

HOW TO STABILIZE EAST ASIA



CELEBRATING 45 YEARS OF EXCELLENCE

DA WEI

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Introduction by
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December 2019

Our Mission

The National Committee on American Foreign Policy (NCAFP) was founded in 1974 by Professor Hans J. Morgenthau and others. It is a nonprofit policy organization dedicated to the resolution of conflicts that threaten U.S. interests. Toward that end, the NCAFP identifies, articulates, and helps advance American foreign policy interests from a nonpartisan perspective within the framework of political realism.

American foreign policy interests include:

- Preserving and strengthening national security;
- Supporting the values and the practice of political, religious, and cultural pluralism;
- Advancing human rights;
- Addressing non-traditional security challenges such as terrorism, cyber security and climate change;
- Curbing the proliferation of nuclear and other unconventional weapons; and
- Promoting an open and global economy.

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Believing that an informed public is vital to a democratic society, the National Committee offers educational programs and issues a variety of publications that address security challenges facing the United States.



Critical assistance for this volume was provided by Ms. Rorry Daniels, Deputy Project Director of the NCAFP's Forum on Asia-Pacific Security (FAPS); Ms. Juliet Lee, Project Manager of FAPS; and Mr. Johnson Geng, NCAFP Intern.

The NCAFP is grateful to the following organizations for their support of this volume:

Carnegie Corporation of New York
Henry Luce Foundation
John D. and Catherine T. MacArthur Foundation
Mutual of America

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Introduction

By Donald S. Zagoria

Although East Asia is at peace, a good deal of turmoil and instability roils below the surface. Rising economic and military tensions between the United States and China are casting a pall over the entire region. Tensions between China and Taiwan are growing as China increases military and economic pressure on Taiwan in an effort to compel it to recognize the PRC's one-China principle. Hong Kong has witnessed continuing protests and demands for democratic freedoms. North Korea continues to develop nuclear weapons and missiles which pose a threat to South Korea, Japan and U.S. forces in the region as well as to the entire non-proliferation regime. Meanwhile relations between Japan and South Korea have reached their lowest point in decades as controversies over historical issues reach a boiling point.

Finally, and not least, the Trump administration's erratic and protectionist policies and unilateralist impulses have generated great uncertainty about the U.S.' role in the region as China's power and influence continues to grow.

The NCAFP has assembled a group of experts to analyze the threats to peace and stability in the region and to offer suggestions for how to deal with them.

Kim Hyun-Wook focuses on three elements of instability: the U.S-China rivalry, Trump's views on alliances, and the North Korean nuclear issue.

Moon Chung-in provides a comprehensive view of the crisis in South Korea-Japan relations.

Susan Thornton analyzes the impact of diminished U.S. leadership and damaged U.S. credibility under the Trump administration.

Sue Terry focuses on three issues: how to reduce the North Korean threat, how to bring South Korea and Japan closer together, and how to find the right mix of competition and cooperation in the U.S.-China relationship.

Da Wei discusses the growing danger of a U.S.-China confrontation in East Asia and how to avoid it.

The volume also includes reports on two recent young leader conferences held by the NCAFP.

By far the most serious potential source of instability in Asia is the growing confrontation between the United States and China. Henry Kissinger has written elsewhere that the two sides are in the foothills of a new Cold War that could destabilize the entire region and threaten global peace. Although the two sides signed a Phase One trade agreement in late December 2019, much work remains to be done in order to stabilize the relationship. In this volume, several writers offer sage advice on how to deal with this issue.

Susan Thornton writes that the “chaotic and reflexive U.S. confrontation with China is damaging to stability in Asia in multiple respects.” The most obvious of these is that the “administration’s disruptive brinkmanship regarding trade and investment will inflict damage on economies across the region” because China is the number one trading partner of every country in the region. Aside from economics, Thornton continues, a series of U.S. steps aimed at undermining Chinese security “will be met with unexpected responses that will not be in the interest of Asian stability or in the long term interests of the United States.”

Thornton goes on to sketch a U.S. policy that would more effectively meet the challenge of China’s rise. First, there needs to be a “stated mutual recognition” that constructive U.S.-China ties “are a necessary underpinning to peace and prosperity for both countries, Asia and the world.” Second, the United States needs a longer term strategy that “includes restoring the international trading system, reinstating respect for rules and moving China’s reform and opening process forward.” In sum, the U.S. and China need to work together to fit themselves into a “new order that is effective and inspires confidence in institutions and global governance.”

Sue Terry writes along similar lines that the “U.S. will need to find a clear-eyed policy that is the right mix of competition and cooperation with China.” Working with allies, she continues, the U.S. needs “to first and foremost end a destructive trade war with China” that hurts both countries. “While showing resolve to counter China’s more assertive policies, it is also important to reach an understanding with Beijing on areas of cooperation such as fighting climate change and Ebola, maintaining strategic stability, combatting terrorism and managing conflict.”

In sum the way to manage China’s rise is through strengthening multilateral institutions and U.S. alliances while working together with China on shared interests.

China, for its part, should readjust some of its own policies. China needs to respect legitimate U.S. concerns over forced technology transfer and protection of intellectual property. It should strengthen its policies of reform and opening. And it needs to signal a willingness to enter into dialogues on contentious issues such as relations between China and Taiwan. Soon after the coming presidential elections in Taiwan in January 2020, China should restart the official dialogue with Taiwan that has been suspended in recent years.

Finally, there needs to be a revival of diplomacy in U.S.-China relations. The once robust diplomacy between the two sides numbered more than 100 dialogues at its height. This diplomacy has now almost completely disappeared. As a Brookings report said recently: “Diplomacy has largely given way to unilateral, unidirectional American demands, often done publicly.”¹ Diplomacy needs to be restored if there is to be any chance of improving U.S.-China relations.

¹ Dollar, David, Ryan Hass and Jeffrey A. Bader. “Assessing U.S.-China relations 2 years into the Trump presidency.” *Brookings Institution*. 15 January 2019. Web. 12 December 2019. <<https://www.brookings.edu/blog/order-from-chaos/2019/01/15/assessing-u-s-china-relations-2-years-into-the-trump-presidency/>>

How to Stabilize East Asia From the South Korean Perspective

By Kim Hyun-Wook

Introduction

Northeast Asia is facing grave uncertainties due to emerging security issues in the region and it is becoming extremely difficult to find solutions to issues surrounding the Korean Peninsula. From the South Korean perspective, there are some pressing issues that should be resolved. First, the conflict between the U.S. and China, sparked by China's rise in the wake of the 2008 global financial crisis and the Beijing Olympic Games, is one of South Korea's biggest concerns. The tensions between the two great powers, which have escalated since President Trump took office in 2017, are causing anxiety in Asian countries and in the international community. Second, supporting the U.S.-ROK alliance is another issue. President Trump's "America First" approach is dealing a blow to America's allies, since Trump's view on alliances, guided by U.S. economic interests, differs greatly from those of his predecessors. Such an approach is deeply damaging to the country's global network of security partnerships. Lastly, North Korea remains a pressing concern. Pyongyang is advancing its weapons systems, including nuclear weapons and intermediate and long-range missiles, and the U.S.-North Korea denuclearization talks are at an impasse. Such a scenario unfolding in the region is causing security concerns on the Korean Peninsula, and has various implications and complicated consequences for the Northeast Asian political landscape.

This article aims to explore these three issues from the South Korean perspective and provide policy recommendations. Providing policy recommendations for these complex issues at this point in time could pave the way for new discussions

U.S.-China Conflict

The U.S. Indo-Pacific Strategy

The success of the shale gas revolution in the U.S. has resuscitated the country's economy, and the Trump administration has formulated hard line policies toward China to deal with the so-called "China Fatigue" that has been accumulating since the Obama administration. Advancing this Indo-Pacific vision requires an integrated effort that recognizes the critical linkages between economics, governance, and security, and recognizes that economic security is national security. In order to achieve this vision, the U.S. is seeking to invigorate the country's development and financial institutions, uphold the rule of law, encourage resilience in civil society and promote transparent governance. The country is also safeguarding freedom of navigation and making other efforts to expand security cooperation with its partners. This is a whole-of-government policy that launches new initiatives to expand U.S. public and private investment in Indo-Pacific infrastructure, energy markets, and the digital economy.

In his speech on “America’s Indo-Pacific Economic Vision” delivered at the Indo-Pacific Business Forum in Washington, D.C. on July 30, 2018, U.S. Secretary of State Mike Pompeo stressed the critical role of the U.S. private sector to ensuring the Indo-Pacific region’s sustainable economic growth. In October 2018, the U.S., Japan, Australia, Canada and the European Union created a new development finance partnership under the BUILD Act signed by President Trump. And on the final day of 2018, Trump signed into law the Asia Reassurance Initiative Act (ARIA) to expand and deepen relationships with America’s partners in the Indo-Pacific that share respect for sovereignty and the rule of law, in order to promote regional stability, democracy and U.S. interests in the region.

On May 15, 2019, President Trump issued an Executive Order on Securing the Information and Communications Technology and Services Supply Chain. The Executive Order declares a national emergency regarding telecommunications equipment that could pose a national security threat. The U.S. Commerce Department added Huawei Technologies Co Ltd and 70 affiliates to its so-called “Entity List” on May 16, 2019.¹ Huawei was also blocked from using Android and banned from buying any necessary parts or other equipment from U.S. chipmakers like Intel.

