

FINAL ADJUDICATION

AND

ANALYSIS

of the
Third Biannual
MIT Asia-Pacific Crisis Simulation
9-11 May 1997

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I. Format of the Game

The third biannual Asia-Pacific Crisis Simulation was held at the Massachusetts Institute of Technology on 9-11 May, 1997. The exercise brought together scholars and practitioners from several countries of the region, and was the culmination of a graduate seminar entitled "Japan and East Asian Security" taught by Professor Richard J. Samuels, Head of the MIT Department of Political Science and Director of the MIT Japan Program.

The principal goal of this exercise was to examine Japan's future foreign and security policies in light of possible domestic, regional, and global changes that would render it more independent than it is today, and to trace possible paths along which these policies might develop. In addition, careful attention was paid to the foreign policy choices and domestic political dynamics in China and the United States. The time frame under study was 2008 to 2019. Participants were assigned to teams representing constituencies and leaders from a number of regional actors. Japan, China, and the U.S. were modeled with multiple-player teams, with people assigned to various roles within the government; single-player teams were used for modeling (a unified) Korea, Russia, Taiwan, and ASEAN.

Through role playing, domestic bargaining, and international negotiations, each team developed national plans and policies over the course of three four-year "moves." A Control Team, comprising Professor Samuels and a group of advanced graduate students, guided the game and played the role of countries, regions, and other actors not represented by an independent team. Principal players, drawn from among former government officials, business executives, and academics, were assigned roles as key policy makers of each of the country teams. MIT graduate students enrolled in the seminar served as "aides-de-camp" for the game's principals. Two journalists played the role of the Japanese and American press. Japanese citizens residing in the Boston/Cambridge area played the role of a

"Japanese public," and voted in three national elections during the twelve year period.

II. The Baseline Scenario

Background

It is important to note that the baseline scenario developed for the game was entirely fictional and was intended solely for the educational use of MIT students and the participants in the MIT Asia-Pacific Crisis Simulation.

The game began in a fictional 2008. In previous decade, several events occurred that transformed the balance of power in Northeast Asia. In 1999 the world experienced another war in the Persian Gulf, when Iran struck Bahrain. The United States came to Bahrain's defense, with the support of the United Kingdom and a very reluctant Japanese ally. However, after a Japanese mine sweeper was sunk, losing 37 sailors, Japanese public opinion forced the government to bring the Self-Defense Forces home. The Japanese media and public blamed the tragedy on the United States, and the US government and public opinion openly resented Japan's withdrawal from the conflict. The US-Japan Mutual Security Treaty remained in effect, but teetered on the edge of abrogation.

Four years later, in 2003, Indonesia and Australia found themselves in conflict. When oil was discovered near Ashmore Island off Admiralty Gulf, Jakarta claimed the island and the field for itself. Australia, holding a competing claim, dispatched a frigate to prevent an Indonesian oil rig from being installed on the site. A skirmish ensued. The United States rallied to the side of Australia, and informed Tokyo it expected Japanese support. But Japan, heavily dependent upon both Indonesia and Australia for raw materials, preferred not to take sides. Washington informed Tokyo that inaction would constitute a breach of the U.S.-Japan Security Treaty.

Public opinion in Japan favored resistance to U.S. pressure, and memories of the Bahrain crisis were reignited. The two countries agree to dissolve the treaty, and several weeks later the Indonesian crisis died down when the two nations agreed to settle their dispute in the Hague.

By the year 2008, apart from a small US Air Force base in Korea and a US naval presence in Cam Ranh Bay, there were no formal security alliances in the region. Chinese economic and military growth had accelerated in the first decade of the century.

The Simulation commenced in 2008, immediately after two events shocked Chinese-Japanese relations. First, an attempt is made on the life of the Japanese emperor during his visit to China. Although the assassin's bullet missed, a member of the Emperor's entourage was killed. The assassin was found to be a retired military officer of the PLA. The Japanese public was outraged and Tokyo demanded extradition of the assassin for trial in Tokyo. At about the same time, an incident reminiscent of the Bhopal disaster of the 1980's occurred while Japanese firms were attempting to clean up the chemical weapons left behind in China, as per the Chemical Weapons Convention. The painful deaths of some two thousand Chinese farmers in the surrounding villages were televised to the world by CNN, which also reported that the Japanese contractor had neglected safety precautions. Beijing was outraged and memories of Japanese atrocities from World War II were re-ignited by the official Chinese press.

