



US-KOREA 2012
YEARBOOK

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UNIVERSITY

SAIS | US-KOREA 2012 YEARBOOK

Published by the U.S.-Korea Institute at SAIS
www.uskoreainstitute.org

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The Paul H. Nitze School of Advanced International Studies, Johns Hopkins University
Printed in the United States

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Asia's Multilateral Cooperation and Bilateral Tensions: Finding a Way Forward

by Kyle Johnson

I. INTRODUCTION

The establishment of the Trilateral Cooperation Secretariat (TCS) in 2011 should have been followed by enhanced cooperation between the Republic of Korea, Japan, and the People's Republic of China. This new institution was tasked with strengthening and institutionalizing the trilateral cooperation that had previously been limited to annual leader meetings. Less than a year after the TCS was created, though, numerous bilateral disputes among the members had clearly made increased cooperation far from certain and placed the future of the trilateral grouping in question. Amid a vast array of Asian regional and multilateral organizations, many of which have been light on accomplishments to date, might the TCS similarly fail to live up to its early promise?

This question is important to the futures of some of East Asia's biggest powers, as well as to the world's. Enhanced cooperation among these three states could help to overcome the perceived security dilemma resulting from China's economic and military rise. It could also help to resolve some persistent sources of concern, such as the North Korean nuclear program and the development of natural resources in the seas.

This paper explains the TCS and the modern history of trilateral relations between China, Japan, and South Korea (hereafter referred to collectively as "CJK") by examining a current conflict between the former two: the territorial dispute over Senkaku/Diaoyu Islands. An often-overlooked aspect of this dispute is its impact on trilateral cooperation. This paper is intended to fill this void and to provide a proposal for how the trilateral members can best respond to such disputes.

Specifically, it aims to answer the following questions. How does a serious dispute between two constituent members affect trilateral cooperation? In such times, is there an appropriate role for the third state? And finally, can a mechanism or forum be utilized or established to manage some of the region's biggest problems, such as territorial issues and differences in historical interpretation?

This paper starts with a review of Asian multilateral and regional efforts at collaboration, with a specific focus on the TCS. Second, using an ongoing territorial dispute between Japan and China as an example, the paper examines

challenges to increasing CJK cooperation by analyzing the effect that bilateral challenges have on the third party and the trilateral relationship. Finally, the paper looks at some possible responses to bilateral disputes and suggests a course for Korea in the case of the aforementioned Japan-China dispute.

II. ASIA'S MULTILATERAL BOOM

The TCS is part of a relatively recent wave of regional and multilateral arrangements in Asia. The leader in Asian multilateralism is the Association of Southeast Asian Nations (ASEAN), which has branched out to cover many realms since its inception in 1967. Member states have adopted “fundamental principles,” the most notable being non-interference, to guide their relations, and the organization’s consensus-driven approach serves as the “institutional and norm entrepreneur for innovative regional arrangements,” according to Aileen S.P. Baviera’s chapter on “ASEAN Multilateralism and the Engagement of Great Powers” in 2012’s *Emerging China: Prospects for Partnership in Asia*. Although there have been worthwhile drivers of regional cooperation, obstacles to closer collaboration are rampant.

The current split in ASEAN regarding whether or not to “internationalize” the South China Sea is a good example of how disputes make closer multilateral cooperation more difficult. While most of these states prefer addressing the issue in a multilateral setting, Cambodia—reflecting the wishes of China—in particular calls for bilateral efforts to deal with the disputed territories. Thus, the South China Sea disputes further divide the organization that could play a role in ending them.

Of the members in the TCS, Japan has perhaps been the most vocal in its willingness to pursue multilateral and regional cooperation and institution building as a key component of its foreign affairs, albeit often in a limited manner. In the wake of the 1997-1998 Asian financial crisis, Japanese leaders proposed an Asian monetary fund that could provide short-term loans to member states in case of a crisis. Following Japan’s proposal, the Asian currency swap agreement system, “Chiang Mai Initiative” was established in 2000, and has grown substantially in its scope since its creation. Although Japan has supported multilateral engagement, “Japan’s Perspective on Asian Regionalism,” written by Akiko Kukushima in 2009, notes that the country faces a recurring debate over the extent to which multilateral efforts should move beyond the economic realm.