The Obama administration’s Air-Sea Battle was replaced by the Joint Concept for Access and Maneuver in the Global Commons (JAM-GC) to improve warfighting effectiveness through joint force operations. The Trump administration has also vowed to upgrade its missile defense system and is considering a trillion-dollar upgrade of its nuclear weapons delivery systems. According to the 2019 Missile Defense Review, “the United States will field, maintain, and integrate three different means of missile defense to identify and exploit every practical opportunity to detect, disrupt, and destroy a threatening missile prior to and after its launch.”² These include: first, active missile defense to intercept adversary missiles in all phases of flight; second, passive defense to mitigate the potential effects of offensive missiles; and third, if deterrence fails, attack operations to defeat offensive missiles prior to launch.

China’s 2019 National Defense White Paper released in July stresses that the concept of “active defense” lies at the core of the country’s military strategy, indicating that China will take a “defensive” approach, but will surely counterattack if attacked.³ The White Paper notes that Beijing will not rule out the possibility of military conflict to defend its “core interests.” China has also unveiled its long-term road map for the future of the Chinese People’s Liberation Army (PLA), requiring it to enhance strategic and information capabilities to become mechanized by 2020, fully modernized by 2035, and a “world-class” military by 2049.

The U.S.-China Rivalry

The current trajectory of U.S.-China rivalry could be described as the United States making efforts to curb China’s rising power that is, from Washington’s point of view, challenging U.S. hegemony. In the wake of the 2008 global financial crisis, China’s Belt and Road Initiative (BRI) was designed to develop a China-centered trading, investment, social and cultural network. The gap between the U.S. economy and China’s is actually shrinking, and China is gaining support of neighboring countries through the BRI. Taken together, the ongoing rivalry takes on the aspect of a hegemonic competition. Furthermore, the Trump administration identified China as a “revisionist state” in the 2017 National Security Strategy⁴, as well as in the United States Indo-Pacific Strategy Report.⁵ China believes that the ongoing trade war has expanded to multiple fronts such as technology and humanities. From China’s point of view, a series of moves by the U.S., including the tightening of visa restrictions for Chinese students and experts, designation of Taiwan as a “country” in the

Indo-Pacific Strategy Report and intervention in China's treatment of the Uyghurs, means that the two countries are fighting more than just a trade war.

The Trump administration is putting a lot of effort into assessing what China is capable of doing, and such efforts have never been more serious. In the forty years since normalization of relations in 1979. The U.S. perceives China as a rival challenging its hegemony and undermining U.S. interests per Washington's strategic reassessment of Beijing in the National Security Strategy (NSS) and the National Defense Strategy (NDS). In his statement regarding action under Section 301 of the Trade Act of 1974 in July 2019, U.S. Trade Representative Robert Lighthizer said China's unfair practices such as forced technology transfer are an existential threat to America's most critical comparative advantage and the future of the country's economy.⁶ Lighthizer was one of America's lead negotiators who secured the multilateral Plaza Accord of 1985, and a stringent critic of the WTO. He believes that international organizations such as the WTO do not defend U.S. interests, and that China is abusing the WTO system. He prefers reaching agreements through bilateral trade talks with China rather than resorting to multilateral institutions such as the WTO.

China established a socialist political system, and is using a significant portion of the country's resources to keep the Chinese economy stable against the backdrop of a trade war. But under such a political system, China will find it difficult to achieve economic growth and stability without carrying out reforms. From Washington's perspective, China's socialist system will give a short-term boost to its economy but will eventually be a drag on the country's economic growth. In other words, China's political system does not encourage innovation that is necessary for mid to long-term economic growth.

China's top leaders, the "second red generation," take great pride in the country's economic development as they have benefited from the country's reform and opening-up. President Xi Jinping, therefore, is less likely to risk humiliation and succumb to the U.S., and this will result in a protracted rivalry between the world's two largest economies. From China's point of view, international norms are not absolute, and the country is taking advantage of international organizations and conventions to persuade neighboring countries to establish new China-led norms. On June 2, 2019, China issued a white paper titled "China's Position on the China-U.S. Economic and Trade Consultations."⁷ The white paper said China has been forced to take countermeasures in response to economic and trade friction started by the U.S., will never compromise on major principles concerning the country's core interests, and does not want a trade war but is not afraid of fighting one if necessary.

China has unveiled several options to retaliate against U.S. tariffs. Following the addition of Huawei Technologies Co Ltd and 70 affiliates to the U.S. Commerce Department's so-called "Entity List,"⁸ China drafted as a countermeasure its own blacklist of "unreliable" foreign companies that can harm Chinese companies.⁹ This will apply to those who flout market rules and the spirit of contracts, block supplies to Chinese companies for non-commercial reasons and "seriously harm the legitimate rights and interests" of Chinese companies.

At the center of China's responses to the U.S.-China trade war are tit-for-tat tariffs, sanctions and laws. China is responding with a two-track approach: tit-for-tat retaliations against the Trump administration's regulations and CCP-controlled newspapers and television channels stoking anti-U.S. sentiment. Also, the reappearance of 'Resist U.S. Aggression and Aid Korea' propaganda is stirring feelings of patriotism in China, and Chinese consumers are encouraged to boycott Apple iPhones and McDonald's.

South Korea's Response

The prolonged trade war between the U.S. and China could affect the global industrial system and reshape the power structure in the global economy, particularly in the high-tech industries. Both in the short and long term, it would be difficult to pick the winner in the trade war. It is likely that a protracted tension between the two countries will eventually put the neighboring countries, including South Korea, under more pressure to pick a side. As the tensions could change the order in the Indo-Pacific region, Korea has to formulate effective strategies to quickly respond. Short-term foreign policies should be designed to ensure “limited loss” when dealing with China.

First and foremost, South Korea has to advocate an open, liberal, rules-based international order, because the liberal economic order and multilateral security cooperation are essential to the survival and prosperity of the countries around the world. The country has developed under the existing liberal international order and stands to benefit more from maintaining the current order than from changing it. The rules-based international order (RBIO), freedom of navigation, and an open market economy, which the U.S. stresses in its Indo-Pacific Strategy, are not much different from Korea's stance that supports regional and global multilateralism and open regionalism. So, rather than being preoccupied with individual issues, efforts should be made to go beyond diplomacy focused on national interest and to pursue normative diplomacy of the twenty-first century. The U.S. and China also stress rules-based competition and inclusive international order and norms even against the backdrop of their ongoing rivalry.

Second, it is important to bolster cooperation on individual issues. Efforts should be made to create a synergy between Korea's New Southern Policy and America's Indo-Pacific Strategy, especially in areas where there would be no resistance from China. The Korean government has to explore common characteristics between the New Southern Policy, which seeks to deepen and broaden South Korea's economic and diplomatic partnerships with ASEAN and the Indian Ocean region, and the new U.S. initiatives to support foundational areas of the future: digital economy, energy, and infrastructure. Rather than trying to choose a side between the U.S. and China, the Korean government should clarify its own position.

Third, the countries that find themselves caught in the middle of the strained U.S.-China relationship need to cooperate and join forces to navigate the new age of great power rivalry. It is imperative that Korea expands multilateral strategic dialogue and join forces with ASEAN nations that are refusing to pick sides between the U.S. and China. What is also important is to expand multilateral strategic dialogue and cooperation with European countries as they share interests with Korea that include upholding the liberal, rules-based international order and rejecting great power rivalry.

‘America First’ and the U.S.-ROK Alliance

‘America First’ Approach and Trump's Views on Alliances

U.S. President Donald Trump, even as a presidential candidate, has consistently stressed two points. First, cheap imports have cost Americans their jobs. That is, he opposes free trade agreements. He also believes that illegal immigrants providing cheap labor have taken jobs from Americans, stressing the need for the construction of border barriers. Trump focuses on economic aspects in all foreign policies, and the same applies to his security policies. He asserts that the U.S. will no longer play the role of the world's policeman and expresses discontent with the military

alliances that the U.S. formed with other countries. Claiming that the U.S. is far too much engaged in international affairs, President Trump underscores the need to maintain strong military power but does not want the U.S. to pay the cost of defending its allies. In fact, in an open letter published in *The New York Times* in 1987, Trump wrote that the world is laughing at America for protecting Japan and that the country was getting nothing in exchange for defending such a wealthy country. He added that it was time for the U.S. to end its vast deficits by making Japan and other countries pay for their own defenses.¹⁰ Recently, Bob Woodward wrote in his book that President Trump, in his phone conversations with President Moon Jae-in, said he “cannot tolerate the \$18 billion annual trade deficit with South Korea and the \$3.5 billion annual cost of keeping U.S. troops in Korea.”¹¹ Hardly anyone knows how he calculated the \$3.5 billion annual cost.

The biggest problem lies in Trump’s ‘America First’ approach. In the aftermath of the 2008 global financial crisis, the world has been shifting towards anti-globalization and national interest-oriented approaches. ‘America First,’ which came on the scene with the arrival of Trump, could be a natural part of such transition. However, President Trump’s ‘America First’ doctrine has disregarded the existing framework of alliances and is using alliances as a tool to advance American economic interests. ‘America First’ has now come to target not only U.S. adversaries but also its allies and partners. Trump’s view on alliances was articulated more clearly during his visit to South Korea in 2017. When Trump toured the new U.S. base in Pyeongtaek, he said the tour was made to create more American jobs, and many were left wondering what he meant by that. During this visit, Trump also commented on the discussions on the U.S.-Korea (KORUS) Free Trade Agreement, saying that trade deals should be fair and reciprocal. He also closed the \$7.5 billion worth of arms sales contract between the two countries. Trump’s primary focus, of course, was on American economic interests.