III. Results of the Game

Initial Crises

The initial crises of the simulation were resolved quickly. After the Japanese government expressed its consternation about the attack on the Emperor, the Chinese summarily executed the alleged assassin, and all talk of the crisis died. Similarly, after the Chinese government expressed its outrage about the chemical weapons disaster, the Japanese government offered its "deep regret" but denied Beijing's request for reparations. After

considerable negotiation, however, Tokyo eventually acquiesced to \$5 billion in reparations.

The First Move, 2008-2011

In the first move, Japanese overtures to the United States for a renewed security agreement fell on deaf ears in a U.S. administration that was considering a policy of "dual containment" of China and Japan. Japan's main foreign policy was to pursue a rapprochement with the U.S., but held firm ground on the economic and trade concessions demanded by the Americans. To the outrage of the Japanese public, which felt duped by their politicians, the Japanese government decided (only after holding an election) to cut social spending by 30%.

Despite Korean initiatives for a security arrangement, the U.S. made no increased security commitment to Korea. Seoul pushed aggressively for an anti-Japanese alliance with its Chinese and Russian neighbors, but to no avail.

At the start of the game, Russia was ignored by the great powers. This changed, however, after Russian geologists discovered a large deposit of "MITium"-- a room temperature superconductor of enormous economic significance-- in the southern Kurile islands. This brought Russia back into the great power game. Russia sent military forces to protect the MITium deposit, and although the Japanese increased naval patrols in the region, no conflict resulted. Instead, Russia negotiated with both Korea and Japan for the rights to develop the MITium.

A Chinese intelligence failure caused the PRC to miss moves on the part of Japan and the U.S. to restore an alliance aimed against Beijing.

Taiwan kept its head down and avoided any unification or independence crises for another four years.

ASEAN pursued a unified claim to the Spratly Islands and began negotiating creation of a Spratly Development Authority with China. The

U.S. responded favorably to ASEAN plans for an ASEAN Defense Community that would allow joint naval patrols with U.S. forces patrolling the sea lanes.

The Second Move, 2012-2015

Although the Japanese government attempted to restore public confidence by inviting citizens to the Prime Minister's residence, the public rejected the conservative Kokuminto Party by electing a more progressive party (Minseito), whose platform was based on social welfare. The new majority party restructured the bureaucracy by engineering the first consolidation of public administration in Japan since the US Occupation. An Economic Ministry, a Domestic Ministry, and a Comprehensive Security Ministry, each assumed consolidated powers under the new Minseito government's administrative reform. Political control of the Japanese elite bureaucracy - some thing first evident in the late 20th century, was finally well established. In addition, the government pursued substantial deregulation of industry, especially in energy, telecommunications, and procurement while increasing social spending. After considerable negotiation and some important concessions, Japan was awarded the contract for co-developing MITium with Russia. By the end of this period Japanese industry had begun to reap stunning efficiency gains as a result. At this point, Japan eschewed bilateral relationships in its foreign policy, and instead sought an "Asia Friendship Policy" security arrangement with Russia and China.

In the United States, the public recalled Japan's supposed betrayal in the Bahrain and Indonesian crises and reacted strongly against the campaign promise of the Democratic President to reinvigorate the alliance with Japan. They elected a Republican President and provided him with a Republican majority in both houses of Congress. However, a hard-line Speaker of the House took a particularly tough line toward China on the Taiwan issue, and split his party.

This move saw a Taiwan crisis when Taiwan requested the purchase of submarines and fighters from the United States, and China responded by deploying missile boats to ports near Taiwan. The PLAN then began

conducting missile tests (outside the 12-mile limit of territorial waters). In response, the U.S. sent two aircraft carriers to the Taiwan Strait, and tensions were high for some time. China refused to compromise. Both countries withdrew their navies and both claimed victory in the toe-to-toe encounter; it became apparent, however, that Beijing had called Washington's bluff. Remarkably, throughout this crisis, China and the United States negotiated an enhanced agricultural trade agreement. China also continued negotiating with Russia and Japan about forming a regional alliance.

Once again, Taiwan survived. However this time it did so without reaping any significant security gains vis-à-vis China. In fact, this time it expended valuable diplomatic capital with the United States.

