Project #: B-10-F36
Cost share #: 
Center #: 10/24-6-R7648-0A0
Center shr #: 
Contract#: AGREEMENT DATED 9/29/92
Prime #: 
Mod #: 1
Subprojects ?: N
Main project #: 

Project unit: OIP
Project director(s): ENDICOTT J E
Unit code: 03.010.200

Sponsor/division names: JAPAN EXTERNAL TRADE ORG
Sponsor/division codes: 513
Award period: 920901 to 921130 (performance) 921130 (reports)

Sponsor amount
Contract value 0.00
Funded 0.00
Cost sharing amount

Does subcontracting plan apply ?: N
Title: DEV OF ECONOMIC REGIONALISM & CONCURRENT SECURITY INSTITUTIONS AMONG THE.....

PROJECT ADMINISTRATION DATA

OCA contact: E. Faith Gleason 894-4820
Sponsor technical contact 
Sponsor issuing office
YASUMASA IWASAKI, EXECUTIVE DIRECTOR
(404)681-0600
JAPAN EXTERNAL TRADE ORGANIZATION
245 PEACHTREE CENTER AVENUE
SUITE 2208, MARQUIS ONE TOWER
ATLANTA, GA 30303

Security class (U,C,S,TS) : U
Defense priority rating : N/A
Equipment title vests with: Sponsor X
NONE PROPOSED

LETTER DATED MARCH 18, 1993, APPROVED AND SIGNED BY SPONSOR, CHANGES THIS AGREEMENT TO FIXED PRICE. REMAINING PROJECT BALANCE MAY USED AS DEPT DECIDES.
GEORGIA INSTITUTE OF TECHNOLOGY
OFFICE OF CONTRACT ADMINISTRATION

NOTICE OF PROJECT CLOSEOUT

Closeout Notice Date 04/20/93

Project No. B-10-F36__________ Center No. 10/24-6-R7648-0A0_

Project Director ENDICOTT J E__________ School/Lab 0IP__________

Sponsor JAPAN EXTERNAL TRADE ORG/ATLANTA, GA____________________

Contract/Grant No. AGREEMENT DATED 9/29/92________ Contract Entity GTRC

Prime Contract No. ____________

Title DEV OF ECONOMIC REGIONALISM & CONCURRENT SECURITY INSTITUTIONS AMONG THE.

Effective Completion Date 921130 (Performance) 921130 (Reports)

Closeout Actions Required: Y/N Date Submitted

Final Invoice or Copy of Final Invoice Y 921104
Final Report of Inventions and/or Subcontracts N ______
Government Property Inventory & Related Certificate N ______
Classified Material Certificate N ______
Release and Assignment N ______
Other N ______

Comments EFFECTIVE DATE 9-1-92. CONTRACT VALUE $20,000.

Subproject Under Main Project No. ____________

Continues Project No. ____________

Distribution Required:

Project Director Y
Administrative Network Representative Y
GTRI Accounting/Grants and Contracts Y
Procurement/Supply Services Y
Research Property Management Y
Research Security Services N
Reports Coordinator (OCA) Y
GTRC Y
Project File Y
Other HARRY VANN-FMD Y
FRED CAIN-OOD Y
THE DEVELOPMENT OF ECONOMIC REGIONALISM AND CONCURRENT SECURITY INSTITUTIONS AMONG THE STATES OF THE NORTHWEST PACIFIC AND LINKAGES TO THE NEW INTERNATIONAL COOPERATIVE SYSTEM

A PAPER PREPARED BY THE CENTER FOR INTERNATIONAL STRATEGY, TECHNOLOGY, AND POLICY OF THE GEORGIA INSTITUTE OF TECHNOLOGY FOR JETRO ATLANTA

1 OCTOBER 1992

ATLANTA, GEORGIA

Team Participants:
Dr. John E. Endicott
Dr. Robert Kennedy
Dr. William J. Long
Mr. Robert S. Rudesiill
Ms. Suzanne F. Revou
ECONOMIC REGIONALISM AND SECURITY INSTITUTIONS IN THE NORTHWEST PACIFIC

Introduction

With the decline of the tight, predictable, and, at times, somewhat comfortable, bilateral international system led by the two military superpowers, the U.S.S.R. and the U.S., the international system has entered a much more dynamic and defused regime characterized by increased ethnic and religious quarrels often clothed behind nascent nationalism. Once great multinational empires and model states, such as the Soviet empire and Yugoslavia, have disintegrated before the international community. Even the principal successor to the USSR, the Russian Federation, stands in the midst of significant stress as various regions within its vast territories compete with the center for control over natural and financial resources. The signs of further disintegration have already appeared with some twenty-two political entities of the Federation declaring themselves "sovereign
Surprisingly, in the twenty-two are some of the areas of the former (1920-1922) Far East Republic, the Republics of Altay, Khakassiya, Tuva, Buryatia, Yakutia-Sakha, and Koryakski. Some of the pressures Moscow feels from these centrifugal forces were probably instrumental in the sudden postponement of the visit by Russian President Boris Yeltsin to Japan on 9 September 1992; this move, coming from a position of weakness set back negotiations for settlement of the Northern Territories issue and placed overall Japanese-Russian relations in a state approximating suspended animation.

Signs of disorder in the international system are not limited to the former Soviet Union; the 12 nation European Community shows signs of increasing nervousness as 1 January 1993 approaches. Britain and Germany entered into recriminations concerning a currency crisis that has forced Britain and Italy outside of the framework for a single European currency, and the entire Community inches forward toward a general ratification of the Maastricht Treaty which

---

provides for economic and monetary convergency under the umbrella of a jointly-managed European central bank.

Finally, in Asia, Japan, working to introduce a 10.7 trillion Yen "jump-start" for its economy, (which the entire world awaits) finds itself mired down in the political residue of a scandal involving one of the, if not the, most powerful members of the Liberal Democratic Party, Kanemaru Shin.

Within this somewhat confused and leaderless international void, national economies, trading patterns and financial transitions proceed, discounting as much as possible the imprecise political base upon which the system stands. In this atmosphere it is appropriate to note and examine the role that economic regionalism is coming to play in the Northwest Pacific and to consider what long-range political systemic changes might be needed to reinforce international interaction during this period of transition.

This paper, commissioned by JETRO Atlanta, will examine: The status of formal and informal efforts to realize economic zones or regions in the Northwest and other areas of the Pacific; U.S. technology transfer practices and policies within the area as a particularly important indicator of intra- or inter- regional behavior; and possible necessary systemic
changes needed to insure that the new international system is truly cooperative in the broadest sense.

Moves Toward Economic Regionalism: NAFTA, APEC, and EAEC

NAFTA:

After years of waiting, the world has finally gained access to some 2000 pages of documentation that will become the heart of the North American Free Trade Agreement between the United States, Canada, and Mexico. While still an incomplete effort -- some 40 private-sector advisory reports still need to be completed and appended -- the draft treaty has already created a major impact politically, if not economically. The major question is the wisdom of integrating a less-developed country, Mexico, into the economies of two extremely advanced ones. In essence, all customs duties and other restrictions on trade between Mexico, Canada and the U.S. will be eliminated. To insure that

3 Hobart Rowen, "NAFTA: building bloc or wrecking ball?" The Japan Times, 31 August 1992.
third parties do not circumvent the system by direct investment in Mexico to receive the benefits of low wages and lower environmental impact costs, specific "content requirements" have been included for North American origin of parts and equipment. At the end of an eight year period, 62.5 percent of the net cost of cars or trucks must be identifiable as North American in origin. The current 50 percent ratio incorporated in the U.S.-Canada Free Trade Agreement will be operable for the next four years, after which the rate will increase to 57 percent.\(^4\) (In this matter, a spokesman for the Japan Automobile Manufacturers Association termed the agreement "a giant step in the wrong direction."\(^5\)) Other specific content requirements dealing with textiles and other manufactured goods will also be reflected in this treaty which seeks to remove tariffs from the member states, not create a common tariff union to face the outside world as in the case of the European Community.

Regional reaction to the draft pact has been mixed at best; Japan insists that NAFTA be consistent with existing international trade rules, and desires a detailed committee

\(^5\)Ibid.
review within the GATT structure. It has also reportedly sent correspondence to the U.S. Trade Office indicating a desire to be actively involved in discussions that would focus on NAFTA's impact on "global trade and economy, as well as its effects on the non-NAFTA countries, especially those of the Asia-Pacific region."6

The Korean Foreign Trade Association has indicated its concern that Mexican produced products would displace South Korean exports, and the Pacific Economic Cooperation Council noted that NAFTA "could divert trade and investment from Pacific economies."7 Singapore was not as critical, and has noted that as long as the agreement conforms to "international trade rules," and does not create a protectionist trade bloc, there would be no objection.

President Yang Shang-kun of the Peoples' Republic of China when visiting Malaysia in January 1992 took the opportunity of economic discussions with the Malaysian Prime Minister Mahathir Mohammed to criticize "growing protectionism in developed countries," noting that it would

6 Ibid.
7 Ibid.
"hamper" development. Whether he was speaking about NAFTA directly or not, the Center for International Strategy, Technology, and Policy in co-sponsoring a conference on economic development in the Northwest Pacific in March 1992, received some insight regarding NAFTA from several Chinese specialists in the economic field. Chen Bao Sen of the Chinese Academy of Social Sciences noted that the realization of NAFTA:

"...is another major event soon after the agreement on the big unified market was reached in Europe. It marked the acceleration of the ongoing grouping process of the world regional economy. The regional economic grouping is the contemporary historical trend, which goes side by side with the tendency of multi-polarization. It is an identity of opposites, i.e., the combination of trade liberalization inside the bloc and the formation of trade barriers against countries outside the bloc. Therefore, it is also a reflection of the intensification of international competition and the rising of trade protectionism."  

Researcher Chen notes in his paper that the growth rate of world trade had been three percent higher than that of the world economy in the 1960s. He sighted a consistent lowering of this indicator so that in the 1970s the growth rate of world trade was only two percent higher than that of the economy generally. By the 1980s that indicator had been reduced to only one percent. The reasons for this decline, according to Chen, are the "slowing down of technological progress, and ... the increase of trade barriers among the industrialized countries."\(^{10}\)

He sees three possible outcomes of the current international economic situation:

- to maintain the co-existence of the economic grouping and the multilateral relationships of the General Agreement on Tariffs and Trade, but to make the latter weakened;

- to abandon the free trade and the multilateral relationship among the different regional blocs, and to undertake protectionism and trade war between different regional blocs;

- to realize the multilateral relationships and free trade

Hereafter, this meeting will be referred to as the March, Beijing Conference in citations.

\(^{10}\) Ibid., p.2.
on a new basis through the bargains between different regional blocs.\textsuperscript{11}

According to Chen Baosen this third option is the desired American policy goal incorporated into the establishment of the NAFTA. However, he contends that the outcome or result will not be determined by the "subjective desire of the United States."\textsuperscript{12}

While Chen sees a possible cooperative region in Northeast Asia, for example great natural resources in the eastern Russian Federation and developed capital and technology resources in South Korea and Japan await exploitation, he calls the chances for all-round economic cooperation among the various nations "still far from ripening, and the establishment of a Free Trade Zone even farther in the future."\textsuperscript{13} He does not see the formation of NAFTA playing any role in the promotion of such a group for NEA, or the entire Northwest Pacific either.

However, the creation of NAFTA will, according to Chen, have an impact on two levels on the states of the Northwest

\textsuperscript{11} Ibid., pp. 2-3.
\textsuperscript{12} Ibid.
\textsuperscript{13} Ibid., p. 6.
Pacific. He holds the opinion that with regard to Japan and South Korea, the first consideration will be how to use Mexico as a "springboard" into the U.S. market. Already, he cites the announced intention of South Korea to invest approximately 900 million dollars into 16 Mexican enterprises for the assembling of electronic products and manufacturing of textiles and auto parts. If the question of origin can be solved, this feature will result in greater cooperation between those countries and NAFTA; if not, possible areas of friction await the future.

With regard to Far Eastern Russia, North Korea, and Mongolia, Mr. Chen sees no significant negative impact as none of these areas had active trading relationships with the NAFTA countries until recently, and they are still at a low level. China, on the other hand, has developed close economic and trading contacts with all three NAFTA states and Chen hopes that external trade barriers of NAFTA will not increase as internal barriers are reduced.14

Professor Xiong Xingmei of Nankai University took a slightly different track in addressing the development of

14 Ibid. p.9.
economic free trade areas. In his exposition entitled: "Economic and Trade Relations Between the North American Free Trade Zone and the Northeast Asia Economic Ring," he noted that certain common factors must be in place for the formation of a regional trading bloc. He identifies these as "adjacent territory, closeness of economic inter-dependence, the convenience of transportation and communications, and good political relationships between the different nations," and notes that in only one area, the availability of adjacent territory, do the states of NEA meet the necessary criteria.

However, Xiong contends that a certain system foundation does exist. Russia, for example, has not exploited its resources due to the shortages of capital and manpower; Japan and South Korea have surplus capital; and China and North Korea have surplus labor. If this potential can be exploited, with special attention to the three northeast provinces of China, a "unified Northeast Asia Economic Ring will be able to strengthen its capability in bargaining with the

16 Ibid., p. 5.
other regional blocs." He sees the possibility that NAFTA and the Northeast Asia Economic Ring will have the ability to take advantage of the under-utilized resources and manpower of China and Russia.