South Korea, over the past three years, has made military purchases of more than \$13 billion from the U.S. through Foreign Military Sales (FMS) and Direct Commercial Sales (DCS). The country is planning to increase its defense budget by 2022 and has thus reached an agreement to purchase American weapons. It has agreed to purchase F-35A Joint Strike Fighter, AH-64 Apache attack helicopter, Global Hawk High-Altitude Reconnaissance UAV, and the Aegis Combat System, and improve the performance of KF-16 fighter jets and Patriot PAC-3.¹²

Furthermore, Trump suspended the ROK-U.S. joint military drills during the U.S.-North Korea nuclear talks, citing the tremendous cost of the drills. President Trump said he would “stop the drills to save hundreds of millions of dollars.”¹³ He mentioned North Korea’s suspension of nuclear tests and missile launches as the main reason for suspending the joint military exercises, but the expense of the drills appears to be the real reason. Despite the fact that the North’s testing of short-range missiles is still posing a threat to South Korea’s national security, Trump called the ROK-U.S. joint drills a “waste of money.”

Negotiations on Defense Cost-Sharing and Policy Recommendations

South Korea and the U.S. signed the 10th Special Measures Agreement (SMA) in March 2019 that raised Korea’s contributions for the U.S. military presence by 8.2 percent from the previous year to 1.0389 trillion won. Many observers predict that the U.S. will then demand Korea to pay the combined direct and indirect costs, including salaries for the roughly 8,700 South Korean employees of the United States Forces Korea (USFK) and deployment of U.S. strategic assets, as part of 2020 defense cost sharing. During his visit to Korea in July, former U.S. National Security Adviser John Bolton asked Seoul to raise its contribution to almost \$5 billion next year, which is five times more than the current contribution.

But the bigger problem is that it remains uncertain whether the U.S. will stop making such demands. If this year's SMA is once again concluded as a one-year agreement, the two sides will have to quarrel over this issue every year, and the ROK-U.S. alliance will face a serious crisis. Negotiations on defense cost-sharing could undermine Seoul's confidence in Washington.

Trump's 'America First' approach is dealing a blow to the U.S. global alliance system and weakening American global hegemony. America's allies will eventually begin to focus on their own interests, not on the common interests they share with the U.S. As a matter of fact, Seoul had decided against the backdrop of deteriorating Korea-Japan relations to suspend the Korea-Japan General Security of Military Information Agreement (GSOMIA), citing that even though the U.S.-ROK alliance is important, Korea's own interests matter more. U.S. allies are expected to adopt policies that put their own interests first as Trump's 'America First' doctrine is making them suffer.

The U.S. needs to prevent further collapse of the U.S.-led liberal international order that it has maintained since World War II, and should continue to be the global hegemon by strengthening its network of alliances. It must not let Trump's 'America First' doctrine get in the way. In-depth discussions between Korea and the U.S. at future meetings should focus on these issues.

How to Deal with North Korea?

Nuclear negotiations between Washington and Pyongyang remain deadlocked after the Hanoi summit. There are several reasons for the breakdown of the summit held in Hanoi, and the top-down, summit-driven approach is one of them. The top-down approach has its benefits for sure. When the leaders affirmed their commitments to sign a deal in advance, this could have facilitated working-level talks that were expected to stall. But this time, working-level talks failed to forge a deal that satisfies both sides in the lead up to the second summit between Trump and Kim. As a result, the two leaders failed to sign a deal in Hanoi.

As a matter of fact, the working-level negotiators had very little time to hammer out details ahead of the Hanoi summit. U.S. Special Representative for North Korea, Stephen Biegun and his then-counterpart Kim Hyok Chol, North Korea's special representative for U.S. affairs, met only twice ahead of the summit and produced a rough draft of a written agreement that lacked concrete details. The ball was therefore passed to President Trump and Chairman Kim to finalize the details and seal the deal in the summit meeting, amplifying uncertainties over the outcome of the Hanoi summit. North Korea's working-level negotiators were especially reluctant to include denuclearization issues in the rough draft, insisting that those are matters to be decided by Chairman Kim.

It took 16 months for the working-level negotiators of the U.S. and North Korea to produce the 1994 Agreed Framework. Also, the two sides conducted intense negotiations at the working-level for approximately two years to adopt the September 19 Joint Statement. But this time, Washington and Pyongyang missed opportunities to coordinate their stances. The United States' denuclearization demands were, from North Korea's point of view, very unacceptable. As a consequence, North Korea refused to discuss denuclearization at the working-level and this led to the "no deal" outcome.

Main Sticking Points between the U.S. and North Korea in the Wake of the Breakdown of the Hanoi Summit

There are three key sticking points between the U.S. and North Korea. First, there is a big gap between the two sides on the size of the deal. In the aftermath of the Hanoi summit, the U.S. has made it clear that it wants a “big deal” with North Korea. In other words, it wants to agree on a common definition of and a clear endpoint for denuclearization with the North and create a roadmap to achieve this vision. The U.S. insists that a “big deal” should come first before discussing a “small deal” that would reconcile U.S. demands for denuclearization and North Korean demands for sanctions relief.

In the wake of the breakdown of the Hanoi summit, former U.S. National Security Adviser John Bolton said complete denuclearization means going back to the Joint Declaration of the Denuclearization of the Korean Peninsula signed in 1992: the South and the North shall not test, manufacture, produce, receive, possess, store, deploy or use nuclear weapons; the South and the North shall use nuclear energy solely for peaceful purposes; the South and the North shall not possess nuclear reprocessing and uranium enrichment facilities; the South and the North, in order to verify the denuclearization of the Korean Peninsula, shall conduct inspection of the objects selected by the other side and agreed upon between the two sides, in accordance with procedures and methods to be determined by the South-North Joint Nuclear Control Commission (JNCC).¹⁴ North Korea, not surprisingly, argued in the JNCC meeting that denuclearization of the Korean Peninsula includes removal of the U.S. nuclear umbrella for South Korea, and that U.S. strategic military assets capable of delivering nuclear weapons, even if they are not carrying nuclear warheads, should not be deployed to the Korean Peninsula.

The U.S. believes that the two sides must agree on a common definition of the “complete denuclearization of the Korean Peninsula,” whether it be the one defined in the 1992 Joint Declaration or the one stated in the September 19 Joint Statement. In other words, Washington wants to reach an agreement on the areas the North is willing to denuclearize and the extent of denuclearization measures.

A big deal includes a road map for denuclearization. This road map will provide specific details on the step-by-step process for denuclearization, sanctions relief and security guarantees for the North. It will cover an agreed-upon definition of complete denuclearization, details on security guarantees and ways to implement confidence-building measures to establish a peace regime on the Korean Peninsula. Both sides will have to engage in lengthy negotiations at the working-level to agree on these issues. Washington and Pyongyang should be able to agree on a road map quickly if the North chooses to make concessions, but the working-level negotiators will find it difficult to arrive at an agreement especially at a time when the 2020 elections are just around the corner.

North Korea still wants to sign a “small deal.” It wants sanctions relief in exchange for taking initial steps toward denuclearization, like dismantling the Yongbyon nuclear facility. What the regime wants above all is sanctions relief. Unlike in the past, the North is refusing to discuss the endpoint for denuclearization, since the regime already has many advanced nuclear weapons and intercontinental ballistic missiles in its hands.

Another big sticking point is sanctions relief. The U.S. wants to keep the sanctions intact unless the North achieves final, fully verified denuclearization (FFVD). In Hanoi, the U.S. accepted the idea of step-by-step, simultaneous denuclearization to some extent, but it now insists that sanctions would only be lifted after complete denuclearization. The U.S. remains firm on its stance that North Korea should at least verify denuclearization before getting any major sanctions relief.

The last sticking point is the differing views on the top-down approach. The U.S. has put an end to the top-down, summit-driven approach, as the Trump administration has learned from the bitter experience in Hanoi that holding a summit meeting without adequate preparation at the working-level could be meaningless. Washington believes that the top-down approach has proven ineffective, and wants to finalize the details at the working-level before the summit, so that the two leaders could just sign off the deal when they meet. But North Korea takes a starkly different position. Chairman Kim wants to discuss the details with President Trump in a face-to-face meeting, because he knows that working-level talks only invite strong demands from the U.S. Pyongyang wants maximum sanctions relief with minimum denuclearization efforts, and therefore prefers the top-down approach.

North Korea is still willing to talk, but is also reluctant to accept U.S. demands for denuclearization. Against this backdrop, President Trump is trying hard to keep North Korea from carrying out nuclear tests or long-range missile launches before the 2020 election.

Distinctive Characteristics of the U.S.-North Korea Summit

There are three distinct characteristics of the summit meetings between the U.S. and North Korea. First, they impact U.S.-China relations. The North Korea issue has been either a matter requiring cooperation between the two sides or a source of conflict. In 2010, the U.S. used the North's shelling of the South's Yeonpyeong Island in 2010 and the sinking of the South Korean warship Cheonan as an excuse to deploy an aircraft carrier to Korean waters, whereas in 2011, the U.S. and China held a summit and tried to set the stage for inter-Korean dialogue to avoid conflicts. Now, the U.S. is taking advantage of the North Korea issue to gain leverage over China. The Trump administration has been pressuring China by accusing the country of creating loopholes in sanctions against North Korea. On the other hand, Beijing is using the North Korea issue to reduce tension with Washington. Since his visit to Pyongyang in June 2019, President Xi Jinping has been seeking cooperation on the North Korea issue to defuse the ongoing conflict between the U.S. and China.

Another unique characteristic of U.S.-North Korea summits is that they could be affected by U.S. domestic politics. President Trump kicked off his re-election campaign in Florida in the late summer, and the Democratic field appears to be set with 20 candidates (as of August) vying for the nomination and the chance to take on Trump. President Trump will be left with very little time and energy to focus on his summit with Kim as his primary focus. will be on winning reelection.