China, once skeptical of the utility of multilateral efforts, now sees that multilateralism can at times serve its interests by “assuaging regional fear,” according to Fu Kuo-Lai’s 2012 piece titled “China’s Strategy in Asian Regional Cooperation: Towards Multi-layered Engagement.” China’s outreach to its

neighbors during the Asian financial crisis earned friends, although its lack of support for Japan's Asian Monetary Fund proposal was widely interpreted as the primary cause of the proposal's failure. China was also a key proponent of the Six-Party Talks on the North Korean nuclear issue. Although these talks have not yet resolved the security issues on the Korean Peninsula, they have been a useful forum for bringing together Northeast Asia's stakeholders to discuss some of their other concerns.

South Korea has generally viewed multilateral efforts as a potential route to resolving its security concerns regarding North Korea. Lim Wonhyuk notes that at ASEAN Regional Forum's first meeting in 1994, South Korea proposed a Northeast Asia security dialogue that would address regional security issues including arms buildups, tensions across the Taiwan Strait, and peace on the Korean Peninsula.

III. THE TRILATERAL RELATIONSHIP

In light of CJK's increasing work in multilateral engagement, the creation of the TCS and the formalizing of a series of trilateral meetings was a logical next step in cooperation. The TCS's history can be traced back to the 1999 ASEAN Plus Three Summit, where CJK representatives held a small breakfast meeting. Korea proposed an independent summit in 2004, and the first annual summit was held in Fukuoka, Japan in 2008. The "Joint Statement for Tripartite Partnership" signed at this meeting created the groundwork for a comprehensive partnership solidified by the TCS's inauguration in Seoul last fall. The three parties are equal members in the TCS; the executive decision-making body seats rotate between the parties and the budget is financed equally.

The three states view the trilateral relationship, and later the TCS, as tools for addressing issues specific to Northeast Asia. In contrast to the usual vague results of ASEAN's efforts to bring together a disparate group of states, CJK relations can be used to focus more specifically on issues at hand. Ideally, it can also be a useful forum for keeping countries engaged on issues of mutual cooperation even during periods of bilateral tensions, as Andrew Yeo noted in a 2012 East Asia Institute (EAI) Issue Briefing titled "China, Japan, South Korea Trilateral Cooperation: Implications for Northeast Asian Politics and Order."

A review of some CJK statistics from the TCS website emphasizes how rapidly the trilateral grouping institutionalized. CJK met only twice in 1999, compared to 53 meetings in 2011. Between 1999 and 2011, there were a total of 155 meetings on economic issues alone and 163 additional meetings on other topics (including security, energy and environment, and culture). The three countries have used the trilateral framework to create more than 60 consultative mechanisms

and 100 cooperative projects, according to Yeo. These mechanisms address issues as varied as disaster management, agriculture, youth exchanges, and the environment.

The trilateral relationship, however, has not been immune to disputes among its members in the past. For instance, following then-Japanese Prime Minister Junichiro Koizumi's visit to Yasukuni Shrine in 2005, the leaders of the three states cancelled their annual meeting. This episode suggests that contrary to the wishes of today's policymakers, disputes within the trilateral relationship can negatively affect their cooperation and are thus sources of concern for the TCS's future. Expectations that the CJK relationship will brush aside any troubles that occur within the grouping are unfounded unless the three countries actively work to make such an expectation a reality.

As is true of other Asian multilateral arrangements, the relationship is largely based on the members' economic interests. According to figures from the U.S.-China Business Council, in 2010, China's trade totals with Japan and South Korea were \$297.8 billion and \$207.2 billion respectively. This makes Japan and South Korea the third and fourth biggest importers of Chinese goods in the world and the top two exporters to China. Including the nearly \$200 billion in Japan-Korea trade in that year pushes CJK trade volume to nearly \$700 billion. Japanese and Korean foreign direct investment in China was around \$130 billion.