Sun Hanchao, also of the PRC, examined the prospects for cooperation in the Northeast Asian Region. In reference to the establishment of the NAFTA, Sun believes the entire effort was a result of American attempts to match European developments with a trading bloc of 360 million people worth six trillion dollars. Nevertheless, he believes after an inventory of the resources available in Northeast Asia that "all of the essential elements of production as well as the conditions of technology and markets for the development of regional economic cooperation are available." The major difference, he notes, rests in the various political systems, economic institutions, and stages of development that exist within NEA. (It goes without saying, that these constitute some rather major obstacles to rapid cooperation.) As a result

18 Ibid., p. 3.
of these major differences, Sun notes, multilateral regional economic cooperation has been missing from the region, and that lack constitutes a major negative condition for NEA. He notes that the collapse of the framework of the U.S.-Soviet Cold War has provided a beneficial situation, permitting states that have historic and cultural ties, but were aligned to confront previously, to turn to economic cooperation. Because of the differences that continue to exist, however, it will be up to the leadership of NEA to "adroitly guide action according to the circumstances."19

With a realism that is attractive, Sun makes the important point that "it is difficult to realize economic cooperation without a stable and sound political environment." He goes on to say:

"It will be a beneficial form to strengthen the non-governmental dialogues among various countries of Northeast Asia, and to actively carry out economic, political, S & T, and academic exchanges among various countries for the furtherance of mutual understanding between different countries and the promotion of regional economic cooperation.20

19 Ibid., p. 4.
20 Ibid., p. 5.
Most importantly, this author indicated that China's governmental and non-governmental sectors will be willing to take an active part in the economic cooperation considered necessary, and made a very good case to demonstrate the already increasing levels of interaction occurring within the area. In concluding his paper, Sun ended on an optimistic note saying that the NEA economic zone "will probably become a bridgehead from the Pacific through Europe."

While Chinese representatives generally were supportive, but somewhat cautious, of the impact of NAFTA upon the NEA region, the presentation by Suzuki Naomichi, former Vice Minister for the Ministry of International Trade and Industry of Japan revealed some substantive concerns about the future course of the agreement itself. Mr. Suzuki identified two significant trends in the international community; the first was that of multi-lateralism as seen in the GATT negotiations, and the second was regional economic integration as evinced by both the ongoing movement toward realizing the goals of the European Community, and the NAFTA agreement itself.

With respect to the first trend, Suzuki called upon the trading countries who are members of the GATT system to
negotiate in good faith "to ensure that the Uruguay Round concludes successfully." 21 With regard to the second trend, the Japanese representative cautioned that since Western Europe and North America constitute "major portions of the global economy," their impact on this economy can be massive. If both regional systems remain consistent with the rules of GATT, then perhaps the long-range impact will "contribute much to the development of the world economy." If the two bodies turn inward, however, or adopt closed policies, protectionist regional blocs would be triggered and result in an overall negative impact on the trading system. 22

Mr. Suzuki did raise some concerns with regard to regional integration generally and to NAFTA specifically. With regard to regional integrative systems generally, it was noted that they do usually result in the lowering of trade barriers within a region, but also in the creation of discriminatory conditions in dealing with non-regional members.

In this particular case, Minister Suzuki noted that the timing for NAFTA was ill conceived in that it detracts from

22 Ibid., pp. 1-2.
efforts to consummate the GATT Uruguay Round at the very moment when all parties should be focusing on that agreement.

Concerns for the unequal nature of the three members of NAFTA were also voiced. Since Mexico is no more than a developing nation, a concern was raised with regard to the likelihood of regional integration. It is likely, Suzuki noted, that this situation could result negatively on other developing nations in Asia as well, as trade and investment patterns change as a result of the increased attention paid to Mexico.

The last concern raised in relation to regional groups generally dealt with the resultant political power that might produce "unilateral or unfair demands on others."

Mr. Suzuki turned to the NAFTA accord and highlighted the major problems with NAFTA specifically; these included: Rules of Origin; Liberalization of Investment; Safeguards; and Priority Access to Resources and Energy.\textsuperscript{23} In all cases, if discriminatory practices developed at the expense of non-NAFTA nations, especially Japan, the agreement would be contravening GATT and not be acceptable.

\textsuperscript{23}ibid., pp. 2-3.
In addition to the above critiques of NAFTA, additional commentary was provided by specialists from the proposed trading area itself. Canadian papers addressed the developing relationship that NAFTA has to offer to NEA. John M. Treddenick pointed to the seemingly major trend in world trading systems, the development of regional trading blocs. Whether NAFTA would become a monolithic and protectionist trading bloc, and lead to a response in kind by Asia was, according to Treddenick, premature as NAFTA did not exist -- it is still under negotiations. The point being made was the complex nature of the agreement, and the fact that 1992 was an election year in the United States. It would be difficult to predict any outcome at the moment short of delay. Political hesitancy, this Canadian specialist indicated, was not only something that would come from the United States in a year of economic and political uncertainty, but also from Canada which approached NAFTA in a reactive and defensive manner after negotiations had been initiated between Mexico and the United States. From the Canadian viewpoint, this author

24 John M. Treddenick, "The Prospects for the Future Cooperation and the Economic and Technological Development Between the North America Free Trade Zone and the Countries
noted, "a trilateral agreement raises considerable uncertainty as to whether the NAFTA will replace the U.S.-Canada Free Trade Area (FTA), even before it is fully in effect and digested, or whether the FTA will somehow be modified to permit the accession of Mexico."25

This useful assessment from the Canadian perspective continues: "For the United States the negotiation of the FTA can be seen as one part of what, on the surface at least, appears to be a well-articulated strategic approach to the negotiation of trading relationships, an approach involving concurrent unilateral, bilateral and multilateral trade initiatives and which might be styled as the strategy of the many 'lateralisms.'"26

Treddenick notes that the United States showed an "increasing disillusionment with the multilateral approach to trade negotiations," beginning after the recession of 1980-1981. From that point onward, the United States reportedly

25bid., p. 4.
26ibid.
resorted to unilateral measures to "pry open export markets and to limit its domestic markets for imports."

The demise of the Soviet Union has, according to the Canadian observer, made it possible to "envisage the tensions of economic polarization replacing the tensions of the ideological polarizations of the Cold War era, with economic power becoming the instrument of choice for managing tripolar relationships."27

Treddenick made a clear distinction between the goals of the NAFTA and those of the European Community which is destined to become a customs union and a common market with a common external tariff. A Common agricultural policy is maintained as well as a fiscal redistribution mechanism among the various parties in the community. In order to administer these many items, a limited legislative body has been created, and a common passport developed. Finally, a common central bank with a common currency within a common monetary union is perceived.

In the case of NAFTA, many important sectors are exempted, including agriculture. Even more importantly, no

27 Ibid, p. 5.
supranational institutions are envisaged except ad hoc dispute settlement panels which are similar to the ones found in the GATT structure. Canada and the U.S. retain their own commercial policies and do not speak with one voice in international fora, making the reality of the Free Trade Area something less than imposing to Pacific-Asian nations. While the reality of the FTA seems less than the notion of NAFTA, Treddenick cautions members of the Pacific-East Asian community to preserve and improve the "current multilateral trade system."\textsuperscript{28}

The paper, "Free-Trade Agreements: North America and the Northwest Pacific," was presented by an American economic specialist, Dr. James P. Bell of Washington, D.C. His notion of NAFTA was that it would not pose a threat to the countries of the Northwest Pacific. Bell argued that rather than protect North American trade from global competition, NAFTA would liberalize trade within North America. In making his point he quoted the former American Secretary of State, James Baker who stated:

\textsuperscript{28}Ibid., p. 8.
The emerging North American Free Trade Area will support both APEC and the global, multilateral systems for trade and financial flows. Growth will bring expanding markets for Asian traders and investors, thus strengthening, not weakening, Transpacific economic links.29

Bell makes the point that as long as free trade agreements are negotiated with a continuing commitment to GATT, "they do not represent a serious threat to the global trade system." He made the important point that the agreements between the U.S. and Canada do not establish a common tariff wall as in the EC case. The primary effect will be to enhance U.S.-Canada trade, not set limits or tariffs on outside trading partners. In the long run, according to Bell, inefficient firms in North America will be forced to shut down from the competition between U.S. and Canadian firms; this will ultimately reduce the need for protection and "improve the prospects for multilateral trade liberalization."30

However, Bell believes that Mexico, with NAFTA or without it, will become a strong competitor to South Korea, Taiwan, and Hong Kong. He sees its advantages in low-cost

30Ibid., p. 4.
labor, geographical proximity to the U.S., and sufficient natural resources. With a new attitude toward foreign investment, Mexico, in Bell's judgment has formidable industrial potential. In general, this American specialist believed that NAFTA will reinforce "existing trends" -- some Asian exports and exporters would be hurt, but most would not be affected. Some, he opined, would see their opportunities increase.

Turning to the notion of a Northwest Pacific Free-Trade Agreement, Bell concluded that the notion would be premature at this time, as political relations within the community would need to deepen to reduce concerns about autonomy. He noted: "the less advanced countries need time to develop high-technology industries that can compete with their counterparts in Japan. Free trade now would increase regional productivity in a narrow economic sense but member governments would not like the way markets allocated industries."31

It is clear from the data presented thus far, that the case for the North American Free Trade Agreement, no matter what North American spokesmen have said, has raised some

31bid., p. 9.
concerns especially among our Asian trading partners that some circumstances may arise that may lead to exclusionary practices and a reduced access to the American market. There has been concern that this development occurs as the European Community drives -- however somewhat more slowly currently -- to its goal of a union somewhat more similar to that of the United States than any previous European system participated in voluntarily by the member states. In reaction to these and other events another grouping, that of the Asia Pacific Economic Cooperation group can now be examined.

**APEC:**

In 1989 the Australian Prime Minister inaugurated a new Asia-Pacific economic organization which came to be called, the Asia Pacific Economic Cooperation (APEC) council. Noting that the organization would "fight for free trade rather than erect a regional trading bloc," the early notions of the structure, shape, and membership of the group were at best unclear.\(^3\)\(^2\) With some 30 ministers from 12 Asian and Pacific Rim nations in attendance at the opening session, Prime Minister Hawke noted, "We are participants in an

---

\(^3\)\(^2\)*The Japan Times,* 6 November 1989.
unprecedented, vital experiment in international consultation. This is the first time the region has met as a region."33

The nations present were Australia, the United States, Japan, Canada, New Zealand, South Korea, Brunei, Indonesia, Malaysia, the Philippines, Singapore, and Thailand, and the objective, was to "strengthen the fight against global protectionism in current negotiations within the GATT." Prime Minister Hawke noted "...that we do not meet here today with any hidden agenda to create some sort of Pacific trading bloc."

The reason, at least on the surface, was, according to U.S. officials, a meeting "symbolizing a decisive swing of economic power away from the Atlantic to the Pacific." They noted, "we want to be part of the future and this is the future."

How much it captured the future was debated by ASEAN officials who expressed doubts even about the need for the new organization in light of their own very successful body. However, they received reassurances from both Washington and Tokyo that neither major economic power would seek to dominate and that decisions -- when taken -- would reflect consensus.

33Ibid.
The optimism and excitement at first evinced by some of the original members of APEC has somewhat faded in the four years that have passed since the above meeting. The membership has been expanded to include China, Taiwan, and Hongkong, and some observers are observing that perhaps APEC is already "outdated." ³⁴

If this is so, and one recalls that the original call for APEC was to provide a steady hand for forward progress in the multilateral trade talks, does this reflect the notion that the current round of GATT negotiations is dead, and that the era of multi-laterism is over? Some observers cite the fast moving realization of NAFTA by the North American powers as removing leverage that APEC might have brought on the United States. With Mexico as an "attractive location for investment, and one where the United States is better placed politically and culturally to compete," the role APEC might have played has been reduced.

³⁴See the interesting article by Philip Bowring of the South China Morning Post in the 17 September 1992 edition of the Japan Times for a perspective from Hongkong. ³⁵Ibid.
Secondly, the importance of the North American markets to some members of APEC has declined dramatically. Declining U.S. demand, a weakened dollar, and the rapid growth of alternative Asian markets have all played significant roles in this regard. For example, Bowring points out that North America's share of Japan's exports fell from a high of 41 percent in 1986 to only 31 percent in 1991. Likewise, South Korea's exports fell from 36 to 25 percent, and Taiwan saw its exports to the American region drop 13 percent from 38 to 25 percent.\(^3\)_6

To deny that the North American markets are not still important would be to deny reality, the point being made is that increasingly, trade patterns are showing that Asia is trading with Asia and the United States is turning toward Latin America.

Another reason APEC may be a passing institution is the creation of several more "viable" alternatives like the East Asian Economic Caucus and the ASEAN Free Trade Area which hopes to establish a free trade area in most manufactured goods within the next fifteen years in the ASEAN region.