Then how will Trump respond if North Korea conducts nuclear tests or launches intercontinental ballistic missiles during the election campaign period? U.S. experts say the North Korean nuclear problem will not affect Trump's reelection efforts. Trump considers North Korea's moratorium on nuclear and long-range missile tests as one of his signature foreign policy achievements, and his thoughts will not change. Trump will likely downplay the North's ICBM tests, calling them satellite launches.

Nevertheless, it will be a serious issue if the North conducts another nuclear test, and the U.S. is expected to respond with measures like the imposition of tougher sanctions. President Trump could consider military options again if the U.S. economy falters or criticisms mount over the failure of U.S. policy toward North Korea, because such scenarios could adversely affect his reelection chances.

North Korea is hinting at more nuclear and missile testing to urge the U.S. to change its position before the end of the year. But the chances of the North conducting nuclear tests during the campaign period remain low as it could provoke Trump to review military options, giving the two sides no way out. This is why Washington and Pyongyang are trying to maintain the existing framework for dialogue.

Lastly, the Trump-Kim summit could be affected by the improvement in China-North Korea ties. In fact, ties between Beijing and Pyongyang remained sour after the North's third nuclear test in 2013, but relations began to thaw as the two sides held several summit meetings, and President Xi made his first state visit to North Korea this June. Against the backdrop of escalating conflicts between the U.S. and China on multiple fronts, Xi is seeking to change his position. There is a growing discontent with Xi among Chinese elites, and he is facing a crisis of confidence due to the protests in Hong Kong. China is seeking cooperation, instead of stoking a conflict, with the U.S. to resolve the North Korean nuclear issue and thereby ease U.S.-China tensions. In other words, the country is trying to use North Korea as leverage in its negotiations with the U.S. At the same time, Beijing is exerting more influence on Pyongyang to keep the U.S.-North Korea nuclear talks deadlocked and prevent the North from moving into the U.S. sphere of influence. The Korean Peninsula provides the U.S. a strong strategic foothold to contain China through the U.S.-Japan and U.S.-Korea alliances. From China's point of view, improving ties with North Korea ensures a buffer zone that would help it reduce tensions with the U.S.

The problem is that China's changing stance is making it more difficult for the U.S. and North Korea to break the impasse in nuclear talks. Chairman Kim, backed by China's economic assistance, will continue his efforts to cultivate a "self-reliant" economy, and his stance will hardly change in nuclear negotiations. The framework for dialogue will be kept in place, but prospects for progress remain uncertain.

Policy Recommendations

Then the question is, will the U.S.-North Korea talks really pave the way for denuclearization? Maybe it was an impossible goal to achieve in the first place. At the Hanoi summit, Chairman Kim demanded sanctions relief in exchange for only a partial surrender of the North's nuclear capabilities, which indicates that complete denuclearization is what the U.S. wants to secure, not what the North is willing to offer. Against this backdrop, the U.S. should consider the following measures to break the current impasse.

First and most importantly, the U.S. should keep China from exerting influence on the North. The Trump administration considered the previous administration's policy toward China a failure and engaged in a trade war with China, but the economic interdependence between the U.S. and China makes it difficult for the Trump administration to alienate China. As the China-bashing moves are not as effective as the U.S. had expected, this is giving more room for China and North Korea to forge closer ties. As a matter of fact, several of the indicators for the U.S. economy have fallen from their highs, and many U.S. firms are questioning the effectiveness of Trump's economic policies. Things could change in Trump's second term, but as the 2020 election nears, Trump frets about the negative impact of the trade war on the U.S. economy. China, aware of Trump's fears, is aggressively taking counter measures to fight the trade war.

It is therefore easy to see a case for North Korea's reluctance to denuclearize. China's humanitarian assistance and reduced impact of U.S. sanctions are making it easier for North Korea to build a "self-reliant" economy. The regime is not seeking to abandon the framework for dialogue, but it is reluctant to actively engage in denuclearization talks. Therefore, it is imperative that the U.S. increases its pressure on China to make sure that North Korea has nowhere to lean on unless it chooses to denuclearize.



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The Crisis in Japan-South Korea Relations and Regional Stability in Northeast Asia: History Wars, Economic Battles and Eroding Security Ties

By Moon Chung-in¹

It is not China, but a unified Korea that could pose the most serious threat to Japan's security."² This remark by Yoichi Funabashi, former editorial chief of the *Asahi Shimbun* and a prominent liberal intellectual in Japan, shocked me. I had never thought of Japan as an actual or potential enemy. But Japanese perceptions appear to be different. Several Japanese friends of mine used to comment that a unified Korea emboldened by nationalist zeal and armed with nuclear weapons could become "a nightmarish danger to Japan." Given these views, it appears that while Japan and South Korea are geographically close, they are cognitively distant. That distance has its origins in the history of Japan's 36-year colonial occupation of Korea. Unhealed scars from the past have become deeply embedded in collective memory and have occasionally burst out emotionally.

Japanese leaders believed that the diplomatic normalization treaty and claims settlement pact in 1965 should have resolved these historical issues completely and finally. But bilateral frictions between Japan and South Korea have flared up over the years, mostly over history issues. Revisions in Japanese history textbooks relating to the dispute over the Dokdo/Takeshima islands, tributes by Japanese leaders at the Yasukuni Shrine, and the issue of so-called "comfort women" have persistently haunted Seoul-Tokyo relations. Nevertheless, these flare-ups were confined mostly to diplomatic protests and wars of words. The summer of 2019, however, was different. The dispute over a South Korean supreme court ruling on restitution for wartime forced laborers during the Japanese colonial period has escalated into nasty economic warfare and ultimately strained security relations. The Japanese government imposed punitive economic measures against South Korean companies in response to what it saw as Seoul's failure to resolve the case of wartime forced laborers. The South Korean government, in turn, retaliated. More alarming is that the South Korean public began a massive campaign to boycott Japanese products. The Seoul-Tokyo bilateral relationship headed toward rock bottom amid a vicious downward spiral of hostile interactions, the worst since diplomatic normalization in 1965.

Ripple effects on the security domain have become equally damaging.³ Seoul refused to renew the General Security of Military Information Agreement (GSOMIA) with Japan that has served as an effective platform for military information sharing between the two since 2016. That decision is likely to undermine not only Japan-South Korea security relations, which have maintained a quasi-alliance since the 1950s, but also U.S.-Japan-South Korea trilateral security cooperation and coordination. Because Seoul's decision undermines the U.S.-led Northeast Asia security architecture, Washington has begun to express its disappointment and concern over the termination of GSOMIA. The crisis in Japan-South Korea relations, triggered by the issue of wartime forced labor, is now critically affecting the Seoul-Washington alliance system as well as regional strategic stability in Northeast Asia.

This paper aims at elucidating the process and outcome of worsening Japan-South Korea relations on regional stability. The first part analyzes the dynamics of the “history war” between Japan and South Korea over the issue of wartime forced labor during the Japanese colonial period. The second examines the worsening nature of economic frictions between the two and their grave consequences. The third looks at the impact of historical and economic frictions on the security domain as well as overall security architecture and stability in the region. Finally, I explore options for resolving the current disputes and the role of the United States.

Wartime Forced Laborers and the Ongoing History War between Seoul and Tokyo⁴

Japan’s colonial rule over Korea lasted from 1910 to 1945. Koreans have long been socialized by the hierarchical norm of “China big brother, Korea middle brother, and Japan younger brother” through the framework of the China-centered tributary system. Japan’s colonial occupation, which upset that norm, has been unforgivable to Koreans because it was tantamount to violating the heavenly order. Nonetheless, numerous efforts have been made to heal the deep pain of that history, first with the normalization treaty and claims settlement agreement in 1965, several apologies by Japanese leaders (the Kono Statement in 1993, the Murayama Statement in 1995, and the Kan Naoto Statement in 2010), and the Kim Dae-jung-Obuchi Declaration for Future Partnership in 1998. Defying such efforts, however, history issues have sporadically erupted to strain Japan-South Korea relations. Most recently, the comfort women issue has become a source of friction. On December 28, 2015, the Shinzo Abe cabinet and the Park Geun-hye government reached an informal agreement to resolve the comfort women issue “completely and finally” in return for a formal apology by Japan’s prime minister and the contribution of \$90 million to set up the Reconciliation and Healing Foundation to pay compensation to victims and families of comfort women. But that agreement was effectively nullified by the Moon Jae-in government, which was inaugurated in May 2017. Seoul treated the agreement as being illegitimate because it was signed without the consent of the victims, and it dissolved the foundation in 2018.⁵ The Abe cabinet protested strongly against the decision and demanded that the Moon government honor the agreement and restore the foundation.

While the case of comfort women remained unresolved, a new issue emerged to trouble Seoul-Tokyo relations. This was the issue of wartime forced laborers during the Japanese colonial period. On October 30, 2018, the full panel of the South Korean Supreme Court upheld lower court rulings and ordered Japanese companies, such as Mitsubishi Heavy Machinery and New Nippon Steel, to pay around \$90,000 per person in damages for mental suffering from inhumane acts under Japan’s illegal colonial occupation to four former wartime forced laborers.