During this period Korea succeeded in securing a long-sought naval agreement with the United States. The Pentagon sent two of its eight ships from Cam Ranh Bay to Pusan. Meanwhile, Korea was shut out of an emerging trilateral alliance with Russia and China, and increased its own patrols through the East Sea/Sea of Japan. The news that oil was discovered in the Tokdo/Takeshima Islands did not ignite a crisis, as the Japanese and Koreans immediately initiated negotiations for joint development rights.

The ASEAN team maintained good relations with both the United States and China during the Taiwan crisis. There was no conflict in the Spratly Islands, yet neither was an agreement reached on joint development of seabed resources there. ASEAN rebuffed Chinese offers to forfeit its claim to the Spratlys in exchange for ASEAN's unconditional approval of Chinese reunification.

Russia continued to profit from the MITium discovery, while its co-development partner, Japan, remained unruffled by Russian forces deployed to protect the MITium. Improved trade relations with China also translated to economic gains for the Russians.

The Third Move, 2016-2019

The Republican president was returned to the White House by a narrow margin, but because of public rejection of the House Speaker's incendiary political tactics, Democrats won a large majority (62 seats total) in the Senate and an equivalent House majority. The United States maintained strong commercial relations with the countries of Asia, yet began to fall behind due to under-investment in R&D and due to its exclusion by Russia from MITium consortium.

The realization that a regional alliance was forming independent of the United States spurred the Administration to action. Washington tried to reach out to the Japanese once more. Planning to swap security agreements for trade concessions, the U.S. was rebuffed, as the Japanese now had a range of regional security options. Tokyo refused to concede on bilateral trade issues; no security agreement was reached.

The Japanese government raised defense spending, but did not increase tax revenue, creating large fiscal deficits and higher interest rates. The yen was pushed to a historic high of ¥65 to the dollar, an encouraging sign to US trade hawks, who had been focused on an engorged US trade deficit with Japan.

During this move, the Keidanren leader formed the Japan Women's Party, and sought public support on social issues such as policy towards the elderly. After negotiating an alliance with the Minseito Party, which won a plurality in the elections, the head of Japan Women's Peace Party was appointed Prime Minister in a coalition government.

In the middle of the third turn, world energy markets were rocked by a pair of crises. In response to diminished oil prices brought about by Pacific finds, Iran announced the closure of the Straits of Hormuz to all tanker traffic. The US immediately dispatched two carrier battle groups from the Mediterranean and the Atlantic. During a U.S.-escorted run through the straits, a Japanese tanker was sunk by Iran, prompting a U.S. military reprisal.

Immediately after the announcement by Iran, new exploration in the Pacific revealed that the previously-announced petroleum deposits in the Tokdo-Takeshima area turned out to be a dry well. Energy prices soared in response to these two events, further disturbing the Japanese markets. At the close of the game, the Japanese economy was in dire straits.

China and Russia were negotiating closely and a security alliance between them began to take shape. Exclusion of the US was a central tenet of this alliance; China negotiated with Korea to align itself with them, and in exchange Korea agreed to oust the US from its Pusan naval base. The Japanese, however, were clearly uncomfortable with exclusion of the US from an East Asian alignment network. Now Japan sought its own pact with the US rather than further isolate that nation, and a US-Japan alliance was finally re-established.

The PRC pursued an aggressive and carefully planned strategy of isolating Taiwan diplomatically and economically in order to induce reunification in the shortest possible time. Taipei balked at responding to PRC pressure, stalling negotiations over highly charged symbolic issues of sovereignty, such as meeting places and flag displays. Towards the end of the turn, the PRC resorted to its backup plan of a military blockade to push Taipei further.

In response to the PRC moves, the US dispatched naval forces to the Taiwan area as the game ended. Japan, acting in accord with its new American ally, voiced support for Taiwan but committed no forces. In final interviews, it was determined that in fact the U.S. forces would have shied from actual combat, and the United States would instead have used Taiwan's absorption (if such occurred) as political capital to mobilize a containment policy in the region vis-à-vis China and Russia.

IV. Analysis

The Region:

This simulation was designed to explore five issues that prominent in East Asian security studies:

1. Japanese foreign policy in the absence of a U.S.-Japan Security

Treaty: *How will Japan provide for its own security? Will it make efforts to restore the treaty? Will it pursue alliances with others? Or will it evolve into a stronger independent regional power?*

Japan displayed a surprisingly relaxed attitude towards a security shock. After the withdrawal of American protection, there was only muted discussion of developing and deploying nuclear weapons. No effort was made to engage public support for increased defense expenditures, and in fact, the Japanese public was clearly predisposed to restrain the government from raising defense budgets.