\(^{36}\)ibid.\(^{36}\)
These developments, plus the increasing uncertainty of the European situation which is complicated by the unclear nature of the post-Soviet states, the Eastern European states, and the growing impact of the burden of reunion of East and West Germany, make it unclear as to the organizational vitality of APEC. However, it has achieved some initial successes. APEC has been active in the following areas: "trade and investment data, trade promotion, expansion of investment and technology transfer, human resource development, energy, marine resource conservation and telecommunications. Three new areas of transportation, tourism, and fisheries have been added."\(^{37}\)

Probably the most damaging notion to APEC is that both Tokyo and Washington are members. This aspect has upset some Asian leaders and has led to a demand for an organization that is Asian and excludes the United States as a member. Of course that organization has become known as EAEC, the East Asian Economic Caucus.

EAEC:

In December of 1990, the idea that an Asian cooperative trade group be formed -- independent of American membership -- was proposed by the Prime Minister of Malaysia. Significantly, this group focused on the ASEAN states, would also include Japan. At the Seoul meeting of the Asia-Pacific Economic Cooperation council, a year later, the notion of this East Asian Economic Group was actively repeated by the Malaysian representative. Drawing on the notion articulated by Malaysian Prime Minister Mahathir Mohammed, to create a group more responsive to regional concerns, the idea became one of the most contested issues behind the scenes at the conference. It was reported that U.S. Secretary of State, James Baker, "lobbied" intensely to prevent the concept "taking off" by seeking the assistance of both South Korea and Japan.38

Asked to be specific for his opposition to the EAEG idea, James Baker "lashed out" calling the Malaysian proposal a "policy-making body that draws a line down the Pacific."39

38The Japan Times, 9 December 1991.
39Ibid.
Calling EAEC only a "consultative body" did not help appearances at the Seoul conference as Malaysia downgraded its official delegation giving it the appearance that APEC and EAEC were, in fact, in head-to-head competition with each other.

In any event, in Singapore, at the fourth ASEAN summit held in early 1992, ASEAN leaders agreed to the idea of the EAEC as an organization "which could contribute to expanding cooperation among the region's economies," and also agreed to form the ASEAN Free Trade Area (AFTA) over the next fifteen years. This action will, in essence, provide a single market of 330 million consumers with a GNP of more than 300 billion dollars.40

The fact that EAEC now exists, with some official Japanese support, is most interesting in light of subsequent actions by the Prime Minister of Malaysia, Mahathir. That he is the key element behind this organization gives one pause to ponder the question, is EAEC an economic or political organization, and a platform from which a new developmental

---

populism might emerge? Is Mahathir seeking to become the new Raol Prabish of a "revitalized Group of 77?" or a new leader of a modified Non-Aligned movement?

It is difficult to answer these questions with authority at this time, but the Malaysian Prime Minister's actions at the recently held Non-Aligned summit in Jakarta, provided the interested observer with significant material. In a major policy address, Mahathir "stressed the threat to developing countries of a post-Cold War unipolar world and called for NAM members to protect themselves from 'what amounts to a revival of the old Western colonialism.'"41 He told the summit: "Recent history must surely convince us that a unipolar world is every bit as threatening as a bipolar world... The environment, human rights and the democratic system have all become instruments of economic domination."42

His overall thesis reflects a strong belief that the wealthy states of the North are and will continue to impede developmental growth activity because of heavy debt burdens, restricted market access, low commodity prices and the

reallocation of aid and capital to Central and Eastern Europe after the fall of the Soviet Union.\(^{43}\)

**Conclusions -- Economic Regionalism**

It is clear that the turbulent period of transition that the international system currently faces is creating a desire for sanctuary -- for stability -- and for a feeling of regional control over international events which seem at times to be beyond control. The creation of NAFTA, APEC, EAEC, and even talk of a Northwest Pacific Free Trade Area are manifestations of concern, firstly, over the seemingly successful movement toward an advanced common market in the European Community, and secondly, responses to a concomitant decrease in the political will to realize a successful conclusion to the GATT negotiations.

One questions how much economic and how much political the current regional thrusts contain. Even NAFTA can be seen in terms of political leverage by the United States to insure forward movement in multilateral for a to reach a

\(^{43}\)\textit{ibid.}\n
32
successful GATT regime, and APEC, itself, was created with an eye on successful conclusion of the GATT negotiations.

From the vantage point of Atlanta, Georgia, this observer happens to agree with the notion that "Asia's economic success has been predicated largely upon a kind of borderless production which has flowed fairly freely among nations. Openness will continue to serve Asia better than protectionism." While the thunder of a new order can be clearly heard, at the moment, Asia, in fact, does not have a formalized economic arrangement of any kind, only a vague commitment by the ASEAN states to participate in a free trade area fifteen years from now. It would seem appropriate for Japan, and the other successful Asia states to take the leadership necessary to bring the Uruguay Round to a successful conclusion; they all stand to gain from a continuation of a trading system as open and as general in orientation as possible.

---

U.S. Technology Transfer Policy

An area closely related to the operation of a free and open trading system, is that concerning the free flow of technology across national borders. How the U.S. is handling this issue in a period of political transition is the subject of the next portion of this study.

U.S. TECHNOLOGY TRANSFER IN A CHANGING GLOBAL ENVIRONMENT

Introduction

In the past, regulating technology transfer was a manageable proposition. U.S. policy makers would license strategic items for export to free market societies and deny most license applications for export to the Warsaw Pact countries. A "strategic" good was anything that could aid Soviet military capability and thus undermine the strategy of containment. Today, American technology policy must address not one goal but several, responding more to the realities of the global marketplace and dangers in the developing world.
than traditional security threats from the East. The contemporary problems of managing technology may leave policy makers nostalgic for the simpler problems of that earlier era.

A Brief History

Since the start of the Cold War, the United States has controlled the export of civilian goods and technologies with potential military applications, such as computers or avionics. In 1949 Congress gave the president authority to identify controlled products and proscribed destinations to prevent technology transfers that would contribute to the military capability of a real or potential adversary. The president, through the Commerce Department, compiled a list of controlled products and designated the Soviet Union, its Warsaw Pact allies, and China as proscribed destinations. The Commerce Department administered the system by licensing exports with the advice of other agencies, notably the Departments of Defense and State. The United States coordinated national security controls with other nations through the Coordinating Committee for Multilateral Export Controls (COCOM). Member governments submitted license
applications for exporting items above a certain technology threshold to COCOM for unanimous approval.45

Initial COCOM technology strategy sought to prohibit the export of virtually all items that would aid the military or economic capabilities of the East Bloc. This comprehensive approach was not without costs. By the late 1960s growing allied and U.S. business dissatisfaction with the economic consequences of the embargo led to Congressional reforms. Congress stipulated that export controls should govern only products and technologies that contribute significantly to a potential enemy's military capability, and then only if an adversary could not obtain a comparable product from foreign suppliers. Preserving the West's superiority in defense-related technologies, rather than economic warfare itself, became the goal of U.S. and COCOM policy. Still, during the 1970s and 1980s the strategy of containment remained the guiding principle of technology policy, albeit with limited

45 COCOM members include Japan, Australia, and the NATO countries (except Iceland).
recognition of the importance of expanding non-strategic trade.

In addition to national security export controls, Congress has authorized the president to use export controls to further other U.S. foreign policy interests. The president used foreign policy export controls against certain communist and non-communist countries in order to impact various objectives including human rights, anti-terrorism, regional stability, and other reasons. Unlike national security controls, the United States carried out foreign policy controls unilaterally. Thus, foreign policy controls lacked COCOM's mechanisms for coordinating restrictions with U.S. allies. This important difference has been the source of domestic industry frustration over the high costs and limited effectiveness of unilateral foreign policy controls and the cause of diplomatic imbroglios with allies when the United States demanded allied compliance with its wishes.

A Changed Global Environment

46 Foreign policy controls have been targeted at countries such as Cambodia, Cuba, Iran, Iraq, Libya, North Korea, South Africa, the Soviet Union, Syria, Vietnam, and PDR Yemen.
Several political and economic events of the late 1980s and early 1990s confront U.S. decision makers with a dramatically different environment and call for a realignment of policy to meet present and future challenges. First, U.S. policy makers increasingly recognize the importance of economic and technological competitiveness to national security. Today, civilian applications, not defense procurement, drive technological progress essential to both national security and economic health. Therefore, before controlling technology, policy makers must fully consider the importance of a healthy, unencumbered commercial sector to U.S. security. Often this means eliminating restrictions to allow domestic firms to compete more freely and on a more even footing with their competitors in international markets. Rather than impeding technology flows, policy will need to encourage firms to cooperate in arrangements that advance Western technology whenever possible.

Second, the end of the Cold War and the unrelenting East-West ideological and geopolitical hostility of the past 40 years alters the basic security premise for Western technology controls. The former concern of a sudden Soviet attack on Western Europe or the more diffuse concern of a Soviet policy
of radical activism in the third world has dissolved. In its place are concerns over centrifugal tendencies and economic decay in the Soviet Union's successor states or the possible export of dangerous technologies from these states to unstable regimes in the developing world.

Revolutions in Central Europe and the dissolution of the Soviet empire require Western economic and technological transfer to help replace command economies with market systems. Certain technologies, for example, telecommunications and personal computers, are particularly important in promoting democratic pluralism and contributing to the creation of modern financial markets. Today the greatest potential security threat from the East would be the failure of their economic and political reforms and the regional instability that would ensue.

Finally, nuclear, chemical, and biological weapons and missile technologies have proliferated throughout the developing world. Countries acquiring these weapons include several in unstable regions or known terrorist states. Regarding the scope of the problem, CIA Director Robert Gates remarked, "More than 20 nations have or are acquiring weapons
of mass destruction, forging arsenals of such destructive capacity as to defy all reason.\textsuperscript{47}

In this changed environment, the effectiveness of strategic technology transfer policy will depend on how well it addresses several distinct goals. First, restrictions impeding the competitiveness of U.S. industries must prove that the security benefits outweigh the economic costs of controls. Second, while continuing to control highly sensitive technologies to certain former Soviet republics in the near-term, technology transfer must simultaneously encourage cooperative problem solving and pluralistic, democratic, and market-oriented reforms there, and in Eastern Europe. Third, technology policy must address new security threats posed by the proliferation of dangerous weapons to certain states in the developing world while recognizing the limits of technology policy and balancing U.S. control interests with legitimate development needs. Below is an assessment of emerging U.S. initiatives undertaken to meet these new demands.

Meeting the Competitiveness Challenge: Higher Fences Around Fewer Products At Last?

By the late 1980s it was clear that the large and complicated U.S. export control system was a competitive drag on American business and a threat to the nation's long-term security. In 1987 alone, the Department of Commerce reviewed over 100,000 license applications involving more than $80 billion worth of goods. Nearly 90 percent of these licenses involved trade with other market economies—so-called "West-West" transactions.48 The direct cost of the system to the U.S. economy was estimated to be seven to ten billion dollars per year (with total direct and indirect costs roughly twice that figure).49 This broad system of U.S. technology controls (most U.S. allies maintained far fewer controls through a narrow reading of the COCOM list and by eschewing unilateral controls) led to several problems: lost sales from licensing delays, a shift among Western companies to non-U.S. suppliers, and reduced participation by U.S.


49 Ibid.
companies in international joint ventures and alliances — the source of technology and profitability critical to future innovation. Ironically, the burden of West-West controls fell most heavily on the U.S. high technology sector; damaging both U.S. economic interests and the military security controls supposedly safeguarded.

In response to the escalating economic and alliance costs and the declining security benefits of expansive national security controls, the United States concluded an agreement with its principal allies and trading partners in COCOM that streamlined the list of items controlled in East-West trade and eliminated much of the West-West licensing burden. As part of this reform COCOM established a new "core list" of goods and technologies it would control to the East. This reform is part of a related effort to create a license-free zone for West-West intra-COCOM trade. The key to this later reform is setting up consistent enforcement mechanisms for exports of core list items from any COCOM member. Now in

---

50 The "core list" is divided into eight categories: electronics design, development, and production; materials and material processing; computers; sensors, sensor systems, and lasers; navigation and avionic systems; marine technology; telecommunications; and aerospace and propulsion equipment.
place, COCOM members are dropping licensing requirements for most high technology exports among its members.

These reforms create "higher fences around fewer items"—a goal first articulated in the 1950s.\(^{51}\) When COCOM members fully implement these changes, they will significantly reduce the licensing burden on U.S. and Western exporters and contribute to meeting the dual needs of competitiveness and security. Under new U.S. regulations, up to 95 percent of items previously licensed for export for national security may now be exported to COCOM members and cooperating countries without government review. In the United States, the effect of this change could be to reduce overall licensing by as much as two-thirds. President Bush remarked, "We have relaxed trade restrictions on exports that served us well during the Cold War but are no longer necessary in our new world."\(^{52}\)

\(^{51}\) Although not expressed as such, the United States agreed to some COCOM decontrols in 1954 because "there was some satisfaction to be derived from the fact that the reduced list would be more strictly policed and enforced." "Economic Defense: Report of the Tripartite and COCOM Review of International Lists (NSC 152/3)," \textit{FRUS}, 1952-54, vol. I., p. 1160.