The CJK grouping has not yet been used to discuss politically sensitive issues, such as territorial and historical disputes. For the most part, this cooperation has focused on so-called "soft" issues, those in which all members have a common interest to seek cooperation. The 2012 annual leaders' meeting, for instance, focused on sustainable development and wildlife conservation.

The TCS's most serious effort perhaps has been in the realm of a trilateral CJK free trade agreement (FTA). Preliminary consultations have taken place, although CJK will have to overcome stumbling blocks to make this proposal a reality. Moon Chung-in's 2012 piece, "Changing Patterns in South Korea's Relations with China and India: The Way Forward," says China, in light of its trade deficit with South Korea, prefers a bilateral FTA with South Korea, and negotiations for such a bilateral agreement are also underway.

Korean policymakers often say that the realization of a trilateral FTA would further entwine the three countries economically and serve as a relationship stabilizer. Korea's vice minister for special affairs, Kwon Taeg-gy, said in a November 2012 personal interview that the FTA would help to erase the "invisible trade barriers" that exist in Northeast Asia and could be an important

step in helping to resolve larger issues, such as territorial disputes. National Assembly Member Kim Yong-tae said in a separate interview in November 2012 that he was similarly supportive of the stabilizing role of an FTA.

This view posits that further economic integration will make disputes increasingly costly, and states will be incentivized to seek resolution, or at least management, over escalation. However, in light of the fact that many disputes have lingered for decades in spite of surging trade and economic integration, CJK cooperation currently faces a catch-22; while these disputes make cooperation more difficult, they are unlikely to end or be managed effectively without cooperation.

For instance, the odds of CJK FTA passage seem low at this point. The same experts in Seoul who suggested an FTA made sense all concurred that due to political concerns, this FTA would be difficult for any state to approve. Ralf Emmers, a professor whose work focuses on the various territorial disputes in Asia, stated in a personal interview that Japan particularly does not seem to be invested in this trilateral FTA. Ultimately, the disputes between Japan, Korea, and China affect their ability to work together in bilateral and multilateral contexts. They must find a way out of this gridlock if the CJK relationship is to be a lasting one.

IV. THORN IN THE SIDE: THE SENKAKU/DIAOYU DISPUTE

In the past few years, tensions between these countries have threatened the advancement of East Asian cooperation. South Korea and Japan's dispute over Dokdo/Takeshima heated up once more when former South Korean President Lee Myung-bak visited the island in the summer of 2012. This visit was met with a surge of nationalism on both sides and increasingly aggressive statements of sovereignty regarding the island. South Korea and China have also had recent problems, such as the perceived increasing aggressiveness of Chinese fishermen encroaching on Korea's waters and the dispute over which country has a stronger claim to the heritage of the ancient Goguryeo Dynasty. Korean public opinion of its two trilateral partners is quite low. According to a fall 2012 survey by the Asan Institute for Policy Studies and the German Marshall Fund of the United States, only 44 percent of Korean respondents viewed China favorably, and only 38 percent Japan.

The biggest source of problems, though, is found in the Sino-Japanese relationship. Japanese Foreign Affairs Minister Koichiro Gemba said at a November 28, 2012 press conference that the Japanese government purchased the East China Sea Islands—called Senkaku in Japan, Diaoyu in China—“in the

interest of ensuring the peaceful and stable maintenance and management of the islands.” However, the action set off an explosion of anti-Japanese sentiment in China and a deterioration of the two countries’ relationship.

This territorial dispute has long been a source of friction in the Sino-Japanese relationship, and to a lesser extent it has also periodically hampered Japan-Taiwan collaboration. China and Taiwan’s claims rest on documentation of Chinese control and usage of the islands for hundreds of years, while Japan counters that it legally acquired the islands in 1895 through the international precedent of *terra nullius*, or claiming territory controlled by no one.

The outcome of this historical-legal debate would not be important if the islands were located elsewhere. The islands total less than seven square kilometers, or about 1 percent of the size of Seoul. Furthermore, they are largely seen to be unsuitable for economic development or human habitation. They are strategically important, however, because of their location in the East China Sea. The islands—120 nautical miles northeast of Taiwan, 200 miles east of China, and 200 miles southwest of Okinawa—would provide the owner with an ideal place to situate a naval base, according to Emmers.

