake of an agreed product. (S)

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A final decision paper is due to the NSC Executive Secretary no later than September 17. (S)



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