Japanese leaders created an unthreatening regional atmosphere through effective diplomacy and persistent compromise. A series of threatening situations were effectively defused. There was a shadow -- rise of Chinese power-over the horizon, that the team chose to ignore-with impunity. Without ever facing a substantial external threat, Japan never felt compelled to either build its own military or make concessions that would repair the old one with the United States. At its worst, Japan faced an unstable international environment with no reliable security partners. But in the event, it never was faced by hostile enemies, either. As a result, and despite the efforts of Control to push the envelope of threat, Japan navigated these shoals adroitly, and never had to make tough security choices.

Japan's diplomacy was consistently omni-directional and comprehensive- i.e. economic and military concerns were integrated in Japan's diplomatic interactions. Japan eschewed bilateralism, and, although its prosperity was threatened by the end of the game due to global resource crises, Japan succeeded in maintaining its independence and security.

We were struck by how often a US-Japan alliance seemed attractive to each side. Although AMPO was never resurrected, it seemed clear that the

alliance has advantages that overcome particular trade or military friction between the United States and Japan. This seemed to obtain for two possible reasons: either institutions like this are "sticky" and habits are hard to break, or else this particular partnership simply makes more sense across a wider range of international systems than do any of the alternatives.

2. An increase in Chinese power. *What will China do with its new power? Will Beijing exploit its economic strength for leverage over world affairs? Will China be a status quo power? How will China's neighbors and the United States respond to China's rise?*

China's rise in Asia did not create a stir until its military capabilities had become quite significant. As long as the Chinese PLA Navy was inferior to the combined fleets of ASEAN, for example, China was not perceived as a major threat.

China's paramount goal throughout the course of the twelve year period was reunification of Taiwan on PRC's terms. Toward this end, China pursued a "salami strategy" throughout the game. Chinese strategists systematically whittled away at the Taiwanese position slice by slice. They persistently and strategically pressed the Taiwanese on symbolic concessions, but were at all times prepared to call the American bluff as soon as Taiwan signaled that it had reached its limits of concession. Their negotiating posture was designed to weaken Taiwan's capability to prevent blockade and invasion.

Importantly, apart from the Taiwan issue, China was at all times a status quo power. Even when China had the power to take resources by force, it opted instead to bargain and negotiate with its neighbors. They reserved all military weight for Taiwan.

Re the question of how the United States and other actors will respond to the rise of China, America was unwilling to commit itself to use force to prevent Chinese unification in defense of Taiwan. Instead, the United States pursued a policy of studied ambiguity. The United States would use

the seizure of Taiwan as an event to organize regional opinion to contain China, but it would not prevent China from grabbing Taiwan.

Relations between Japan and China, the two indigenous regional powers may be more stable than many believe. China and Japan found it difficult to threaten each other conventionally, and they had few outstanding issues to resolve-- including Taiwan, in particular. Further, there seemed little danger of Japan and China allying against the United States. We do not expect this to be a warm relationship, but we can expect it to be polite.

3. U.S. withdrawal from Asia. *Will an indigenous alliance system be set up among Asian countries in the event of a US withdrawal? How would regional security crises be managed? Will the risk of conflict in the region increase if the US constabulary presence is diminished?*

We found the creation of an enduring indigenous alliance system unlikely. Alliances were fluid and perpetually shifting. No stable significant security arrangement emerged in twelve years of active crisis diplomacy. Instead, each of these crises was managed effectively, but in an ad hoc fashion.

While it was clear that some regional powers were alert to new opportunities to make trouble afforded by draw downs in US power from the region, others pursued alternative alliance strategies and diplomatic initiatives. The region was not a significantly more dangerous place as a result of the reduction of US forces and commitments. Historic ethnic and territorial disputes routinely were set aside in favor of pragmatic diplomacy and dispute resolution.

In short, we were reminded of the debates on Europe after the Cold War, and we wondered if Asia would be "primed for peace" or "ripe for rivalry," and we concluded that the prospects for peace are greater than many fear.

A central lesson was that major war in Asia may be less likely than many believe. War in East Asia requires an aggressor state and flash points greater than those normally considered incendiary. Despite the best efforts

of Control to test the limits of peace and cooperation in the region, no crisis-- whether territorial (Tokuto/Takeshima; Spratlys) or economic (energy supply disruptions) proved as dangerous as ordinarily conceived.