The most sensitive aspect of the dispute is its perceived relation to Japanese imperialism and China’s period of “humiliation” at the hands of other countries. This factor has been a primary contributor in hampering broader Sino-Japanese relations. In 1978, for instance, a right-wing Japanese student group built a lighthouse on one of the islands. This action was met with a wave of anti-Japanese sentiment in China, and a fleet of 80 armed Chinese fishing boats was sent to the islands in response. This year, a similar cycle occurred when the Japanese government’s purchase of the islands was soon followed with the sailing of a fleet of Chinese fishing ships. This aspect of the dispute is unlikely to be resolved in the near-term.

Economic motivators perhaps provide the most rational reason to contest sovereignty and pursue territorial control. Emmers says disputes over these islands were nearly nonexistent until the U.S. transferred administrative control to Japan as part of the Okinawa Revision Treaty in 1971. Just a few years before administrative control was granted to Japan, a United Nations geological survey provided the first evidence that the surrounding region was likely to contain substantial oil and natural gas resources. Since then, this area’s natural resource potential estimates have increased substantially.

The fact that the three disputants—Japan, China, and Taiwan—all rely on substantial energy imports to fuel their economies makes control of these islands a potential means to achieving the stable energy supply needed to maintain

economic growth. The role that sovereignty of the islands plays in the mapping of Exclusive Economic Zones in the East China Sea also provides a rationale for the disputants to avoid compromise. Unfortunately, without knowing the ownership of these islands, border demarcation in the sea is unlikely to be finalized. The current result is a prisoner's dilemma of sorts: important fishing waters and substantial natural resources will be underutilized by all sides as they narrowly pursue their best interests. Should one of the disputants act unilaterally to develop resources in the area, the situation could escalate, with serious consequences for regional stability.

Beyond attempts to downplay the dispute—the tactic most frequently employed in the past by the disputants—they have periodically strived for deeper resolutions. Fishing agreements in the East China Sea have been signed by China and Japan in the past, most notably in 1997 and 2000. However, fishing disputes remain common due to the unclear nature of the maritime border demarcation.

Joint natural resource exploration and development in the region is another potential means of cooperation. A 1970 Japan-Taiwan agreement in this vein was scrapped due to Chinese objections, but Japan and China finalized an agreement in 2008. This agreement ultimately had no impact, and Emmers is now skeptical of the chances of a joint development agreement having a meaningful influence on this dispute.

Additionally, the scope of these joint development proposals has been small due to their unpopularity. M. Taylor Fravel stated in a November 1, 2012 piece for *The Diplomat* that Japan fears an extensive collaboration with China on this issue would acknowledge that the sovereignty of the islands is in question, which it does not admit. Chinese fears focus on the potential validity granted to Japan's equidistant approach in maritime border demarcation should cooperation in the disputed region proceed.

Although the standard line among CJK officials is that this dispute does not impact trilateral cooperation, the reality of the situation is not so clear. In just this recent period of tensions, the dispute sparked a wave of anti-Japanese protests in China that hurt Japanese companies operating there, revealing that the Chinese government would allow expressions of nationalism even if these affect the bilateral relationship.

The increased tensions, and Japan's strong reaction to it, have affected the Japan-South Korea relationship as well. A fairly routine and very useful intelligence-sharing agreement between the two states was scrapped at the last minute in light of a Korean citizen uproar regarding perceived assertiveness from the Japanese government. While the Senkaku/Diayou dispute was not the sole driver of the

agreement's demise—the spike in tensions surrounding Dokdo/Takeshima was a more direct factor—the Japan-China dispute's role in reigniting anti-Japanese sentiment throughout the region certainly was a hindrance to passage of the plan. A final example of how this dispute can affect the trilateral relationship is China's involvement in recent annual meetings of the International Monetary Fund and the World Bank. Because Japan hosted the meetings, the Chinese government scaled back its participation. These incidents show that bilateral disputes have easily spilled over to negatively affect relations with other countries.