\(^{52}\) "U.S. Eases Controls on High-Tech Exports to Western Europe, Other Allied Countries," \textit{International Trade Reporter} vol. 9, April 29, 1992, p. 749. Surveys of American exporters, however, suggest that many continue to experience difficulties with high technology exports despite U.S. and COCOM steps to relax
Other U.S. government initiatives recognize the need to weigh the importance of Western trade flows to U.S. security and prosperity. For example, in late 1990, President Bush called for creating a multilateral regime governing the export of supercomputers — high powered machines useful for everything from weather forecasting to nuclear weapons production.\(^{53}\) Several months later, the United States and Japan agreed to the formation of the new regime to prevent unauthorized access to, or the transshipment of, supercomputers.\(^{54}\) The regime effectively eliminates licensing for supplier countries (Japan) and limits safeguard and licensing burdens for exports to other COCOM nations while it tightens restrictions for exports to nations of proliferation concern. The approach reflects U.S. worries that countries would transfer supercomputers to proliferants and its belief licensing burdens. Some report that President Bush's new unilateral controls directed at enhancing the proliferation of dangerous technologies offsets the beneficial effects of the COCOM streamlining exercise.


\(^{54}\) The United States is also negotiating with several European countries whose parallel processing techniques enable them to reach supercomputer performance capabilities to encourage their cooperation in a multilateral regime.
that it must permit U.S. high-tech firms to compete in Western markets if they are to survive and remain viable elements of the nation's industrial base. Nonetheless, regulations issued in May 1992 to implement the new agreement did not fully satisfy U.S. industry. The regulations define supercomputers as machines with a Composite Theoretical Performance rate of 195 million operations per second or more. Industry believes that the U.S. Government set the level defining supercomputers too low, reflecting performance standards of early 1991. They believe rapid developments in the industry will require the two governments to adjust the threshold upward in the annual review of the agreement. This case illustrates that even when the government considers the economic impact of technology licensing, it must continue to aggressively monitor technology policy to keep pace with technological advancement.

Fostering Democratic, Market-Oriented Reform: Focusing on the End Use

U.S. policy is also adapting to serve strategies that recognize the altered political and economic conditions in Eastern Europe and the former Soviet Union. Contemporary U.S. technology transfer policy recognizes the chance for a more
constructive relationship with the East without ignoring the remaining security threats posed by potential instability in the region and the possibility for diversion of technology. U.S. policy now reflects a linkage between technology transfer and democratic, market-oriented reform and political stability.

Beginning in the late 1980s, U.S. policy moved haltingly toward a new relationship with former Cold War adversaries. Despite clinging to highly restrictive technology controls to the Soviet Union throughout the 1980s, dramatic events in the East and the possible rupture of COCOM led the Administration to adopt a new approach in 1989. The Administration lifted its veto over high technology sales by COCOM that year and called for a restructuring of East-West controls embodied in the "core list" exercise. Even before agreeing on the core list, the United States and COCOM partners dropped one-third of existing controls\(^{55}\) and partially decontrolled computers, tele-communication equipment, and machine tools—sectors that account for many license applications and are important

\(^{55}\) Specifically, the Administration proposed that most goods and technologies be decontrolled to all destinations up to the "China Green Line," i.e., a level at which export controls are imposed on the People's Republic of China. Goods at this level are generally more sophisticated than those that could be exported to the former Soviet Union.
to the infrastructure improvements underway in Eastern Europe. Finally, the United States agreed to more favorable licensing treatment for those Eastern European countries that adopt COCOM-approved safeguards against diversion of controlled goods to unauthorized destinations or end-users.

Beginning in June 1990, Hungary, Poland, and the Czech and Slovak Federation embarked on programs to meet the requirements set by COCOM for favorable licensing treatment. In May 1992, Hungary became the first country removed from the COCOM list of proscribed destinations for high-technology exports and COCOM dropped virtually all controls for Poland and the Czech and Slovak Federation in recognition of the radical political and economic changes of the past three years. COCOM's decision followed Hungary's creation of its own technology control system to safeguard imported Western technology and improvements in the Polish and Czech and Slovak systems. COCOM's decision shows its ability to adapt to the new international environment.

U.S. policies toward the Soviet Union also began to change by the late 1980s. U.S. policy makers began to grapple with inevitable security tradeoffs in their export control/technology exchange policy toward the Soviets. Two
cases from this period illustrate the point. In one instance, the U.S. government prohibited U.S. WEST from constructing a $500 million fiber-optic telephone link across the Soviet Union when the intelligence community raised the possibility that the Soviet military could use the technology to secure its communication. The government issued the denial despite the commercial returns and the potential benefits of democratization through the freer flow of information created by the deal. Yet, in a second case, U.S. government officials concluded that the strategic value of technology came not from controlling its transfer, but in sharing it. In that case Control Data Corporation (CDC) proposed exporting six relatively sophisticated CYBER 960 mainframe computers to the Soviet Union to improve its civilian nuclear power plant safety. The proposal presented American officials with another vexing security trade-off. The Soviet's civilian nuclear power program was one of the world's largest with about 50 plants in operation. The safety of the program — as Chernobyl demonstrated — was not only a Soviet issue but a global one.

56 Ironically, a former East German company capitalized on a loophole in the COCOM regulations and made a similar sale in 1991.
Yet the United States historically opposed the sale of computers far less powerful than the CYBER 960 on national security grounds. As one observer noted, "On the one hand [the CYBER computer] can be used for nuclear safety, to make the world more safe, and on the other hand it might handle [the question] 'How do you bomb the United States?'"57 CDC alleviated the government's concerns by negotiating end-user safeguards in the computer contract, including on-site monitoring by U.S. personnel, and government-to-government assurances that the mainframes would be dedicated to safety analysis of civilian nuclear reactors, and the U.S. government approved the export.

New approaches to technology transfer to the East will characterize U.S. and Western policy makers in the post-Cold War period. This June, for example, COCOM approved a dramatic decontrol of telecommunications equipment and technology for export and installation in the republics of the former Soviet Union. The removal of these controls eliminates one of the impediments to the economic restructuring of the

former Soviet economy. As noted, in the past the U.S. government, led by the National Security Agency and the Defense Department, had staunchly opposed such decontrols when originally proposed by Germany and other COCOM members. They argued that Soviet acquisition of fiber optics technology would frustrate U.S. intelligence gathering and improve Soviet military command, control, and communication capabilities. After the dissolution of the Soviet Union these arguments gave way to the belief that such technology could improve the process of democratization and economic reform underway in the former republics and link them more closely to the West.

U.S. technology policy toward its former Cold War adversary recognizes that American security is no longer enhanced by containing certain nations and impeding their technological progress. Rather, U.S. and COCOM technology policy now engages its former adversaries in a constructive dialogue that encourages their adoption of Western values or their participation in addressing regional or global security matters such as the environment or weapons proliferation.

In recent months, the outlines of a very different East-West technology policy have taken shape. The United States
has encouraged certain former Soviet republics to participate in emerging regimes dedicated to preventing the spread of technologies of mass destruction. Russia, for example, recently joined the so-called Nuclear Suppliers Group, which monitors the spread of technology useful in manufacturing nuclear weapons. Russia also has agreed to abide by the provisions of the 18-member Missile Technology Control Regime, which includes the major industrialized states. Perhaps most startling in this regard was COCOM's invitation to the former Soviet republics to join the organization in an advisory capacity. Former U.S. Secretary of State James Baker launched this initiative at the June 1992 high-level COCOM meeting. Under the proposal, COCOM would create a new cooperation council that would include the countries of Eastern Europe and the former Soviet Union. The council would serve as a forum for realizing three goals: (1) facilitating access by these states to COCOM-controlled items; (2) providing technical assistance to them to establish export control system comparable to COCOM; and (3) addressing new strategic threats collectively. COCOM members will define the precise structure and function of the council soon. At this point, the council will serve in an advisory capacity to COCOM.
rather than becoming fully integrated into the organization. The proposal, however, presents the possibility for a radically different membership and mission for COCOM in the years ahead.

In a related initiative, the United States has encouraged and assisted former Soviet republics (particularly Russia, the Ukraine, Belarus, and Kazakhstan) in developing laws, regulations, and institutions essential to creating their own export control systems.58 Russia, in fact, has responded with its own initiative. On April 11, Russian President Boris Yeltsin issued a decree authorizing the creation of an export control system.59 The system will be patterned on the COCOM list and licensing procedures. According to the decree, a new Russian Federation Export Control Commission will be drawn up later this year with particular attention to fulfilling the

---

58 The U.S. initiative began in January 1992, when Richard Bartholomew, Undersecretary of State for Security Assistance, Science, and Technology led a U.S. delegation to these four countries.

59 The Russian export control system is to include government administrative agencies "whose activities must be directed toward the prevention of harm to the state interests of the Russian Federation arising from the export to foreign countries of particular types of raw and other materials, equipment, technologies, and services which have peaceful purposes, but could be used in the creation of missile, nuclear, chemical and other forms of weaponry of mass destruction."
international obligations of the Russian Federation on the nonproliferation of weapons of mass destruction. The Yeltsin decree also authorizes the Russian Ministry of Foreign Affairs and the Export Control Commission to conduct negotiations with other members of the Commonwealth of Independent States to coordinate export control policy. The decree stands as a clear sign of Russia's willingness to move toward adopting Western technology transfer standards and to contain the spread of dangerous technologies. Successful implementation of the policy is far from certain, however. Perhaps the greatest strain on its good intentions will be the dire need for foreign exchange and the temptation to sell militarily-useful technologies to obtain it. The sale of powerful rocket engines by the Russian firm Glavkosmos to the Indian Space Research Organization in apparent violation of the control guidelines set by the Missile Technology Control Regime illustrates this point.

Nonetheless, as domestic export control systems take shape in Russia and other Commonwealth countries, COCOM can be expected to further relax the remaining high-technology controls applied against these nations, perhaps as early as this autumn when it reconsiders computer controls. Increased
access to Western technology will hopefully improve the economic conditions in these countries, help them in the process of defense conversion, and encourage democratization. The United States will have to pursue this relaxation process in conjunction with other forms of technological and economic assistance, of course. One innovative approach in this regard was the decision by the U.S. Congress to allocate $400 million to help destroy Soviet nuclear weapons and create a "Science Center" to employ Soviet nuclear scientists who might otherwise seek employment in Tripoli, Tehran, or Baghdad. Likewise, the decision of the Bush administration to expand purchases of Russian weapons-quality uranium for cash and dilute the material for American nuclear energy applications suggests that the flow of technology from East to West may also contribute to mutually beneficial economic and political conditions in the future.

In sum, U.S. technology strategy has focused increasingly on ways to transfer technology where it bolsters appropriate political and economic reform or enhances global security. If the Soviet Union's successor states maintain a level of political stability and make progress in setting up internal technology control systems to ensure against diversion to
dangerous recipients, the pace of change in West-East technology exchange will quicken. Under this new approach the United States will increasingly direct its efforts toward monitoring the use of technology rather than prohibiting its transfer. The questions for the 1990s will revolve around safeguards against diversion or misuse, verification of end use, and the level of intrusion into national sovereignty permissible in a technologically interdependent world.

Many challenges lay ahead. Thus far, U.S. policy toward the Eastern European reformers should help meet the technological needs of these countries and recognizes their efforts to establish modern economies including a viable export control apparatus that prevents the diversion of Western high technology. The recent experiences of these Eastern European states have become models for other former communist countries, including Soviet successor states that wish to re-establish technology ties to the West.

The Challenge of Proliferation

As COCOM has removed controls affecting East-West and West-West trade, national authorities and multilateral
institutions have directed their attention toward so-called "North-South" issues, a short-hand expression for concerns about the proliferation of chemical, biological, and nuclear weapons and missile technology to certain countries in the third world. The Gulf War turned up the heat on long-simmering security concerns over the spread of weapons of mass destruction. At present, three independent multilateral regimes—the Nuclear Suppliers Group (NSG), the Missile Technology Control Regime (MTCR), and the Australia Group (AG)—address the question of regulating commercial technology for nuclear, missile, and chemical weapons, respectively.

U.S. efforts have helped increase the membership of these regimes. They now include most COCOM and several non-COCOM members. Nonetheless, the proliferation regimes face significant problems and pitfalls and must build consensus among its members over targets and methods. The widespread availability in the third world of some of the technologies at issue, the divergent interests among regime members over what they should control to whom, the absence of certain key players, and the lack of harmonized licensing or enforcement standards present serious challenges to U.S. policy makers.
Where the Soviets lacked the technologies subject to COCOM controls, proliferation technologies are available in the third world in some cases. Developing countries already have large amounts of missile technology (particularly short-range missiles) and some programs (Israel's, for example) appear largely independent of foreign technology. The foreign availability of chemical weapons precursors also is widespread. And, as Iraq's use of low-level calutron equipment to manufacture weapons-grade nuclear material shows, some nuclear facilities do not have to rely on imported technology for their development.

Unlike the basic COCOM consensus surrounding national security controls, not all U.S. allies share America's enthusiasm for export controls over commercially significant proliferation items. Some NSG members rejected controls on computers arguing that countries can make a crude nuclear device without a computer and that the widespread availability of computers makes controls impossible. The United States reluctantly agreed to this position in exchange

60 Aaron Karp, The United States and the Soviet Union and the Control of Ballistic Missile Proliferation to the Middle East (New York: Institute for East-West Security Studies, 1990), p. 21.
for the creation of an expanded nuclear control list. Some MTCR members, such as France and Germany, reject the need for controls on launch and guidance systems technology to legitimate civilian space programs. Key AG countries—Switzerland, France, Australia, and Denmark—initially indicated that they did not intend to regulate production equipment that can be useful in developing chemical weapons, although they later reversed their position.