The verdict pinpointed shortcomings in the 1965 normalization treaty and the claims settlement agreement on several accounts. First, it ruled that the Japanese colonial occupation was “illegal” because it contradicted the Republic of Korea’s constitution. At that time, negotiators “agreed to disagree” on the nature of Japanese colonial rule, in which Japan argued for its legality, whereas South Korea for its illegality. Second, the court ruled that the 1965 claims agreement did not address the issue of restitution for crimes against humanity and human rights violations, without specifically ruling on whether the forced laborers were compensated for their actual forced labor. Third, it also ruled that although the 1965 agreement made null and void the state’s diplomatic right to protect individual claims, it did not eliminate the individual right to claim because it was signed without the consent or participation of individual victims. Lawyers for the plaintiffs have since asked South Korean courts to seize the South Korea-based assets of the Japanese companies. In January 2019, a district court froze the assets of New Nippon Steel, although they have yet to be sold off.⁶

The Japanese government vehemently rejected the ruling.⁷ Prime Minister Abe argued that “the court ruling is an outright violation of international law.” He even argued that “South Korea is the country that does not honor inter-state promises.” Foreign Minister Kono Taro also said that “What the South Korean government is doing right now is tantamount to overturning the foundation of the post-World War II international order.” What Kono was referring to is that the ruling runs counter to the 1951 San Francisco Treaty that has become the international legal foundation for regional order. The treaty obligated Japan to recognize the independence of Korea, while Article 4 of the treaty stipulated that any property and claims between the two countries should be settled “through special arrangements” between the two parties.⁸ For the Japanese, the 1965 basic treaty and the claims pact were based on the letter and spirit of the San Francisco Peace Treaty. The South Korean Supreme Court’s ruling, which effectively sets aside the claims pact, is bound to undermine the 1951 San Francisco Peace Treaty. This is more so because Article 2 of the claim settlement agreement explicitly confirms that all post-colonial compensation issues “have been settled completely and finally,” and that “no contention shall be made” thereafter. In fact, in return for signing the basic treaty and the claims agreement in 1965, Japan offered South Korea a total sum of \$800 million (\$300 million in grants, \$200 million government loans, and \$300 million in commercial loans). Of these, \$300 million in grants was supposed to be allocated to compensating South Korean victims, including forced laborers. Thus, the Japanese government argues that the case was closed.

Japan justifies its position on several other counts. First, for Japan, its colonial rule over Korea was legal and legitimate because in the late 19th and early 20th centuries, colonial occupation was an accepted international norm and practice. Second, Japan accuses South Korea of negligence in the conduct of international law. Japanese officials contend that the South Korean government should have coordinated with the judiciary branch before the court decision in order to avoid contradiction between international law and domestic law. Finally, Japan is extremely worried about the South Korean Supreme Court’s ruling on restitution, as opposed to compensation, for “damages for mental suffering” from “inhuman acts” under Japan’s “illegal” colonial occupation. If Tokyo accepted the ruling, it could reignite wartime compensation issues with other Asian countries. “The ripple effects could cascade into other issues, and even reignite World War II compensation issues with other countries.”⁹ For these reasons, the Japanese government categorically rejected the ruling, while urging Japanese companies not to comply with South Korean court orders.¹⁰ In addition, Tokyo asked Seoul to come up with a solution by July 16. Otherwise, the case should be resolved through third-party mediation stipulated in Article 3, Section 2 of the claims pact.

Seoul’s response was also firm. The South Korean government counter-argued that it has never denied the 1965 claims agreement and never broke its promises. The Supreme Court ruling is about an area that was not covered by the claim agreement. It “has consistently maintained the position that the crimes against humanity,” in which the Japanese government and military were involved, “cannot be deemed as resolved” by the 1965 agreement, acknowledging that the “individual rights of the forced labor victims to claim reparations are very much alive.”¹¹ Moreover, the Republic of Korea is a democratic nation whose constitution mandates checks and balances among its three branches of government, and its executive branch cannot ignore or discard the Supreme Court ruling. Furthermore, unlike Japan and other advanced countries, South Korea does not practice the provision of *Amicus Curiae* (Friend of the Court) through which the executive branch can coordinate with the judiciary before a final ruling where there is a conflict between international law and domestic law. This was more so because the former chief justice was indicted on a charge of illegal coordination with foreign ministry officials and lawyers of the law firm Kim and Chang, which represented Mitsubishi Heavy Machinery and New Nippon Steel.

Despite all these constitutional constraints, the Moon Jae-in government contacted plaintiffs and produced a compromise solution of “one plus one,” in which the plaintiffs would be restituted through a fund created jointly by Japanese defendant firms and South Korean firms that benefitted from Japan’s grant money in 1965. Seoul wanted to discuss this “one plus one” formula with Tokyo, and if that failed to produce any compromise, it was willing to go to the third-party mediation. But Japan flatly rejected this, and asked Seoul to come up with a new solution by July 16.

From a History War to Economic Warfare

On July 1, two weeks before the July 16 deadline, the Japanese government announced export restrictions to South Korea on three chemical materials (hydrogen fluoride, photo resist, and fluorinated polyimide), which are essential for the manufacturing of semiconductors. Prime Minister Abe did not hide his rationale for the measure, saying that “South Korea broke the promise by violating the 1965 claim pact” on July 1. On the same day, the Japanese Ministry of Economy and Industry also said the measure was taken because South Korea breached trust by failing to offer a solution to the issue of wartime forced laborers. The Japanese government then invented a new rationale: that it is imposing export restrictions on South Korea for the sake of national security.¹² As international criticism of Japan’s violation of international free trade norms intensified, the Japanese government then invented a different excuse on July 7 by pointing to what it said was the danger of South Korea’s potential transfer of these strategic materials to North Korea. Japanese government officials went so far as to say that hydrogen fluoride transferred to South Korea could be used for the production of chemical and nuclear weapons.¹³ On July 12, the Japanese government announced that since the South Korean government failed to enter bilateral consultation on exports of strategic materials imported from Japan for the past three years, it would take South Korea off the white list for preferential treatment in its export administration of strategic materials.¹⁴ Finally, on August 2, Japan announced a plan to take South Korea off the white list (A category) for the first time since 2004 and demote it to B category. As a result, Japanese exporters of 857 strategic materials to South Korea should go through a lengthy, 90-day process to get export licenses from the Ministry of Economy and Industry.

South Korea was outraged by the move because Seoul did not expect at all that Tokyo would impose economic sanctions over the history issue. The response in South Korea was further intensified because of Tokyo’s shifting excuses for imposing the restrictions, starting with the violation of the 1965 claims pact, then national security concerns, and finally Seoul’s weak export control administration. Such changing excuses reveal nothing but Tokyo’s dishonesty. Japan should have said the export restrictions were political retaliation for Seoul’s failure to resolve the forced laborer issue, but it did not.

Japan’s moves were criticized from several different angles. First, Prime Minister Abe declared, “A free and open economy is the foundation of global peace and prosperity” at the Osaka G20 meeting, which was a rare challenge to U.S. President Donald Trump’s protectionist stance. But the new export regulations on South Korea contradicted free trade rules and norms under the World Trade Organization, which Abe openly and passionately defended just days before breaking them himself.

Second, Minister Seko Hiroshige of the Japanese Ministry of Economy and Industry initially cited breach of trust as the basis for his actions and then subsequently claimed illegal transfer of strategic materials imported from Japan to North Korea as the grounds for restricting exports.

Yet, Japan did not offer any concrete evidence for this risk. Such claims seem nonsensical because there is no reason that Seoul would transfer such critical materials to Pyongyang, which it still considers a major threat. Moreover, South Korea has performed better than Japan in complying with obligations of international export control regimes for strategic materials. Seoul has joined all four major international export control regimes (the Wassenaar Arrangement for conventional weapons, the Australia Group for biochemical weapons, the Missile Technology Control Regime, and the Nuclear Suppliers Group) and has been strictly adhering to its obligations. A recent report by the Institute for Science and International Security (ISIS), a Washington-based nonprofit organization, ranked South Korea 17th, while Japan was ranked at 36th in terms of performance in national strategic trade control.¹⁵

Third, Japan has been one of the greatest beneficiaries of world capitalism based on the global supply chain. But the restrictive measures were disruptive of the global supply chain by not only adversely affecting South Korean firms such as Samsung Electronics and SK Hynix, the world's leading manufacturers of semiconductor chips, but also American firms such as Apple, Amazon and Dell and billions of consumers all over the world.¹⁶ Eventually, Japanese suppliers would also fall prey to such disruptive measures, which would end up producing negative sum outcomes for all. Thus, Japan's moves have grave negative implications for global capitalism.

Finally, Seoul suspects that the real motive behind Tokyo's export curbs was a well calculated move to undermine the South Korean economy in general and its strategic industries such as the semi-conductor industry in particular. The South Korean economy has been a latecomer compared to Japan but has been catching up with amazing speed, alarming Tokyo. South Korea has outpaced Japan in key strategic industrial sectors such as semiconductors, displays, consumer electronics, and shipbuilding since 2000. For example, South Korea accounts for 73.4 percent of the world's DRAM memory chips (Samsung with 43.9 percent and SK Hynix with 29.5 percent). Moreover, Samsung accounts for some 25 percent of South Korea's exports. Samsung Electronics alone represents about 21 percent of South Korea's stock market value. Thus, the weaponization of export restrictions was seen as a vicious move by Japan to deal a critical blow to South Korea's strategic industry as well as the South Korean economy.¹⁷

With Japan's moves being perceived as unfair and even venomous, the South Korean government began to counter-attack. It filed a complaint with the World Trade Organization, because Tokyo questioned Seoul's credibility in export control of strategic materials without presenting any specific evidence. It also proposed an inquiry by the UN Security Council or another international body on the export controls of both countries.¹⁸ The South Korean government has also taken two types of counter-measures. One is to reciprocate by taking corresponding measures. It took Japan off its own white list and has been lining up follow-up measures. The other is that the South Korean government has come up with a comprehensive strategy to reduce the country's dependence on Japan in parts and components and specialty materials. On August 5, the South Korean Ministry of Economy and Industry announced a comprehensive plan to promote the domestic production of materials, parts and components, and equipment through a series of incentives such as taxation, budget allocations, financing, institutional support, and industrial sites. The plan identified 100 items (20 for short-term and 80 for long-term) with a total investment of 45 trillion won (\$3.75 billion). At the same time, affected private firms such as Samsung, SK Hynix, and LG began to diversify procurement sources with a heavy emphasis on localization. Government officials have announced plans to allow companies involved in the localization of key materials and parts to receive tax benefits on R&D spending and to be exempted from the mandated shorter workweek on a temporary basis.¹⁹