The potential for military conflict also seems heightened in this current dispute. Fravel notes China seeks to redefine the status quo in its various territorial disputes, primarily by utilizing its increasing naval strength to regularly send Chinese patrols into disputed waters. Other media reports also highlight Japan's enhanced joint naval activities throughout East Asia. Furthermore, the U.S. and Japan planned to reexamine their defense cooperation guidelines in large part due to concerns about China's increasing military power.

Military conflict in Northeast Asia between Japan and China would have negative consequences for South Korea in a number of ways, including by setting back trilateral cooperation. Even if the conflict ultimately were to fall short of military warfare, this lingering dispute's impact on trilateral cooperation and the proposed FTA could be devastating. If trilateral cooperation is indeed a worthwhile goal for South Korea, it should be concerned about this dispute. However, as was noted earlier, the prevalent view among Korea's policymakers seems to be that through economic integration, cooperation on more difficult issues will be possible later.

While the trilateral members can choose to take a wait-and-see approach to this dispute, this is not a long-term solution. This dispute and others, such as competing interpretations of history and demands for a Japanese apology for its actions in the first half of the twentieth century are becoming increasingly common, and their motivating factors will only become more salient in the future. Therefore, a more proactive resolution is needed.

Korea has three basic options for responding to this dispute. First, it can continue its long-running policy of pursuing economic engagement to get around the thorny issues in the relationship. A second approach is to utilize multilateral organizations, such as the TCS, to push cooperation on a number of mutually beneficial fronts in an effort to keep Japan and China in communication and to diminish the chances of this dispute turning into something larger, such as armed conflict. The final approach under examination is for Korea to take a

proactive role in seeking to manage or settle, and not simply to temporarily shelve the dispute. This could take the form of Korea-led mediation, coupled with a push for a code of conduct in the area around the islands.

Because the first policy is unlikely to continue to work and the last policy is not desired by any of the states, Korea should use the multilateral approach to bring the disputants together on other areas of cooperation. However, each of these policies has merits and limitations.

Option 1: Status Quo

A continuation of the status quo—that is, addressing this on a bilateral level without Korea's involvement—is the most probable outcome. Thus far, the Senkaku/Diaoyu disputants have primarily ignored the issue when possible and focused on other aspects of their relations to prevent a detrimental breakdown. This approach has been somewhat effective in the past in cooling tensions and returning to a healthier bilateral relationship. Regarding this specific case, there was wide support among those interviewed by the author in Seoul in November 2012 for remaining uninvolved and allowing economic integration to be the mechanism to ultimately resolve this problem.

The current dispute, however, appears different from previous rounds of tension. Japan, Taiwan, and China now appear much more willing to allow nationalism to fan the flames and disrupt their relationships. Japanese companies have increasingly started to look outside of China for investment opportunities, for example. These companies invested \$444 million in Taiwan last year, and seem to be nearing a free trade pact. Major Japanese companies such as Mazda, Panasonic, and Honda also showed their willingness last fall to temporarily halt production in China. Japan has also established security and economic cooperation with India, as the latter has also cashed in on Japan's troubles with China. Perhaps the dispute has fundamentally changed, and handling it solely through bilateral efforts is no longer enough.

There are other signs that the current strain in the relationship may not simply disappear on its own. This dispute has coincided with a number of other troubles around Asia. Increased tensions around a particular dispute in Asia seemed to have ratcheted up the intensity of other disputes, as Japan has seen in its troubles with China and Korea. For example, concerns about Japan's domestic political situation and its perceived nationalistic turn have impacted relations with China and Korea simultaneously. The total impact of a particular dispute can no longer be gleaned simply from looking at that particular issue.

A wait-and-see approach seems most likely to work when a dispute can be countered with numerous areas of bilateral cooperation. In today's environment, though, one Asian dispute is connected to many others, which makes shelving the dispute impossible. If maintaining the status quo shelving tactic no longer works, then it is time to try a multilateral approach.