More important, these new regimes will have difficulty agreeing on the targets for controls because of their members' varying foreign policy interests and commitments in regions of concern and their differing perceptions of the threats posed by proliferation. Incorporating key supplier countries such as China or India into the regimes could exacerbate these disagreements. In short, the proliferation regimes are caught in a dilemma: to be truly effective they may need to expand membership to include supplier countries that will make agreements very difficult to obtain.

The groups are also informal organizations. They have not agreed to a uniform system of referring license applications for decision making by consensus, nor have they obliged themselves to common enforcement standards.
Institutional weakness is part of the problem here. At present these regimes lack the routines and institutional arrangements that could facilitate coordinated action.

Two overall conclusions flow from a recognition of these problems. First, the United States and other nations will need to apply certain lessons of the COCOM experience to strengthen the nonproliferation regimes. Second, supplier control regimes alone are not the answer to the problems of proliferation. Although the proliferation problem differs from East-West national security export controls in many important respects, COCOM and 40 years of experience in East-West export controls provide important policy guidance on how to proceed toward more effective proliferation controls. First, considering widespread foreign availability of proliferation items, effectiveness requires multilateral controls. "Multilateral" in this context will mean more than merely Western cooperation. Second, because of the important commercial uses of many of these technologies, the regimes should focus their efforts on the most critical and most controllable items. Third, although COCOM is unlikely to assume responsibility for proliferation controls because of its origins and mission, COCOM institutions and methods—
licensing and enforcement mechanisms, documentation procedures, and information exchanges—are solid models for the proliferation regimes to emulate.

Thus far, U.S. proliferation policies have partially incorporated these lessons into policy. In November 1990, President Bush declared his intention to develop controls over products that would help a country in acquiring the capability to develop, produce, stockpile, deliver, or use chemical or biological weapons and authorized sanctions against foreign companies and governments that trade or produce chemical weapons.

One month later, the White House announced the Enhanced Proliferation Control Initiative (EPCI). The EPCI is a series of measures expanding existing foreign policy controls to encompass civilian goods and technology used to make chemical, biological, and missile weapons systems and related production equipment. The key provision of the initiative commits the United States to adopt worldwide controls on 50 precursors for chemicals weapons61 (most with widespread

61 In final regulations the nations of the “Australia Group” were exempt from the licensing requirement.
commercial use and availability) and to require export licenses for a wide variety of items potentially useful to chemical-weapons-related industrial facilities. The controls were unilateral, although the White House pledged to urge all nations to adopt equivalent controls. The Commerce Department implemented the controls the following spring.

The EPCI permitted the administration to "take the moral high ground," as one Commerce official put it. The executive branch argued that someone must step up and lead on this issue and that the United States, drawing on renewed authority following the Gulf War, must show its willingness to absorb the costs of new controls before others will follow. In fact, subsequent developments at AG meetings suggest that the regime has gravitated toward U.S. positions. The AG adopted a U.S.-sponsored list of controls on chemical and weapons precursors and later accepted controls on processing and manufacturing equipment useful in the production of

---


63 Statement of Michael P. Galvin, Assistant Secretary of Commerce for Export Administration as reported in "U.S. Plans New Export Controls to Stem Spread of Chemical, Biological Weapons," International Trade Reporter January 16, 1991, p. 76.
chemical and biological weapons as well. The AG members have also agreed to tell other members of licensing denials—the first step toward harmonizing licensing practices. These developments represent a considerable victory for the Bush Administration and a fulfillment of its pledge of eventually achieving multilateral support for stronger controls. Implementation of the agreement by the member states still remains a question. As one U.S. Commerce Department official noted, at present the controls are only "semilateral."

The NSG has made similar strides in strengthening its controls and improving multilateral participation. In April 1992, the 27 members of the NSG (including several former Soviet bloc countries) reached final agreement on a common list of about 60 products and common control guidelines for regulating trade in commercial technologies with application in the development of nuclear weapons. The control list closely parallels the controls maintained by the U.S. Department of Commerce. The agreement marked the culmination of a year-long negotiation begun in the aftermath of the Gulf War. Under the guidelines established, all NSG member countries must implement licensing requirements for exports of all listed items to all destinations except NSG.
member countries by January 1, 1993. This agreement is a significant step forward but fell short of U.S. aspirations—particularly in the critical area of enforcement. Contrary to U.S. wishes, the agreement only encourages member countries to share information with other members on license application denials of controlled items. Absent stronger language on this point or a provision binding members to share information on license application approvals, a situation where one member country denies a sensitive export while another approves a similar shipment remains a distinct possibility. The U.S. efforts to create an NSG secretariat also proved unsuccessful. The United States believes that a secretariat would improve intelligence gathering, information sharing, and the full harmonization of members' procedures.

Although committed to strengthening the proliferation regimes, U.S. policy makers generally recognize that technology controls aimed at developing nations cannot, acting alone, do more than slow the proliferation of dangerous technology. Technology policy must be combined with other measures, positive and negative: intelligence gathering, regime building, regional conflict resolution, and even the threat of force. Moreover, policy makers realize that the
demand for weapons of mass destruction grows out of underdevelopment, regional antagonism, and inadequate protection of human rights. U.S. policy makers acknowledge that they must do more to address the "demand side" of the proliferation problem. Despite this acknowledgment, some developing nations see recent U.S. nonproliferation efforts as essentially dictating a policy of technology denial while doing little to meet their legitimate economic and technological needs or to diffuse the root causes of regional tensions. Critics of U.S. policy also note that the United States continues to export sophisticated arms to certain regional belligerents in unstable areas such as the Middle East while demanding that other countries follow America's lead in restricting commercial technology exports to countries in the same region. This contradiction, they claim, undercuts U.S. nonproliferation efforts.

In the near term, however, the United States will continue to make strengthening multilateral institutions the centerpiece of its policy. This July, President Bush stated that "The United States is committed to taking a leading role in the international effort to thwart the spread of
technologies and weapons that cast a cloud over our future.  

Several options have circulated in the U.S. policy making community about the form multilateral cooperation might ultimately take. Some favor a single multilateral regime to coordinate technology transfer, while most believe that this is unlikely or unwise. Most U.S. policy makers believe that creating an institution under UN. auspices would reduce policy to rhetoric or the lowest common denominator of control. Likewise, the United States has shown limited enthusiasm for a German initiative to transfer policy guidance to the G-7 organization. Expanding COCOM to encompass proliferation problems is doubtful as COCOM's Cold War mission is rapidly vanishing. However, the creation of a cooperation council within COCOM to discuss proliferation concerns with former adversaries suggests that a broader role for COCOM in the years ahead is not out of the question.

Most likely, U.S. and Western efforts to strengthen the individual proliferation regimes — expanding membership among supplier nations, agreeing to core controls, exploring the possibility for parallel control efforts with the former

64 “President Bush Promises Broadened Effort to Halt Spread of Nuclear, Other Weapons,” International Trade Reporter vol. 9, July 15, 1992, p. 1208
Soviet Republics, China, and other nations, and encouraging countries to improve their licensing and enforcement mechanisms — will continue. While less than ideal, these piecemeal steps are exercises in the art of the possible. If the United States and other nations work to resolve the problems of multilateral cooperation—harmonizing preferences, reducing transaction costs, and developing collective enforcement—most believe that each nonproliferation regime will become stronger and more effective.

**Conclusion**

By reducing barriers that have traditionally impeded U.S. exporters, U.S. technology policy more realistically addresses the economic dimension of national security and the importance of fostering national economic competitiveness through technology transfer. In the future, the United States will direct its efforts toward expediting the licensing process and creating a license-free COCOM. In East-West relations, U.S. technology transfer policy has evolved to play a cautious but constructive role. In all likelihood, there will be little breathing space before policy makers pare the core list of technologies further and develop greater technology ties to many of the Soviet Union's successor states. In addressing the
The challenge of proliferation, U.S. policy makers face their greatest challenges. U.S. efforts to stay the flow of many proliferation technologies will try to apply fully the lessons of Cold War technology restrictions: effective controls must be multilateral, focused, and supported by strong institutions. The first steps toward more effective policy will involve strengthening the new nonproliferation regimes. In the long term, meeting the threat posed by the proliferation of weapons of mass destruction may involve the United States in new initiatives designed to help resolve the problems of unstable regions (the current Middle East Peace process may be a case in point) and closer coordination of U.S. technology policy with its arms, aid, and diplomatic initiatives. In essence, success in this area is very much tied to the new ordering of the international system and the institutions created to assist in the realization of a community of cooperative systems spanning East and West, North and South. In this regard, the next section of this report deals with the larger questions of systemic change: adjusting existing organizations and creating new international infrastructure to meet the needs of the next half century.
THE FUTURE OF THE NEW INTERNATIONAL
COOPERATIVE SYSTEM

Toward a New World Order

There is little question that we are entering an age of
epochal international systemic change. The post-World War II
bipolar order has ended. Even before the dramatic events
beginning with the August 1991 Soviet hardline coup and
culminating with the demise of the U.S.S.R. in December of that
same year, there was ample evidence that the world's two
leading communist states, first China then the Soviet Union,
had come to recognize the need to alter their systems to meet
the future needs of their peoples in an ever changing,
increasingly dynamic international system. While, the Chinese
reform movement suffered at least a temporary set back
following the brutal repressive actions undertaken by the
Chinese government in Tianamen Square in the summer of
1989, the nearly bloodless Second Russian Revolution
unquestionably set in motion sweeping international systemic
changes of historic proportions.

Indeed, the failure of the coup suggested that at nearly
all levels of Soviet leadership there was a growing recognition
that old dogmas had bankrupt the U.S.S.R. economically and

68
politically and that a return to the old order was no longer acceptable. Experiments in political and economic reform had been underway, but by late 1991 successful reform appeared to demand a more dramatic change to the Soviet system. Seven decades of mismanagement had cost the Communist Party of the Soviet Union the mantel of leadership. Finally, it was abandoned by Gorbachev who resigned as its leader and ordered its demise. With the Party's property confiscated, its leadership in retreat, and its institutional association with the military severed, the way was paved for the ultimate demise of the Soviet Union, itself. The end came in December 1991 when Mikhail S. Gorbachev resigned as President. The Commonwealth of Independent States (CIS) was formed by eleven of the states of the former Soviet Union, and Russia took over the seat held by the USSR at the United Nations.

The demise of the Soviet Union and the commitment by Boris Yeltsin to continued reform offer new opportunities for further accommodation and international cooperation. New relationships with Russia and former members of the Soviet bloc are now being drawn, and these new relationships cannot help but have an impact on the wider relationships among nations on all continents.
Change has not been affected just by the demise of the Soviet system. Advances in transportation and communications and the explosive growth of information technologies have spawned a highly interactive and interdependent world. Water and air pollution, droughts and famine, human rights abuses, and other social and political issues which were formerly unique national concerns become part of a new global agenda when aired by the worldwide news media. Economies have become intertwined, and integration into the world economy has become the principal route to rapid economic advancement. Countries that fail to pick up the challenge of economic modernization and integration risk being marginalized. Countries that rigorously guard their national economic prerogatives put at risk the future benefits to their own consumers and to the efficiency of their own business and industrial sectors. National boundaries have become permeable. A government can no longer easily shield its citizens from its own political, economic, or social failures by limiting access to knowledge of the successes of others.

Indeed, such changes most certainly had an impact on the development of "new thinking" in the former Soviet Union and surely contributed to the failure of the Soviet experiment.
Moreover, the dissolution of the Soviet Union and the emergence of a significant cooperative dimension to Russian foreign policy has presented new opportunities for change in the international community. Radical movements in foreign lands no longer can count on the support of Russia simply by espousing Marxist, anti-American, or anti-western themes. Moreover, the self-admitted failure of the communist system by Soviet leadership and the disdain for communism now shown by peoples throughout central and eastern Europe have undermined Marxism/communism and strengthened democratic movements worldwide.

The combined effects of such changes have dramatically altered the international political landscape. Opportunities abound. The United Nations has been given a new lease on life. Unprecedented cooperation was the hallmark of recent UN Security Council efforts to halt and then reverse Iraq's aggression in the Gulf. Regional institutions now also have an opportunity to play expanded roles in fostering international political, economic, and security cooperation. "Zero-sum" game calculations and their military manifestations, characteristic of power politics, are giving way to new modes of thinking. Interstate relations based on mutual benefit may well finally
emerge. The operative question today is: Where do we go from here?

The Future of International Security and Stability

The demise of the Soviet Union, the rise in central and eastern Europe of democratic and nationalistic governments no longer subservient to Moscow, the rise of nationalism in former Soviet republics, in Yugoslavia, and elsewhere on the Eurasian continent, the uncertainties associated with further reform in China, the continued proliferation of technologically advanced weaponry, the continued division of Korea, the dangers of further nuclear proliferation, the increasing tide of political, economic, and social refugees, and the end of Soviet ties to former client states that tended to serve as a brake on independent actions of client states that might dangerously disturb the equilibrium between East and West raise major questions concerning the future stability of the international system. What institutions should be relied upon to serve tomorrow's needs? Are current regional institutions capable of dealing with probable future crises? Are crisis prevention/crisis management modalities developed during the period of the Cold War adequate today? Will they be adequate
in the future? What role can and should the UN play in the future? Will it need to be changed to adapt to a changed international environment? How?