More alarming was the public attitude. South Korean citizens launched a campaign to boycott Japanese products and services. Convenience stores began to remove Japanese condiments and beer brands from store shelves, and South Korean consumers took voluntary measures to boycott imported goods such as clothes and automobiles from Japan. Their sales dropped sharply. For example, sales of Japanese beers were cut by 45 percent in August, and UNIQLO, a famous Japanese retail clothing outlet, saw its sales plunge by more than 50 percent. Sales of Japanese automobiles also suffered. The hardest hit was the tourism sector. In 2018 alone, some 7.3 million South Koreans traveled to Japan, making it the second-largest group of tourists after the Chinese. But with a substantial number of travel reservations to Japan being canceled, South Korean tourists' visits to Japan were cut by more than 30 percent since early July. Kyushu and Hokkaido, two of the most favored tourist locations in Japan, suffered most. The Japanese government initially thought these boycotts would not last long, but they have now lasted more than two months, adversely affecting the Japanese local economy.²⁰

In short, a history war has unexpectedly escalated into serious economic friction between Japan and South Korea. In the past, whenever there was a clash over history issues between the two, the U.S. government intervened and helped resolve the row. The Obama administration exerted diplomatic pressure on the Park Geun-hye government to reach a compromise on the comfort women issue in December 2015. Despite an appeal by Seoul, however, the Trump administration did not intervene this time and took the position that Seoul and Tokyo should resolve the dispute by themselves. The absence of American mediation, broiling nationalist sentiments in both Japan and South Korea, and irreconcilable attitudes on wartime forced laborers have driven the two countries into a vortex of unprecedented bilateral conflict, clouding the future of Japan-South Korea relations.

Ending GSOMIA and Implications for Regional Stability

The Moon Jae-in government tried to make a deal with Japan by sending high-level special envoys twice in July, and several bipartisan parliamentary delegations also went to Tokyo in an effort to mediate between the two governments. On August 15, in his national Independence Day speech, President Moon sent conciliatory signals to Japan, saying that “if Japan chooses the path of dialogue and cooperation, we will gladly join hands. We will strive with Japan to create an East Asia that engages in fair trade and cooperation.” In fact, the Moon government dispatched another high-level envoy to Japan just one day before the Independence Day speech in order to explore the possibility of dialogue for diplomatic settlement of pending issues. But Japan rejected the offer. Tokyo was not willing to meet any South Korean envoy unless they come up with a solution to the forced labor issue that satisfies the Japanese government. On August 21, South Korean Foreign Minister Kang Kyung-hwa met her Japanese counterpart Kono Taro in Beijing, and tried to reach a compromise. But Kono was firm on Japan’s stance.

All of this was seen as a sign that Japan is not willing to negotiate with South Korea on the latter’s “one plus one” formula. On August 22, the South Korea government announced that it will not renew GSOMIA with Japan. GSOMIA refers to a pact for military information sharing in which both countries would protect mutually exchanged military information in accordance with the respective country’s military secrets law.²¹ South Korea and Japan signed it in November 2016 during the Park Geun-hye government, and the pact is renewed automatically every year unless either side provides an advance notice of 90 days. The Korean Ministry of National Defense said that Seoul and Tokyo shared military intelligence a total of 30 times since GSOMIA was first signed, and eight times this year over the North’s missile tests. Kim You-geun, first deputy chief of South Korea’s National Security Council, said South Korea had decided to terminate the

intelligence-sharing deal because the trade restrictions had “caused an important change in security-related cooperation between the two countries” and that “Our government has concluded that it does not conform with our national interest to maintain the agreement struck for the purpose of sharing sensitive military intelligence.”²² The virus infecting an untreated historical wound had now spread through economic and security relations, affecting both government elites and general publics and ending with a major security falling out.

Before the decision, the Trump administration kept sending signals to Seoul not to abandon the pact. National Security Advisor John Bolton, U.S. special envoy to North Korea Stephen E. Biegun, and Defense Secretary Mark Esper visited Seoul in July and August consecutively and urged South Korean officials to renew the pact. They argued that GSOMIA is vital to ensuring tight monitoring of North Korea’s missile activity through not only Japan-South Korea cooperation, but also U.S.-Japan-South Korea trilateral military coordination and cooperation. In fact, it was the Obama administration that worked hard to push Seoul and Tokyo to sign the agreement despite domestic political opposition in South Korea in 2016. Thus, Seoul’s decision not to renew GSOMIA was received with surprise.²³ Washington has been voicing displeasure over Seoul’s decision not to renew the bilateral intelligence-sharing pact with Tokyo. Secretary of State Mike Pompeo stated that “We are deeply disappointed and concerned that the ROK’s government terminated the General Security of Military Information Agreement.” Morgan Ortagus, spokesperson for the U.S. State Department, again tweeted the statement. The U.S. Department of Defense expressed “strong concern and disappointment that the Moon administration has withheld its renewal of the Republic of Korea’s General Security of Military Information Agreement with Japan.”

Why did the Moon Jae-in government decide not to renew GSOMIA despite American opposition? It was a matter of principle. Seoul’s position is well summed up in remarks by Kim Hyun-jong, Seoul’s Second Deputy National Security Advisor, who said that “Prime Minister Abe mentioned twice that South Korea is not a trustworthy country. It is tantamount to treating us like an enemy. How can we exchange sensitive military information with such country?” He noted that the purpose of GSOMIA is “to facilitate the exchange of sensitive military information between the two countries based on a very high level of mutual trust.” But “there is no ‘justification’ for maintaining GSOMIA,” because “basic trust has been undermined between the two countries, as Japan is claiming.”²⁴ For Seoul, Tokyo’s proactive removal of South Korea from its white list of preferred trading partners underscored such broken trust.

Equally critical was Japan’s unilateral diplomatic style. Seoul proposed to have diplomatic dialogue with Tokyo using the “one plus one formula,” but Tokyo flatly rejected this and asked Seoul to come up with another option unilaterally. The Moon Jae-in government was outraged by that attitude. The Abe cabinet should have sat down with the Moon government and proposed its own option. If both parties failed to produce a compromise, they could then have gone to third-party mediation in accordance with Article 3, Section 2. Obviously, Seoul was using the GSOMIA card as a bargaining chip to counter Japan’s export restrictions. Its position is clear, in that if Japan lifts export restrictions, South Korea is willing to renew GSOMIA. There are only a few months left for negotiations before GSOMIA expires on November 23, 2019.*

Finally, South Korea could take such a drastic move because of its relatively low use of GSOMIA. Some in Seoul argue that it is more beneficial to Japan than to South Korea. Since its signing in November 2016, there have been 30 transactions in which Japan requested 28 times, whereas South Korea only two. Such asymmetry of utility may have motivated Seoul to cancel GSOMIA.²⁵ South Korea’s decision to terminate GSOMIA sent shock waves to Japan and the United States.²⁶ Japan and South Korea are not formal allies, but functioned as quasi-allies through the mediation of the U.S. Its termination has brought about adverse impacts on Japan-South Korea relations.

Japan sees the decision as producing major security damage, primarily because it might cause major lapses in early monitoring of missile activities by North Korea and China. Faltering security ties between the two would entail another security concern. Given current trends, Japan and South Korea could become mutually hostile rather than friendly. Even before the South Korean decision, on December 20, 2018, a Japanese P-1 reconnaissance plane and a South Korean destroyer experienced a close call. On August 25, 2019, South Korea undertook a large-scale military training exercise to protect territories in the East Sea. The Japanese government reacted to this sensitively. Likewise, hostile bilateral security relations are not only harmful to the two countries, but could also easily complicate the security situation in Northeast Asia, heightening instability in the region.

Worsening Japan-South Korea relations could adversely affect the U.S.-South Korea bilateral alliance as well as the U.S.-Japan alliance, and South Korean trilateral security cooperation. Intelligence sharing, as Defense Secretary Mark Esper pointed out, “is key to us in our common defense against North Korea.” Vincent Brooks, former commander of U.S. Forces in South Korea, also said that “They can also help to erode the quality of the alliance architecture that preserves stability and prosperity in Northeast Asia and that is more in the interest of China than it is in the interest of North Korea, but both would find value in weakening that structure.” David Maxwell is more specific on negative impacts of the termination of GSOMIA: “It also is the foundation for integrated missile defense. Something the U.S. has been working towards where we are able to integrate the missile defenses of all three countries. Again, because all three countries have different capabilities to defend against North Korean missile attack and GSOMIA is a key element of that. With the withdrawal, it will slow down information sharing and it weakens the collective defense.”²⁷ No wonder Washington pundits have been united in arguing that the termination of GSOMIA will seriously undermine the South Korea-U.S. alliance system. Some compared the termination decision to that of the Carter administration to withdraw U.S. Forces from South Korea, negatively undermining the South Korea-U.S. alliance. Discontent from Washington has been on the rise.