Having said this, however, we note also that American power played some role in preserving tranquillity in East Asia. The major disturbances of the peace in this game were China's aggressive moves toward Taiwan. Before every move toward Taiwan the Chinese team was intently interested in the amount of deployable U.S. power in the region, as reflected in the amount and disposition of U.S. military forces in the region. The less deployable U.S. power was evident, the bolder the Chinese became. We infer from this that American power in East Asia does cast a calming effect across the region. Aggressors are deterred and others are reassured by its presence. A total U.S. withdrawal would seem to raise the risk of greater regional conflict and tensions.

4. The balance of economic and military security. *Will economic or security issues dominate national agendas as Asia prospers?*

Economic calculations played a major role throughout the game. They were never overshadowed by security concerns. For example, trade disputes prevented a U.S.-Japan security rapprochement for many years. Of particular interest, Russia began to play a major role in regional politics only after it became economically significant. The willingness of Russian leaders to share their new wealth with their Japanese neighbors was striking. In both nations, mercantile pragmatism overwhelmed historical and territorial animosities.

5. Wither Asian nationalism? *Will the deep hatreds, nurtured over centuries, shape foreign and security agendas in Asia?*

While nationalism was an occasional major force in Asian politics, it was usually overridden by realist concerns. China exhibited the most sustained nationalist passions, as evident in the outbreak of conflict over Taiwan. China pursued an extremely high-risk policy vis-à-vis the U.S. in order to reunify. On the other hand, Chinese leaders were able to contain anti-

Japanese nationalism when economic and other security interests were paramount. Russian-Japanese, Russian-Chinese, and even Korean-Japanese cooperation belied concerns that Asia is a nationalist powder keg, with the signal exception of relations across the Taiwan Straits, which turned warlike at the game's end.

Some Larger Lessons:

1. Lessons about alliance formation:

Alliances and less formal international cooperative agreements were extremely fluid. They served more to reinforce diplomatic posture and advance narrowly focused economic and technological interests than to cumulate force against any common threat. Of particular interest, we note that these agreements were used as part of a trade-off of disparate national interests rather than to formalize common national interests. We observed alliances forming out of "log-rolls" rather than out of common interest or common threat.

2. Lessons about the salience of domestic politics:

There was a marked lack of domestic consensus in both Japan and USA about an appropriate security policy. In the United States, interests were never aggregated. They remained incoherent throughout the game. Ambitious goals (dual-containment) and trade balancing were never reconciled. The need to reconcile domestic political interests forced the larger, more democratic states into slower, more incoherent (and less strategic) security policy postures than the smaller, more authoritarian states in the region.

3. Lessons about ambiguity and bluffing:

A US policy of "constructive ambiguity" was correctly interpreted by the Chinese as a bluff. It backfired. The US paid credibility costs for playing out theatrics about its commitment to Taiwan that, in fact, did not obtain.

4. The relationship of system structure and power rivalry:

Bipolarity shifted to multipolarity without affecting the ability of lesser powers' degrees of freedom in Asia. As long as it could maintain its unity,

ASEAN was able to maintain both its prosperity and security. Likewise, Korea was able to find sufficient room for maneuver toward prosperity and safety, despite what seemed to be particularly large gambles that never paid off.

5. Lessons about international institutions:

International institutions do not seem particularly important. East Asia remained "institution-poor" (compared to Europe) but this fact did not appear to matter much in the game. The East Asian states were able to find ad-hoc solutions outside the context of international institutions to the crises that Control created. They might have found solutions more quickly had institutions been more abundant in East Asia, but they nonetheless found workable solutions in more than enough time.

6. Lessons about "power transitions":

While scholars of international relations have argued that power transitions—phases when one great power overtakes another in strength—are especially dangerous, power transitions need not create insuperable instability. In this game, however, the power transition created by China's impressive rise caused little trouble. We infer from this that power transitions raise dangers of war only under specific conditions that need not obtain. In this instance, the risk of war was reduced by two factors: First, the rising state (China) took active steps to reassure its neighbors of its benign intent, and to otherwise buy off and appease other states. Second, U.S. deterrent power, while reduced from the levels of the mid-1990s, still cast a long shadow across the East Asian region. This deterrent power dampened potential Chinese adventurism, calming the main danger of a transition (i.e., that the newly-risen state will back up with force a demand for its "place in the sun").