The End of History?

Have we reached the end of history in Europe? Will the future simply be that "very sad time" where conflict is replaced by "economic calculations, the endless solving of technical problems, environmental concerns, and the satisfaction of sophisticated consumer demands." Are there any dangers which might threaten the international stability in the future that are worth worrying about?

Even before the collapse of the USSR there seemed to be a Soviet "threat deficit." Few analysts believed that the Soviet Union posed an imminent threat to the security of the nations of Europe or Asia. With the end of Soviet communism

---


and the likelihood of a full implementation of the Treaty on Conventional Forces in Europe (CFE), few anticipate a renewed Russian threat that meets the proportions of the past. This view is further underscored by Russia's tremendous dependence on Western economic aid and largess. Nevertheless, even Boris Yeltsin has warned of the possibility of a reactionary reversal of the current Russian course of political and economic reform and, by implication, accommodation with the West, if Russia fails to make significant progress toward reversing its economic decline. Hence, although seldom mentioned publicly, few analysts are prepared to dismiss completely and totally the possibility of future threats emanating from Russia.

Even though the probability of a major war with Russia has greatly diminished, there is little reason to suspect that the century ahead will be any safer than centuries past. Indeed, the Cold War may have had, as one of its primary product, the so-called "long peace." Unfortunately the survival of the "long peace" cannot yet be guaranteed, as world events have been proving. Stanley Hoffmann, writing before December 1991, noted that we are entering "a period in which the discrepancy between the formal organization of the world into
states and the realities of power, which do not resemble those of any past international system, will create formidable contradictions and difficulties." 6 7 The Second Russian Revolution and the breakup of the Soviet Union have further altered the realities of power, or as Soviet "scientists" were prone to observe, the "objective realities" have changed to an astounding degree.

Perhaps the greatest danger we now confront is not being able to perceive the dangers that may lie ahead. During the Cold War, as Hoffmann has suggested, nothing served to focus the mind more clearly than the threat of a major war in Europe or nuclear war between the superpowers. With the end of the Cold War threats have indeed become more diffuse. Nevertheless, the conflictual nature of international politics will remain. The interests of nations will be threatened, and wars will occur. Existing multinational institutions designed to deter aggression, avert conflict, and resolve crises will continue to play an important role in international politics, though they may have to be recrafted to fit contemporary

6 7 Stanley Hoffmann, "A New World and Its Troubles," Foreign Affairs 69 no.4 (Fall 1990): 115-122.
realities. New institutions may be needed. Indeed, one can point to a number of potentially serious future challenges to international stability.

**Future Dangers**

Firstly, there can be little doubt that the nations of the former Soviet Union are entering an era of unprecedented opportunity for democratic change and economic development. Such change, as it comes, will inevitably lead to a long-term improvement in the political and security climate in Europe and Asia. With momentous opportunity comes great risk, uncertainty, and potential instabilities. The path ahead for the Russian people will be a difficult one. The heady days of August and December 1991 have given way to sobering economic realities. The West undoubtedly will increase the level of its economic assistance, but there will be no Marshall Plan success ahead, especially if Russian intransigence continues regarding resolution of the Northern Territories issue with Japan. The Soviet economy will not recover easily from nearly 75 years of communism. Russia lacks the infrastructure, human and other, to quickly convert western capital infusions to sustained economic growth. Skilled
manpower is in extremely short supply, managerial experience, at every level, in running industries in a market environment is absent. The work ethic has been largely destroyed, as reflected by a saying that had come to characterize the Soviet workplace: "We pretend to work and they pretend to pay us." The transportation system is woefully deficient. Networks for linking suppliers with producers and producers with consumers are virtually non-existent, as are effective means for creating or measuring demand. Frustrations inevitably will grow, and though old reactionary power centers have been greatly weakened, the dynamics of disenchantment will offer new opportunities for those unhappy with the turn of events in 1991/92. In a system so lacking in democratic experience the possibility of future coups and renewed confrontation with or disengagement from the West remains. In this regard, one is constantly reminded that Russia remains the mightiest military power on the Eurasian continent. Though its military is in disarray, it is a strategic nuclear and conventional military power of major proportions.

Perhaps of even greater concern is the possibility of internal conflict within and between the Soviet successor states of Europe and Asia. The struggle between centripetal
and centrifugal forces has not yet been played out. Decentralization has been given a boost by the dissolution of the Soviet Union, but the road ahead remains uncertain and potentially unstable.

Secondly, stability and progress are hardly assured in central and eastern Europe. The economic task of rebuilding economies there is enormous. Capital infrastructures, particularly plants and equipment, have suffered enormously after four decades of mismanagement and lack of modernizing investments. Labor, by western standards, is in large measure unskilled and in some cases lacks the work ethic frequently characteristic of western workers. In some cases agriculture is many decades behind Western standards and efficiency. The environment is in shambles. The task of energizing and rejuvenating economies to meet public expectations and demands will place an enormous burden on fledgling democracies of central Europe, as well as on the states of eastern Europe. There is great potential for political instabilities arising from popular frustrations and disappointments over the pace of progress.
Thirdly, of equal or even greater concern are the forces of fragmentation\(^6^8\) increasingly present throughout the world. Of course, fragmentation and conflict based on nationalism, ethnicism, or religion are not new. What is new is the lack of the restraining mechanism of the Cold War which tended to keep such conflicts localized and reduced the involvement of other states. More recently, of course, the focus of world attention has been predominantly on Eastern Europe. However, there is no shortage of potential scenarios for conflict elsewhere in the world. Traditional threats based on nationalism, ethnicism, or religious fundamentalism, or based on disputes over resources, or as a result of megalomania, as we have recently witnessed in the Gulf, are likely to abound. One can even foresee potential crises and conflicts emerging in the decades ahead as a result of myriad dilemmas and issues: disparities between the rich nations and the poor, increasing population pressures, disputes over migrations and refugees, disputes over water rights, problems over drug

\(^{6^8}\)For a discussion of the battle between the forces of integration and the forces of fragmentation, see John Lewis Gaddis, "Toward the Post-Cold War World," Foreign Affairs 70 no.2 (Spring 1991): 120-122.
trafficking and control, and conflicts over human rights within states, even over the rights of the majority versus the rights of minorities, to name just a few.

One could argue that many of these non-traditional concerns are potential economic or social problems, rather than military security ones. Perhaps they are. But each harbors the potential for broader regional turmoil with attendant spillover effects which might directly or indirectly threaten the well-being of the world community. Add to these the potential dangers posed by the increasing availability of advanced conventional munitions and perhaps nuclear weapons and long-range delivery systems and the picture which emerges is not very comforting.

The Tasks Ahead

Unfortunately, it may not be possible for the Western European democracies, Japan, and the United States to avoid all of these problems simply because none of them, at the present, appears to pose dangers equal to those posed during the Cold War. The question is whether the Western concert of nations will simply react to events as they take place or play
an active role in addressing the potential dangers that lie ahead.

At the laissez faire/retrenchment end of the spectrum, verging on old-fashioned isolationism, Earl Ravenal offers one potential model for future approaches to security. According to Ravenal, while several types of international systems are possible in the future, "the system that appears to be most probable, in the mid-range of 15-30 years, is what might be called unalignment."  

Ravenal suggests that such a system would be characterized by a more extensive fragmentation of power and political-military initiative, a variety of power configurations in regions of the world, from hegemony to blocked hegemony and a more even balance of nations, and somewhat wider nuclear proliferation.

In response to such an emerging system Ravenal argues that the United States should design its defense program "to protect the core values of society: the lives and domestic property of citizens, the integrity of national territory, and the autonomy of political processes."  

---


70Ibid: 15.
military forces would be restricted to defense of the homeland, including air, land, and sea approaches thereto; deterrence of nuclear, chemical, and biological attacks that might pose direct threats, and deterrence of attacks or pressures against U.S. territory, society, political processes, property, and military forces.\textsuperscript{71}

According to this specialist, such a model would specifically exclude "milieu goals" from the values defense programs would be designed to protect. Presumably the very adoption of such a model as guide to defense planning, ipso facto, would create the very international system Ravenal forecasts. This system, Ravenal contends, will be "nasty and brutish," but not necessarily short. However, he further notes that on the scale of grand strategy, the problems nations will confront, while vexing and frustrating, will be nuisances when compared with the Cold War period.\textsuperscript{72}

The problems with this "head-in-the-sand" approach are many. To mention just a few, it fails to address the impact of

\footnotesize
\begin{itemize}
\item \textsuperscript{71}Ibid: 15-16.
\item \textsuperscript{72}Ibid: 14.
\end{itemize}
the expansive growth of international telecommunications, which on a daily basis transform international issues into domestic ones. (We only need to recall the mis-statements by House Speaker Sakurauchi in Mie Prefecture to understand this "global village" concept.) Furthermore, it ignores the increasingly interactive nature of world politics and the increasing dependence on others for one's security. Nor does it provide an effective hedge against being wrong in our current judgments about the likely future international security environment. While promising, at least in theory, near term gains in rejuvenating the home front, it sacrifices needed flexibility to deal with unforeseen future challenges to one's security.

In contrast to such a retrenchment approach, a second "active, milieu-oriented" approach to addressing the changes under way in the international system assumes that the international system is foreordained neither by history nor structure. Proponents of such a model concede that it is conceivable, absent the intervention of leadership, that the

---

7For a recent critique of structuralism, see Stanley Hoffmann, "The Case for Leadership," Foreign Policy 81 (Winter 1990-91): 27.
international system over the next several decades will come to be characterized by what Ravenal calls general "unalignment" and that threats to security may appear more as nuisances than serious security threats\textsuperscript{74}. However, proponents also contend that retrenchment is not an ideal approach to preclude minor or nuisance threats from becoming major challenges to international security. Further, they suggest that those who favor retrenchment or renewed isolationism might also be wrong in their estimates of the intensity of the dangers that lie ahead. If so, then "general unalignment" might be among the least satisfactory outcomes for the international system of the future.

Thus, proponents of the "active, milieu-oriented" approach argue that, given the opportunities provided by the breakdown of the post-World War bipolar structure, existing frameworks must be revitalized and, as appropriate, new frameworks must be constructed to preserve the peace and enhance future security.

Fortunately, despite the temptation of some Americans to flirt with the concepts of retrenchment, no world leader of consequence - including the American President and his Democratic Party challenger has adopted such an approach. However, the "milieu-oriented" approach will take leadership not forecasting, and decisions not postulation.

**Shaping the Milieu of the Future**

**The United Nations:**

The successful role played by the UN in providing the forum and mechanisms for multilateral action which led to the containment and ultimately the reversal of Iraqi aggression in the Gulf has clearly given new life and meaning to that organization. Some see the UN playing an increasingly important role in the security field in the years ahead. They believe new meaning can be given to the UN concept of collective security.

There is little doubt that the UN has been reinvigorated by a Security Council not plagued by the East-West conflict. Nevertheless, several factors promise to continue to limit the usefulness of the UN in the future. First, the UN represents a vast diversity of values and views. The question that remains
unanswered is whether harmony during the Gulf crisis was *sui generis* or indicative of a new level of cooperation among the members of the UN, particularly among the five members of the Security Council. While it is true that a pattern of increased cooperation within the UN has emerged since the Gulf War, in general, the history of the UN suggests that achieving sustained agreement in the future on a wide variety of issues likely to affect international security and stability will be problematical. Indeed, it is precisely such concerns that encouraged the adoption of Article 51 of the UN Charter which permits initiatives under regional security institutions. Thus, the question remains whether the UN should be the first, last, or coordinate institution for the achievement and maintenance of international stability.

Second, the UN requires unanimity among all five permanent members of the Security Council, not just a majority consensus. Any permanent member can veto the most insignificant security issue. If those interested in cooperation and closer relations with the West continue to predominate in Russia, then chances are good for stronger cooperation between the West and Russia in the Security Council. However, this will not bridge the gap that frequently exists between the
Western members of the Council and China. Moreover, even if Russian hardliners do not return to power, divisive issues may see a rebirth of Russian nationalism and nationalistic interpretations of state interests may undermine future cooperation within the Security Council.

Finally, two of the world's more important powers, Germany and Japan, who by any reasonable standards should sit as permanent members of the Council, have not yet been accorded that status. Recently expressed interest on the part of both Germany and Japan to join the UN Security Council should be welcomed and supported. In the decades ahead, it would be folly to organize cooperative collective security efforts in an environment where neither Japan nor Germany nor several other major states were full partners to the international decision-making processes. However, an expansion of the Security Council will also require changes in voting procedures if the UN is to play a dynamic role in future international security. As a minimum, a new means of decision-making within the Security Council which eliminates the power of a single veto must be found. Of course, there are a wide variety of proposals which if adopted could solve this problem. However, narrowly conceived state interests are
likely to block any move to remove or seriously limit the veto power of the current permanent members of the Security Council. Thus, the future role of that body in resolving serious problems where differences in interests and/or approach exist among the permanent members of the Security Council is in doubt.