This is more because Seoul’s decision could seriously upset the American strategic calculus in the region. For the U.S., Japan has been regarded as the cornerstone of the American alliance system in Asia, whereas South Korea is seen as the linchpin. Both Japan and South Korea are vital to the American security architecture. If they are unable to work together and fail to present a united front against China and North Korea, there will be a great hole in the U.S.-led regional security system. It will also deal a critical blow to the Indo-Pacific strategy that Japan and the U.S. have initiated. If such a rupture occurs, it will offer China a great opportunity to exert its regional influence. As General Brooks points out, Pyongyang might be another beneficiary and is likely to exploit divisions among the U.S. and its partners in the region as it has tried in the past. In fact, some Japanese scholars have been cautiously raising the possibility of a “new Acheson line” that would exclude South Korea from the U.S. defense perimeter of East Asia, while including Taiwan.²⁸ The logic behind this seems simple and straightforward. According to them, South Korea is not interested in joining the Indo-Pacific strategy. The termination of GSOMIA is a testament to this. The Moon Jae-in government is more inclined to take a pro-China and pro-North Korea position. This being the case, it is better for the U.S. to exclude South Korea from the American alliance bloc. Realistically speaking, this scenario is highly unlikely. But if such fundamental strategic realignment takes place, South Korea will become closer to China and North Korea, and during the transitional period, peace and stability on the Korean Peninsula and in Northeast Asia will be greatly compromised.

Finally, Japan-South Korea relations are also essential for peace, stability and prosperity in Northeast Asia. Broken bonds and even hostile relations between the two can impede China-Japan-South Korean trilateral cooperation. At present, the three countries have established the Trilateral Cooperation Secretariat in Seoul and have been holding trilateral summits annually to deal with common regional problems such as economic, environmental, and non-traditional security issues. In the past, soured China-Japan as well as Japan-South Korean relations often contributed to aborting the trilateral summit. If Seoul-Tokyo relations reach the point of unrecoverable damage, the trilateral summit is not likely to take place, derailing the entire process of trilateral cooperation. Thus, the crisis in Japan-South Korea relations could bring about negative repercussions not only for the U.S.-led alliance system, but also efforts toward community-building in Northeast Asia.²⁹

Conclusion

The history war over forced labor during Japanese colonial rule in Korea has escalated into growing economic warfare and a precarious security risk. No one wants such escalation, and everyone knows such confrontation will result in a “lose-lose” outcome. What ultimately matters is not just Japan-South Korea relations, but also jeopardized regional stability. A breakdown in the bilateral relationship is tantamount to opening Pandora’s box, in which alignments and realignments among countries in the region could easily undermine strategic stability. It is like setting off onto a previously unknown path.

What should be done? First, leaders in Seoul and Tokyo should avoid unnecessarily provocative words and actions. Self-restraint is the most needed virtue in repairing fractured ties between the two sides. Second, Japan and South Korea should take reciprocal measures to defuse the current escalating crisis. Japan should lift exports restrictions on South Korea by restoring it on the white list. South Korea should renew GSOMIA simultaneously. Third, leaders of Japan and South Korea should resume dialogue without any preconditions. Prime Minister Abe and President Moon should meet at the earliest possible opportunity. They need to restore the shuttle diplomacy that Prime Minister Junichiro Koizumi and President Roh Moo-hyun initiated in 2004. Fourth, history issues, be they forced labor or comfort women, cannot be easily fixed. Inter-state agreements can be nullified by the emotional impulses of public opinion. This is more so under democratic systems. Healing the pain of historical grievances needs time and patience. Nevertheless, leaders of both countries should work hard to reach a mutually acceptable compromise by transcending the temptation of domestic political calculation. They also need to build a framework for civil society and grassroots interactions that can nurture shared understanding and reconciliation. Finally, the United States cannot stand idly by if it wants close trilateral security coordination and cooperation. It should consider taking a more constructive role in narrowing the differences between Japan and South Korea. This is more so because Seoul and Tokyo are willing to listen to the views of the U.S.

*Postscript

November 23, 2019 was the last day to formally end the GSOMIA with Japan. However, the Moon Jae-in government temporarily suspended its termination on November 22, and announced that it will renew the GSOMIA when and if Japan takes corresponding measures such as lifting of export control on South Korea. Japan and South Korea also resumed discussions to restore bilateral relations. American mediation efforts, President Moon Jae-in's commitment to improve bilateral relations with Japan, and Prime Abe's willingness to engage with South Korea have all contributed to averting the crisis. And Moon and Abe are expected to hold a summit in late December on the occasion of China-Japan-South Korea trilateral summit in China. Nevertheless, it might be difficult to expect a successful Abe-Moon summit without making a mutually acceptable agreement on the forced labor issue in dispute, which will be a daunting challenge.



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² Moon, Chung-in and Seung-won Suh, *What is Japan thinking now?* (Seoul: Samsung Economic Research Institute, 2013), p. 174 (in Korean).

³ For a succinct overview of the current Japan-South Korean dispute, see Shorrock, Tim. "In a Major Shift, South Korea Defies Its Alliance with Japan." *Nation*. 27 August 2019. Web. <<https://www.thenation.com/article/south-korea-japan-cold-war/>>

⁴ For a concise overview of history disputes between Japan and South Korea, refer to: Grover, John, Harry Kazianis, Dong Geon Lim, Adriana Nazarko. "A Japan-South Korea Dispute Hundreds of Years in the Making." *National Interest*. 26 August 2019. Web. <<https://nationalinterest.org/blog/korea-watch/japan-south-korea-dispute-hundreds-years-making-76241>>

⁵ The Moon government has never formally nullified the agreement on comfort women. It took the position of neither honoring nor terminating the agreement. But the Japanese government accused the Moon government of not complying with it. The decision to dissolve the foundation is related more to economic considerations, because its overhead costs were about to devour the entire fund without any activities.

⁶ Arrington, Celeste, Andrew Yeo. "Japan and South Korea Can't Get Along: Why America Needs to Help Its Allies Mend Fences." *Foreign Affairs*. 31 July 2019. Web. <<https://www.foreignaffairs.com/articles/japan/2019-07-31/japan-and-south-korea-cant-get-along>>

⁷ For an excellent overview of the Japanese government's position, see: Yoshida, Reiji. "Japan fears compromise on South Korea wartime labor could open up Pandora's box of WWII issues." *The Japan Times*. 31 July 2019. <<https://www.japantimes.co.jp/news/2019/07/31/national/politics-diplomacy/japan-fears-compromise-south-korea-wartime-labor-issue-open-pandoras-box/#.XVehoi069QI>>

⁸ Although an earlier draft of the treaty indicated the ROK as one of allies in January 1949, the ROK was eventually not invited to and is not a signatory of the 1951 peace treaty because of Japan's strong lobby. And in 1965, then President Park Chung-hee had to declare martial law in order to force the treaty on the public in the face of protests.

⁹ A quote from a Japanese Foreign Ministry official in Yoshida, Reiji, "Japan fears compromise..." op. cit.

¹⁰ It is interesting to note that the Japanese government did not intervene when the Japanese plaintiffs won in lower courts. It intervened only after the plaintiffs lost the case in the Supreme Court.

¹¹ Cheong Wa Dae. "Opening Remarks by Deputy National Security Advisor Hyun Chong Kim at Press Briefing." 28 August, 2019. <<https://english1.president.go.kr/BriefingSpeeches/Briefings/451>>

¹² Dooley, Ben. "Japan Cites 'National Security' in Free Trade Crackdown. Sound Familiar?." *New York Times*. 15 July 2019. Web. <<https://www.nytimes.com/2019/07/15/business/japan-south-korea-trade-war-semiconductors.html?searchResultPosition=51>>

- ¹³ Stangarone, Troy. "Japan's Economic Restrictions on South Korea are Overkill." *The Diplomat*. 5 August 2019. Web. <<https://thediplomat.com/2019/08/japans-economic-restrictions-on-south-korea-are-overkill/>>; Sposato, William. "Japan Started a War It Wasn't Ready to Fight." *Foreign Policy*. 6 August 2019. <<https://foreignpolicy.com/2019/08/06/japan-started-a-war-it-wasnt-ready-to-fight/>>
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- ¹⁵ Albright, David, Sarah Burkhard, Andrea Stricker. "The Peddling Peril Index (PPI) 2019." *Institute for Science and International Security*. May 2019. <http://isis-online.org/uploads/isis-reports/documents/The_Peddling_Peril_Index_Final_May2019.pdf>
- ¹⁶ Park, Han-na. "Japan's trade curbs will impact global industry: Seoul official." *The Korea Herald*. 17 July 2019. Web. <<http://www.koreaherald.com/view.php?ud=20190717000632>>
- ¹⁷ Kim, Victoria and Don Lee. "Japan uses trade restrictions as a weapon against South Korea." *Los Angeles Times*. 21 July 2019. Web. <<https://www.latimes.com/world-nation/story/2019-07-21/japan-trade-restrictions-hit-south-korea>>; This point is also highlighted by Tim Shorrok, op. cit.
- ¹⁸ "South Korea Trade Ministry to Raise Japan Export Curbs at WTO General Council Meeting." *Reuters*. 14 July 2019 <<https://www.reuters.com/article/us-southkorea-japan-laborers/south-korea-trade-ministry-to-raise-japan-export-curbs-at-wto-general-council-meeting-idUSKCN1U907L>>
- ¹⁹ Kim, Young-Dae, "From Crisis to Opportunities-Promoting Indigenization," *Midas-a monthly magazine of Yonhap News*, Vol. 187 (September 2019), pp.90-91.
- ²⁰ The current trade conflict between Japan and South Korea will not affect the two economies in a critical way, because mutual trade dependence is very much limited. South Korea's trade dependence on Japan is relatively small, 7.5 percent of its \$1.07 trillion total trade volume in 2018. Japan's trade dependence on South Korea is about 5.8 percent, \$80 billion of its \$1.38 trillion total trade volume.
- ²¹ Cheong Wa Dae. "Government Announcement of the Secretary-General of NSC Secretariat." 22 August 2019. <<https://english1.president.go.kr/BriefingSpeeches/Briefings/447>>
- ²² Choe, Sang-Hun, Motoko Rich, Edward Wong. "South Korea Says It Will End Intelligence-Sharing Deal With Japan, Addition to Tensions." *The New York Times*. 22 August 2019. Web. <<https://www.nytimes.com/2019/08/22/world/asia/south-korea-japan-intelligence.html>>
- ²³ Ibid.
- ²⁴ Cheong Wa Dae, 28 August 2019, op cit.
- ²⁵ Conservatives in Seoul, along Korean experts in Washington, D.C., argue that GSOMIA is very useful for South Korea because of Japan's superiority in imagery and signal intelligence. The debate is still ongoing. See: Wee, Mun-hui, "Four Reasons behind the Blue House Decision Not to Renew GSOMIA," *The JoongAng Ilbo*, August 23, 2019. (in Korean).
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How to Stabilize East Asia: Three Areas of Challenge and Recommendations