Option 2: Status Quo Plus

This option represents a low-stake way for Korea to insert itself and push for an expanded trilateral relationship. As in the first approach, Korea would remain uninvolved in the specific dispute. However, Korea would take proactive steps through the TCS and the CJK grouping to ensure that the territorial dispute could not disrupt other issues. Specifically, Korean leaders would seek to expand the scope of TCS and CJK connections by finding additional areas of cooperation that benefit all the states—the environment or cultural exchanges, for example. They can also advocate for more difficult issues, such as the CJK FTA. While some of these proposals may not be accepted, finding additional ways for China and Japan to cooperate can help them step back from the source of their tensions and find common ground once more.

Such an approach would be consistent with the Korean-preferred path of increasing engagement to counter strains. Instead of waiting and hoping for economic ties to ameliorate the relationship, however, Korean leaders would need to take the initiative and push this engagement on Japan and China. If the issues are not controversial and truly mutually beneficial, even in tense times the leaders should be able to cooperate. Most importantly, Korea's effort would keep all the parties in communication and prevent a breakdown of the CJK relationship. As was noted above, it is increasingly unlikely that the territorial dispute, or the numerous other territorial and historical conflicts will be resolved in the near-term. Therefore, states need to take steps to prevent these recurring tensions from spilling over into other areas and disrupting multilateral engagement. Presumably, this same tactic would be useful to any of the states if the other two are engaged in a serious and destabilizing dispute. If the Dokdo/Takeshima Island issue takes a turn for the worse, for example, China can utilize this framework to bring Japan and Korea together.

The primary difficulty of such a plan is that it requires the state pushing for enhanced cooperation—in this case, Korea—to act as a neutral peacemaker. If two disputants are pitted against the third—as has been the case with some historical disputes—this option is unlikely to be implemented. This limited approach is currently Seoul's best option, and it is the route that should be pursued now.

Option 3: Mediation

A third option is for Korea to pursue a role as mediator in China and Japan's conflict. While the successful implementation of this approach would result in a positive outcome, it is highly unlikely that Korea would crave such a role or that either Japan or China would accept the offer.

For starters, the three states are not of equal in power, so mediation could be an opportunity for the more powerful to force their will on the others. For Korea, successful mediation of this dispute would provide a big boost to its international image and diplomatic stature, but failure (or worse, rejection of the offer to mediate) would be a major embarrassment that it is unlikely to risk.

An additional complicating factor is the precedence any mediated outcome would set for other territorial disputes. For Korea, mediating a resolution would provide a direct example of how the Dokdo/Takeshima issue could be handled; Chinese involvement in mediation would provide a precedent to the claimants of the disputed South China Seas islands; and Japan would have to live with this case in its other disputes. Simply put, the risk is far too great for all three parties.

Finally, excluding these factors, China and Japan would still reject mediation because of the increasing salience of their motivations for pursuing territorial sovereignty in the first place. The treasure that would go to the victor in the form of sea lanes, fishing grounds and oil resources, to name a few, will likely long serve as a good reason to avoid compromise and seek sole ownership. Mediation could provide a final resolution of this difficult issue, but it would also provide a number of risks that none of the parties are willing to take.

V. CONCLUSION

Trilateral cooperation between China, Japan, and South Korea is relatively undeveloped and susceptible to the bilateral strains that have surfaced with increasing frequency in recent years. The general approach has thus far been to largely ignore these strains and attempt to proceed with cooperation, but this approach seems destined to lose steam. Such tensions increase the risk of rendering the TCS obsolete and preventing a mutually beneficial integration of the three states beyond trade statistics.

A role such as I have suggested for Korea in the Senkaku/Diaoyu dispute would help to tighten trilateral cooperation by setting the norm of using institutional means to address bilateral strains. Such action would also establish a role for any

third party in a dispute among the other two members. The proposal suggested here would also signal a legitimate effort to overcome problems in trilateral relations in an effort to seek a deeper accord.

A continuation of the status quo, on the other hand, sends the signal that Asian multilateral venues are weak and unlikely to lead to meaningful integration. South Korea has the potential to be a difference maker in a dispute of importance to the world, if it is willing to work for it.



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