Regional Institutions: Europe

North Atlantic Treaty Organization

Many reasons have been advanced in some quarters for NATO's eminent demise or at the very least, its supplantation by other inter- and supra-European organizations. Indeed, given the vast changes underway in Europe today, Pierre Harmel rightly has asked the grand question: Does NATO have a future? "Should it continue to exist and for what purposes?" 7

Spea~:ing before the demise of the USSR, Harmel raised the following issues:

Faced with the changes in the political regimes of Eastern Europe, the accompanying decrease in tensions, and now that Germany has been re-united, are we not close to "a peaceful, just and lasting

7 Ibid.
order in Europe, attended by adequate security guarantees?" Was not the meeting of the thirty-five in Paris last November devoted to this order? And have we not consequently achieved the "ultimate goal" described 23 years ago by the report on the future of the Alliance? Hasn't the Alliance now become outmoded and obsolete? Shouldn't we dismantle it in order to re-design new security structures within the framework of the 35?76

Harmel went on to answer these questions reaffirming his belief in the necessity of the Alliance. He suggested that even if Europe is completely at peace by the year 2000, that the countries of Central and Eastern Europe will still have armies. He concluded that there will still be a need to defend the Atlantic area and the freedom of the oceans and the Mediterranean against rising dangers from elsewhere; and that unforeseen adventurism, such as Iraq's, will occur and may deteriorate into global conflicts. According to Harmel such factors will result in great dangers in the Atlantic Ocean and bordering countries77.

76Ibid., p.3.

77CSCE, originally composed of 35 members, was reduced to 34 with the unification of Germany. Subsequent admissions have raised the total to 52.
Certainly NATO has contributed greatly to peace and stability in Europe during the post-War period. Its great strengths lie in its institutions and mechanisms for discussion, consensus, and decision-making which have fostered a truly cooperative political environment: Its long experience at dialogue and compromise, its shared values and ideals that transcend national boundaries, its vast experience in military cooperation and joint and combined military operations, and, ultimately, its shared commitment to put community interests above purely national interests. Such strengths have given NATO its durability and flexibility. The question is whether such strengths are relevant to the tasks ahead.

NATO member countries have signaled their belief that they are and have moved to adapt the organization to the changed environment. Indeed, the Alliance has been undergoing a remarkably quick transformation. In July 1990 at the London meeting of NATO Heads of State and Government, the Alliance was quick to recognize the need to respond constructively to the immense changes then underway in Central and Eastern Europe. Among a variety of new initiatives, NATO
- proposed a joint declaration with members of the still extant Warsaw Pact ending the adversarial relationship that had existed for well over 40 years;

- invited the Soviet Union and other Warsaw Pact states to establish regular diplomatic liaison with the Alliance;

- signaled its willingness to intensify contacts between military leaders of both Alliances; and,

- informed the USSR that as its troops leave Eastern Europe and the treaty limiting conventional forces in Europe is implemented, Alliance force structures would shrink and NATO readiness would be scaled back.

Even before the dissolution of the Soviet Union, NATO Heads of State and Government meeting in Rome in November 1991:

- reaffirmed their intention to reduce Alliance nuclear forces by 80%;

- pledged their support for efforts of the Soviet peoples to transform their society into one based on democracy, human rights, the rule of law, and economic liberty;

- signaled their readiness to assist the Soviet Union along the road to market economic reforms and pledged humanitarian support to help the Soviet peoples cope with the political and economic crises they are facing;

- agreed on a new strategic concept based on dramatically altered perceptions of risk;
- sketched out a new security architecture in which NATO, CSCE, the European Community, the WEU, and the Council of Europe would complement each other;

- agreed to a further strengthening of the CSCE; and

- affirmed their support for strengthening the European identity in security and defense.

Perhaps even more significantly, a North Atlantic Cooperation Council (NACC) has been established. The NACC now includes the member states of NATO, former non-Soviet members of the Warsaw Pact, and the Soviet successor states. At their first meeting in December 1991 NACC states agreed that the confrontation and division of the past decades has been replaced by a new era of European relations characterized by dialogue, partnership, and cooperation aimed at securing a lasting peace. At a second, extraordinary, meeting held in Brussels in March 1992, NACC states set forth a "Work Plan" designed to intensify consultations between the Central and Eastern European countries and the North Atlantic Council, NATO's various specialized committees, and NATO's Military Committee, as well as to undertake a range of cooperative
efforts on political, economic, scientific, social, security, and defense related matters.

If NATO, however, is to deal with worldwide security challenges, it will need to undergo further change. In this regard, we offer some preliminary thoughts. First, NATO could benefit from broadening and deepening its institutions at the political level. In the past, the predominant military dimension of the Alliance's problems aptly resulted in a progressive expansion of its military instrument. The increasingly political, economic, and social dimensions of the initial phases of the crises we are likely to face in the future demand a broadening and deepening of the political institutions, especially in the field of crisis avoidance, crisis management, and conflict avoidance, containment, limitation, and termination. Such capabilities can complement those developed of other regional and global institutions.

Second, while the creation of the NACC as a means of expanding dialogue and cooperation between NATO member states and the states of Central and Eastern European has been a successful interim step, the NACC is not likely to be a fully satisfactory solution to the differing security interests of NACC member states. A way will need to be found to more
closely integrate into NATO those countries which seek a closer association with Alliance. Of course, the concern here is as it has been in not offending Russia - in not recreating the "we-they" situation which characterized the cold-war era.

Third, since it is conceivable that Western security interests might be threatened by events far from the European heartland, NATO must begin considering what constitutes an appropriate relationship between itself and Japan, China, and other regional powers. Ultimately, NATO may wish to establish at least three levels of association. At the core would be the current sixteen members, with rules for expanding membership beyond the current central core. A second "ring" of association might be at the NACC level of regular dialogue and cooperation on specifics associated with a range of political, economic, social, and military issues in one way or another related to European security. A outer, third "ring" of association might be with other major regional powers whose cooperation might be necessary if the security interests of NATO member states were threatened by events beyond Europe. Such an association would, as a minimum, involve periodic multilateral consultations on a problems which, if left untended, might threaten peace. It would most
certainly include consultations during crises. An even better approach would be to establish a small, multinational permanent staff with the joint participation of selected NATO countries and countries like Japan, China, India, Egypt, Brazil, and/or Nigeria whose task it would be to examine issues beyond the normal scope of NATO's focus as a way of sharpening NATO's understanding of future dangers, risks, and options for dealing with the so-to-speak "out-of-area" instabilities which may eventually come to threaten the interests of NATO core members.

Finally, even if NATO fails to adopt this third ring of association, in order to continue to serve the security interests of its members, NATO must develop a significant capability to deal with out-of-area issues both at the political level and, if need be, with military force. Such a capability is not precluded by the Washington Treaty. However, it would require the creation of significant multinational political analysis capability that can develop options and identify acceptable Alliance responses to Brussels and national capitals. In short, the Alliance will need its own out-of-area expertise for crisis avoidance, crisis management, and conflict management, limitation, and termination.
Given the narrow Eurocentric focus of many of the current member states of NATO, one must guard against optimism that NATO's European members will be prepared to adopt the last two of the above recommendations soon. Europeans are quick to note that out-of-area issues are beyond the traditional perceptions of the limits of the Washington treaty. Perhaps of even greater concern is that NATO not become the world policeman. Nevertheless, the notion of a widening of cooperation and joint multinational staffing of security issues should continue to be advanced as a long-term goal. Such an approach hardly suggests that NATO is likely to become the arm of whimsical western intervention around the world. Given the diversity within the Alliance and its democratic foundations, this is an unlikely development. However, if history as re-emphasized by Saddam Hussein provides any lessons at all, surely one of them is that conflicts will occur and there will be times when intervention, up to and including the dispatch of military force, will be necessary to secure peace and stability. Perhaps more importantly, NATO has developed in the course of the Cold War highly effective the political and military machinery which
could be called upon to assist in maintaining and/or securing the peace.

**The Conference on Security and Cooperation in Europe (CSCE):**

Other institutions like CSCE, the European Community (EC), and the Western European Union (WEU) can play a major role in enhancing European regional stability. A number of factors can be pointed to that lobby for an expanded role for CSCE in the European security equation. First, the political situation has changed in Europe. Europe is no longer separated into blocs. The Warsaw Pact is gone. The Council on Mutual Economic Assistance has disbanded. Eastern European states have regained their sovereignty. Germany is reunited. Second, the military situation on the continent has changed. The Soviet Union no longer exists and troops from the former Soviet Union are being withdrawn from Eastern Europe. The "Negotiations on Conventional Armed Forces in Europe" (CFE) have led to a CFE I treaty which will result in a significant reduction of armed forces in Europe. For the foreseeable future, the threat of a military confrontation with Russia has
ended. Third, CSCE is inclusive. It includes all of the countries of Europe as well as the United States, Canada, and all former 15 republics of the USSR as independent states. Fourth, CSCE reflects the new Europe. It was never organized as a bloc to bloc conference. Therefore, unlike NATO, it does not reflect or attempt to perpetuate the concept of bloc politics characteristic of the Cold War era. CSCE includes NATO countries, the countries of the now defunct Soviet Union and Warsaw Pact, as well as the European neutrals. It is a forum of countries from Vancouver to Vladivostok. Fifth, CSCE

---

The formal CSCE process is an outgrowth of agreements reached between Soviet Secretary General Leonid Brezhnev and U.S. President Richard Nixon at the May 1972 Moscow summit meeting. CSCE discussions formally opened in Helsinki on November 22, 1973. The Final Act was signed on August 1, 1975. The Final Act included agreement in three principal areas, called "baskets." Basket One concerned issues "relating to security in Europe." The second basket addressed cooperation in the fields of economics, science and technology, and environment. The third basket focused on humanitarian issues and cooperation in other fields such as human contacts, information, culture and education. Final provisions called for follow-up conferences. There have been four follow-up meetings (Belgrade, Madrid, Vienna, and Helsinki) and numerous meetings on sub-issues.
has been a successful forum during the Cold War period.79

Finally, central and eastern European states and the CIS have expressed strong support for CSCE as an institutional umbrella for a "common European home."80

CSCE is not, of course, without drawbacks if it were to be considered as a replacement for NATO as the principal bulwark of European security as some analysts, particularly in Europe, have suggested. First, CSCE still lacks the institutional structures which have become the hallmark of NATO. Second, CSCE relies for decision-making on a consensus of over fifty member states. When faced with far greater threats to the security of its members, NATO with its years of experience, common values, and well-developed institutional


8 0 Delors sees the idea of security as "not solely a military one. It involves ideology, values, socioeconomic systems and environment. Jacques Delors, "Europe's Ambitions," Foreign Policy 80 (Fall 1990):18.
mechanisms to foster cooperation frequently found it difficult to achieve consensus among its 16 members. Achieving a consensus among fifty plus nations with values and traditions as disparate as Malta, Albania, Bulgaria, the USSR, France, England and the United States will be far more difficult. Third, if getting NATO's 16 members to agree to address collectively aggression or threats of aggression beyond the immediate European borders of NATO states would be difficult, obtaining the unanimous consent of more than 50 on such issues will be impossible. Fourth, some argue that emphasis on CSCE will ultimately peripheralize the United States and Canada. As a result, both states, already under pressure at home to reduce expenditures, may lose interest and disengage from Europe. This, of course, would not be a desirable situation. Peace and security in the 21st Century will require the active, cooperative engagement of the broad community of nations. Europe's future is intimately intertwined with that of the future of the United States and Canada and visa versa. Moreover, Europe's security is intertwined with that of others beyond its borders. By peripheralizing the U.S. and Canada through an emphasis of the CSCE forum, other regions of the world will remain on the margins of European consideration

100
and other countries will be excluded from the security decision-making processes (e.g., Japan, which has "observer" status only, the newly industrialized countries of Asia, China, etc.,) that should be included. Finally, by emphasizing CSCE, many feel that NATO, an institution that on balance has functioned superbly over the last 42 years, will be undercut.

In recognition of many of the above deficiencies CSCE members agreed at the Paris summit, November 19-21, 1990, on a series of efforts designed to improve the efficiency and effectiveness of CSCE. In the "Charter for a New Europe" CSCE member states agreed to moved forward with a series of measures designed to strengthen CSCE's institutional mechanisms. A Council of Foreign Ministers was created and assigned the role as a central forum for regular political consultation. A Commission of Senior Officials also was created. A permanent CSCE Secretariat was established in Prague. A Conflict Prevention Center (CPC) was established in Vienna. An Office for Free Elections was established in Warsaw.

Since its first meeting in June 1991, the Council of Foreign Ministers has undertaken a variety of initiatives. It has agreed to increased consultation and cooperation among its
members in emergencies. It has directed the Commission of Senior Officials to prepare recommendations for the future development of CSCE institutions and structures. It has set up communications networks among the most important European and trans-Atlantic institutions such as the EC, the ECE (UN Economic Commission for Europe), NATO, and the WEU. It also has intensified coordination and political consultation among member states.

Furthermore, in response to the Yugoslav crisis, the Crisis Prevention Center met for the first time on July 2, 1991 and the Committee of High Government Officials met in Prague the next day to begin implementing CSCE machinery to help resolve the Yugoslav dispute.

