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Power Shift:

Challenges for Australia in Northeast Asia

Executive summary

Northeast Asia is undergoing some profound changes. The remarkable performance of the Chinese economy is not only driving regional economies, but is also shaping the region's political and security environment. Australia's national interests, and its future prosperity, is closely tied to developments in that part of the world. The major economies of Northeast Asia are among Australia's top ten export markets. Provided China, and the region, can sustain its current economic growth, the prospects for Australia are good. But the future of Northeast Asia, and inevitably Australia, will depend not only upon economic matters, but also the complex political and strategic relationships developing in that region. Against the economic dynamism of the region are more profound changes involving the political and security relationships. Those changes include how Japan's transition to a 'normal' state translates into a greater role in regional and global affairs; how China and Taiwan define their future relationship; whether North Korea's regime takes steps to abide by the terms of the 1994 agreed framework; and not least, the future of the United States' military alliances with Korea and Japan. This paper examines all of those competing forces, the challenges

Australia might face, and suggests options to support the important interests we have in Northeast Asia.

There are trends emerging which have potential to define Australia's economic relationship with Northeast Asia. One trend is that the economies of the region have become more interdependent. If momentum builds, and there are some signs that it will, the region might move to deeper economic cooperation. The prospects of that in the near term are low, but foundations for this appear to be developing. The risk for Australia is that progress towards greater economic regionalism in Northeast Asia may be more exclusively Asian in its membership.

The changes in Northeast Asia are not confined solely to economic developments. Other important shifts are taking place in the political and strategic balance in the region. In concert with economic restructuring to integrate better into the global economy, China has sought a greater and more proactive role in regional and international affairs. Its central role in the 'six party' talks is indicative of a more active leadership role in the region. And Beijing's constructive role has been recognised by Tokyo,

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Seoul and Washington, enhancing its status as a regional leader.

China's relationship with Taiwan, however, remains a major potential flashpoint. Taiwan's government and a large part of its population appears increasingly confident about its claims for independence. China's position is that Taiwan is a renegade province. The seriousness of its concerns about Taiwan slipping further from the 'one China' policy was most clearly demonstrated in the run up to Taiwan's elections in 1996. With the government in Taiwan planning constitutional reform that may take it closer to independence over the next few years, it seems unlikely that tension between Taipei and Beijing will be defused any time soon.

Other important changes are taking place elsewhere in the region. Both Japan and South Korea are demonstrating a more assertive and independent approach to international affairs. Japan is moving closer to becoming a 'normal' state, with an active domestic debate about amending its post-war 'peace' constitution. The decision by Prime Minister Koizumi to deploy Japanese forces to post-war Iraq was a clear example of the direction Japan is moving. It is in this environment that Australia's own security relationship with Japan is deepening.

In South Korea there is a growing sense of nationalism, expressed particularly by its younger generation. Unfamiliar with the wartime experiences of the previous generation, younger Koreans are questioning the existing power structure in the region, and importantly, the security role played by the United States for more than half a century. They seek a more independent foreign policy in Seoul and question the helpfulness of the US policies towards the regime in Pyongyang.

The balance of power and influence in Northeast Asia is undergoing some fundamentally important shifts. As a region vital to Australia's interests, there are some opportunities as well as more than a few risks. Responding to the changes taking place there now, and interpreting the trends will be an important challenge for Australia.



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