Such efforts undertaken by CSCE members go a long way toward blunting criticism of CSCE's lack of structure and demonstrate CSCE's ability to respond to crises. However, given the lack of success so far of CSCE in dealing with the Yugoslav crisis in Croatia as well as in Bosnia and Herzegovina, the question, however, remains: Can the CSCE take consistent, timely and decisive action and back up those actions with teeth?
European Community

Where CSCE, because of its size and diversity may be an in appropriate forum for the resolution of security related issues, some see the European Community as a very useful complement to regional stability. Jacques Delors, President of the Commission of European Communities, has noted that the EC has been successful in forging cooperative efforts in the economic arena. In his view, the time has come to move ahead toward broader political cooperation, including security cooperation. This view received specific endorsement at the EC summit in Maastricht, the Netherlands in December 1991. At Maastricht EC member states agreed in the second of three "pillars" of a new European Union that they would "define and implement common foreign and security policies (CFSP), which would include "the eventual framing of a common defense policy which might lead to a common defense."

Furthermore they agreed to improve cooperation by on foreign policy by establishing rules for joint action by EC countries. EC countries specifically marked the areas of arms control, CSCE, non-proliferation, and the "economic aspects of security" to be important areas of initial focus for common policies.

In the lengthy Maastricht agreement EC countries also agreed to develop the WEU as the "defense component of the European Union." However, the Maastricht document also made it clear that further developments in this area must be compatible with the NATO alliance. For the present, however, foreign and security policies will not be brought under the decision-making apparatus of the EC Commission or the EC Parliament, but rather remain the purview of national governments. Nevertheless, Maastricht, if ratified, would represent a giant step in the direction of a harmonization of EC approaches to foreign and security issues. 8 2

Stanley Hoffman has argued that the EC may be able to perform two major tasks that "Even the combination of the aging NATO and a strengthened CSCE will not be able to

8 2Hoffmann, "The Case for Leadership," op.cit.: 31-32.
accomplish:" to preserve the Western orientation of Germany and to further the integration of Central and Eastern Europe into the rest of Europe.18

However, the road ahead toward the development of common foreign and security policies within the EC will be rocky. The tasks of devising and implementing joint foreign and security policies will be much harder than just agreeing in the abstract to do so.83 And there is little doubt that this task will grow measurably harder with every expansion of the EC.

**Regional Institutions: Asia:**

Where European nations have a number of security frameworks upon which to rely, Asia has few, and those principally restricted to bilateral structures. While participation by the major regional powers in security frameworks such as NATO would in our view be a welcomed as a means of broadening the understanding of issues, options, and approaches to reducing potential tensions, there is need for more dynamic Asian regional approach to security cooperation, and one that is sensitive to the special security

---

conditions of one of its principal states, Japan. We recommend that Japan, Russia, China, the two Koreas, and the U.S. jointly examine an effort to create an Asian/North West Pacific organization for cooperation and security. It would be in keeping with some of the concepts initially discussed by Prime Minister Miyazawa at his press conference on 22 June 1992.8 4

Background

Events of the past several years as explained above leave us all gasping for breath as we try to keep up with the changes connected with the successful conclusion of the Cold War. While some clearly unexpected and welcomed events have happened between the two Koreas, Asia, and in this case, especially Northeast Asia, does not have a collective security infrastructure to take advantage of the advances being made. While NATO may, in fact, be joined by adversaries of old, and CSCE exists to involve all the states of Europe in a new and more expansive concept of security, Asia has generally viewed its security linkages in bilateral terms. The time is appropriate to consider a new organizational concept.

8 4Asahi Shimbun, 3 July 1992, p.2.
In this light, this proposal advances the idea that the major states of Asia, using the recent pledges for non-nuclear zones on the Korean Peninsula, call for the establishment of a nuclear free zone for Northeast Asia that would involve the creation of a multilateral verification organization that would have as an integral part some form of regional dispute resolution mechanism. In essence NEA would be establishing -- possibly under United Nations auspices -- a new kind of security system; rather than an alliance formed to defend against outside threats, as in NATO, this would become a security system to oversee the rational dismantling of the residue of the Cold War. It could be a phased approach, beginning with the significant agreements achieved on the Korean Peninsula, but early on, it would involve the establishment of a permanent secretariat and administrative heart manned by representatives from all the members, including the United States.

The general concept could have many phases: Phase I would focus on establishing a nuclear free NEA, but more importantly, the regional security organization mentioned above; Phase II would focus on nuclear force reduction talks among the nuclear weapons possessing states (NWPS) of NEA;
Phase III would turn to the issue of providing for the safe disposal or commercial recycling of the fissile materials made surplus by Phases I and II; Phase IV would expand the nuclear process to South Asia, and extend the overall process to include conventional forces in the NE Asian Zone. A more detailed phase-by-phase description of the overall concept follows:

**Phase I:** Creation of a Northeast Asian Zone Free of Nuclear Weapons:

This phase would first deal with the actual scope of the area to be included in the nuclear free zone. At this writing a zone approximately 2600 nautical miles across, centered on the geographic center of the Demilitarized Zone on the Korean Peninsula would have the following characteristics:

- Inclusion of all of the Korean Peninsula.

- Inclusion of all of Taiwan.

- Inclusion of the Soviet Maritime States, Vladivostok, most of Sakhalin, and the area as far west as one hundred miles from Ulan Ude and Lake Baikal. Thus, significant portions of the ICBMs (SS-11 and SS-18) located in the Transbaikal and Far Eastern Military Districts would be included.
- Inclusion of all of Eastern Mongolia from Ulan Bator to the border.

- Inclusion of most of the heartland of China reaching almost to Lanzhou, west of Xian, and almost as far south as Canton or Guangzhou.

- Exclusion of the Sea of Okhotsk bastion for the SSBMs of the Russian Pacific Fleet.

Advantages and Disadvantages:

This concept:

- Results in removal or deactivation of all nuclear weapons from within the zone. While this may incur expenses, recently, Japan announced it would be willing to underwrite such costs with regard to the former Soviet Union. Perhaps there is room to negotiate here.

- Captures the forward momentum of the North-South talks in Korea, and reinforces these talks by involving states allied or friendly to both Koreas.

- Links all states in Northeast Asia to an embryonic notion of collective security, including the United States.
-Reassures states of Asia that the United States will have a long-term interest in remaining NEA; thus, those with concern about either China or Japan would rest easier.

-Provides a new defensive defense notion of collective security based on many of the security concepts found in Japan today. Entire proposal reflects UN role in new international system, non-nuclear ideas, and reduction of military threat; perhaps even Komeito, SDPJ, and DSP might be able to find consensus to support. Gives Japan a platform for more active involvement in security of Asia and the world.

-Creates a formal verification structure to oversee agreement consisting of professionals from all nations concerned -- possibly an augmentation of current IAEA or UN organizations, but would serve to build regional relationships.

-Secretariat and conflict resolution aspects of the new organization would offer on-going informal and formal linkages between officials of the region -- helping to create the sense of community that exists in Europe, but not in Asia.

-Assists in reassuring the PRC that the ROC will not become a nuclear weapons possessing state.
Secondary Advantages:

-While not a first order issue, as nuclear weapons and related programs, this concept could easily contain a regional inspection aspect for enrichment and reprocessing facilities. It might be possible to put all such facilities related to power generation programs under observation or even control of the regional verification body. This would keep the genie in the bottle, especially after lessons of Iraq.

Disadvantages:

Main disadvantages would center on the continuing loss of sovereignty by nation states to regional or other central authority, and the notion that even on-site verification cannot be as intrusive as it needs to be in some of the countries in the zone.

Phase II: Beginning of Regional Nuclear Weapons Drawdown Talks Among NWPS:

After the establishment of the administrative structure to run Phase I, and the relocation of weapons outside of the zone, it would be timely to begin to discuss actual weapon reduction talks with all parties. The PRC will have ratified the NPT by then, and considerable reduction of U.S. and Russian weapon stockpiles would have occurred. However, the PRC has noted that it really would not reduce its weapons until the U.S.
and Russia reduced to China's level. Some interesting and useful negotiations could result.

**Phase III:**

Phase III would involve the safe disposal of fissile materials rendered surplus by Phases I and II. This phase is truly the "turning swords into plowshares" step. It should involve the generation of highly competitive ideas for recycling the fissile materials for power generation or the safe disposal of wastes. The science and technology communities of the world, but especially members of the regional security community should be encouraged to focus on this issue. Such new concepts as the glass enclosed storage of nuclear wastes beneath the floor of the deepest areas of the oceans need to be openly examined and debated. Nevertheless, this phase must be addressed with as much enthusiasm and support as the above two steps.

**Phase IV:**

Expansion of the Nuclear Regime to Conventional Questions within the Zone and Extension of the Concept to South Asia.
- Many of the agreements reached in the CFE in Europe could usefully be transferred to Asia by this period. The nuclear zone could serve as the initial area for conventional force reductions in Asia.

- Extending the nuclear free zone to include South Asia may actually be possible sooner than shown here since Pakistan and India insist that they do not possess nuclear weapons, however, establishing the size of the zone would be difficult as both China and the former Soviet states would be involved. A possible point to center the zone would be Simla in India; however, further examination would clearly be necessary.

NOTE:

It is clear that Phase IV conventional arms reduction does not need to be delayed until Phase III is complete. If the territory of a nuclear free zone can be agreed upon, it might be feasible to begin parallel conventional arms reduction talks, as in the CFE, and move rapidly to build an environment of trust so that movement to nuclear issues could be facilitated. Already major force reduction announcements have been made by several of the regional powers; it may be appropriate to provide them a multilateral venue.
Next Step:

This concept, especially Phase I was received with interest at a conference held in Beijing on 23-25 March 1992 through the joint sponsorship of the Center for International Strategy, Technology, and Policy of Georgia Tech and the Institute for Global Concerns of the PRC. We propose that scholars and practitioners from the PRC, Canada, both Koreas, Japan, Russia, Mongolia, Hong Kong, and the United States be formed into a research task force to begin a serious examination of the concept in a multilateral context. We hope a multinational research team will be able to consider all the aspects of this concept and work to produce a report that can be made available to all states represented. The main goal of this effort will be to create the concept and build a comprehensive model at the academic/research level, introduce it to the unofficial policy community of all states participating, and then -- after considerable interest is raised in the international community, turn it over to a sovereign power or group of sovereign powers to work toward its realization on an official level within the arms control community, including, of course, the United Nations.
A New International Cooperative System

President Bush has spoken of a new international order. Many have come to use the term. Yet no clear idea of its meaning emerges. Perhaps we are referring to the changes that have taken place as a result of the revolutions in Europe of 1989, 1990, and 1991, and the short lived flirting with democracy, now somewhat controlled, that took place in China in 1989. Perhaps we are speaking of the new international hierarchy marked by the absence of a second military superpower. If, however, we are referring to unprecedented cooperation that characterized the community of nations during the Gulf crisis and conflict, or the continued spirit of cooperation that has developed in the United Nations, or the opportunities which are now emerging for the creation of processes which will bring order, dynamic stability, and progress to the international system, then perhaps we would be better served by a different term. "Order" suggests unchanging hierarchy and predictable relationships. "Order" also brings back dark memories of an era just as soon forgotten. Given the broad shift away from totalitarianism and dictatorship and toward democracy, a new hierarchy seems a less stable foundation for future progress than a truly
cooperative system. Perhaps we should be referring to, and attempting to create, not a new international order, but a new international cooperative system - a broad partnership of political equals whose relationships are governed by a non-zero-sum calculus and characterized by consensus-building.

Conclusions

This is certainly not the end of history; rather, it is an entirely new era of risks and challenges. Indeed, in some ways, it is the return of history - a history of national, ethnic, and perhaps religious conflict. It is also a period of contradictory patterns of trade -- significant commitment to multilateralism, and at the same time growing interest, perhaps even a tribal comfort, in regional trade systems that may establish economic regimes the opposite of those desired in the GATT. At the same time, considerable progress is being made in new and compatible technology transfer systems that greatly discount the distrust and confrontation of former East-West relations, but somehow fail to meet the needs of new and increasingly desperate calls from those states caught in the developing mode of the North-South relationship. While
dynamic change is being recorded, conflict remains a rather common trait of human existence. Thus, for the foreseeable future there will be a need for institutions and structures to deal with events that threaten the security interests of the members of the world community.

Given the complexities of future security problems and the limitations of current institutions, it is unlikely that any single institution like the United Nations will suffice, but given limited reforms -- to include Japan and German membership in the Security Council -- its usefulness for the future would be enhanced. Given its experience and flexibility, the North Atlantic Alliance will remain a necessary ingredient of the European security system and, with enlightenment and the addition of a third ring of institutional staffing, could play a more dynamic role in international security beyond the narrow confines of the European theater. In Asia, there is a clear and evident need for the creation of an institution with appropriate modalities to further cooperation and security in the Northwest Pacific. Perhaps a limited non-nuclear zone for Northeast Asia, crafted to acknowledge the diverse political and security conditions of the region, and manned by a multilateral verification force of its own could produce a
security environment compatible with and conducive to an era of even greater economic development and growth for the people of Asia and the world. Such should be our new cooperative security system for the 21st Century -- and beyond.