By Susan A. Thornton

The Changing Asian and Global Power Structure

It is more difficult to see the future of peace and security in East Asia today than at any point in the last forty years. As the architect of the post-World War II international order and the global financial, economic and trading systems and as the security provider of choice, the United States has dominated the regional order in Asia, underwriting stability and enabling the remarkable prosperity and globalization of recent decades. There has been no major conflict in East Asia for 40 years and in that time the region has seen the most dramatic improvement in human welfare in history.

The global power structure is changing, however, and the conditions that underpinned the last half century of progress are unraveling. Shifts in the global power balance that have been looming since the end of the Cold War are now upon us and a transition to a new, multipolar global order is underway. In the new power configuration, the U.S. can no longer dominate nor afford to underwrite the global system. This realization became apparent soon after the end of the Cold War but was obscured by the intractable conflicts in Afghanistan and Iraq, alongside battles with Al Qaeda and ISIS. The pending shift was brought into sharp relief again by the 2008 Global Financial Crisis and the ensuing creation of the G20. The Obama administration did several things to try to lighten America's load and engineer an orderly transition that maintained U.S. leadership and influence. Unfortunately, these efforts were maligned by partisans as signifying "weakness" rather than realism or foresight.

It was America's impatience with having to manage the world's burdens and its frustration over the willful disregard of realities by Washington policy elites that paradoxically aided Donald Trump's rise. Trumpism, however, shows no sign of comprehending this reality, and has instead embraced a strategy of nationalism and primacy that combines militaristic bravado and brinksmanship, ill-prepared presidential diplomacy, and an impulse to non-interventionism in a schizophrenic mix that can only undermine U.S. credibility and sow confusion. In this time of change, it is indeed unfortunate that the leader of the global system is caught in a state of perpetual apoplexy and is not only unable to provide leadership but is tearing down its edifice before we can collectively decide what parts to save and bolster. Tectonic social and technological changes are adding to the anxieties over the future shape of the world, as are fears about emerging state-to-state competition and doubts about the ability of governments and elites to address the concerns of average citizens in this new, uncertain environment.

In a different setting, it would be obvious that the U.S. government ought to be leading a reform coalition to restructure and reenergize global institutions to better fit them for purpose in a multipolar world. Instead, the U.S. acts as wedding crasher and photo bomber at every multilateral gathering, doing its utmost to disrupt sober efforts at compromise on trade, climate change, technology management, development, non-proliferation and other global challenges. Setting up multilateral cooperation frameworks to support transition to a reshaped world order is not something that the current U.S. administration is inclined to undertake, so this transition will take its own course, for better or worse, for at least the next year.

Diminished U.S. Leadership and Damaged Credibility

The inept and insecure U.S. response to this looming global adjustment is by far the biggest threat to Asia-Pacific security and prosperity in the near term. Determined to blithely ignore the reality of diminished relative U.S. leverage, the Trump administration acts out its “America First” foreign policy through high-handed treatment of friends, high-stakes unilateral provocations of rivals and a my-way-or-the-highway belligerence toward any multilateral efforts or institutions. The resultant shredding of U.S. credibility and bleeding of U.S. soft power and influence are unfortunately occurring at precisely the moment when the U.S. should be cementing and deepening global friendships in order to compensate for its lesser relative weight in the system and to fashion a new, stronger multilateral order in Asia.

As Asian countries weigh their strategies for adjusting to new global realities, they are being forced for the first time to contemplate U.S. unreliability and self-isolation. U.S. actions are taken seemingly without regard to their impact on the security or economic well-being of its friends and allies in the region or outside. The imposition and threat of WTO-violating tariffs (steel, autos) on “national security grounds” was greeted with shock in the region, and a newfound U.S. penchant for blacklisting companies on security grounds has touched off a copycat syndrome, including an escalating spat between U.S. allies Japan and Korea that is viscerally undermining U.S. and regional security interests. Blatant U.S. disregard for potential allied political turmoil caused by U.S. demands for higher basing contributions is leading to unhealthy reflections and destabilizing responses. Having already weathered political storms over (Terminal High Altitude Area Defense) THAAD deployment, United States-Korea Free Trade Agreement (KORUS FTA) renegotiation and a bruising negotiation of defense cost-sharing payments, the U.S.-ROK alliance is now facing another drama-rich round of cost-sharing talks, tensions over the fate of an information-sharing agreement with Japan, more possible tariffs and U.S. threats to withdraw troops, never mind ongoing threats from North Korea. The alliance retains a deep reservoir of popular support in Korea, but it is not bottomless, and many have begun to bristle at “U.S. demands.”

Countries whose bad behavior might have been kept in check by U.S. leadership and oversight of adherence to international rules are taking advantage of a new era of American laxity with respect to human rights violations. While President Trump may believe he is “respecting other countries’ sovereignty” when he says, for example, that Xi Jinping can handle Hong Kong’s protests or discounts abuses in other countries, he ignores the enormous moderating effect that U.S. leadership and statements can have on the actions of other governments. And most importantly, countries are confused over conflicting signals with respect to the reliability and future of the U.S. security umbrella in the region, as the current U.S. administration openly questions America’s troop presence and defense arrangements in Asia. Unfortunately, in the face of these actions and continued U.S. foreign policy and resource focus on the Middle East and Europe, the administration’s claims for its Indo-Pacific strategy ring hollow.

To repair the damage done to date, it is imperative that the U.S. come back to and recommit itself to leading and strengthening the international rules-based system and its institutions. This is crucial to managing the overall transition to a new order, but it will be particularly important for stability in Asia, where regional security architecture is weak and multiple large powers are vying for ascendancy.

Active U.S. participation in and commitment to WTO reform and strengthening is an essential first step. It is not enough, however, to reform existing international economic institutions. The Comprehensive and Progressive Trans-Pacific Partnership (CPTPP or TPP-11) is a higher-standards agreement that promotes growth and increased openness and fairness in the international trading system. Married to the Trans-Atlantic Trade and Investment Partnership (TTIP) agreement with Europe, it could set up a high-standards competitor to the WTO and spur that organization to improved performance (or increasing irrelevance). The United States should clearly join and lead these efforts, which promote bedrock U.S. principles of market competition and openness.

A second area of enormous concern in Asia is the issue of climate change, where the U.S. position under the current administration invokes voodoo science and reflects callous uncaring and abdication of responsibility. Reversal of the current policy of climate change denial, based on a clear mandate from the U.S. electorate, would go a long way to restoring U.S. credibility and influence among smaller Asian states that have been crucial for U.S. global coalition-building. The U.S. will also need to follow through with resources to fund climate mitigation and adaptation, especially for poorer Asian states.

Lastly, the U.S. should recommit itself to multilateral peacemaking, arms control and upholding rules governing the global commons. U.S. ambivalence toward even symbolic cessions of sovereignty for the sake of international order will not be sustainable if America is to lead an orderly transition to a multipolar world. The U.S. should choose to lead on these issues, ratify arms control agreements and support global rules that it helped negotiate, and begin work on agreements to govern new challenges such as space, technology and other issues. For example, Senate ratification of the United Nations Convention for the Law of the Sea (UNCLOS) Treaty, which has been supported by every U.S. administration and the U.S. military, would immediately improve the U.S. position with respect to the South China Sea and other salient maritime issues in Asia and would be a potent symbol of U.S. commitment to and investment in the international rules-based system.

III-Conceived U.S.-China Cold War

More than a decade ago, the Chinese predicted a defensive U.S. reaction to China's rise. In his 2017 book *Destined for War: Can America and China Escape Thucydides's Trap?* Graham Allison described a troubling historical dynamic where rising and status quo powers often came to blows, and he warned that the U.S. and China could face the same trajectory. Although many experts dismiss the notion that the U.S. and China are "destined for war," and many others claim that it is China's regressive and bad behavior that is leading to the current U.S.-China standoff, it is clear that the global power transition that is underway is partly responsible for the frenzied turn in Washington toward across-the-board China confrontation.

I have written elsewhere about the litany of U.S. complaints about Chinese behavior, many of which are justified, and about why I think the current U.S. approach is counterproductive for U.S. interests. What is even more clear, however, is that the chaotic and reflexive U.S. confrontation with China is damaging to stability in Asia in multiple respects. The most obvious of these is the administration's disruptive brinkmanship regarding trade and investment, especially with respect to the U.S.-China trade war and the damage it is inflicting and will inflict on economies across the Asia Pacific. In a region where China is the number one trading partner of every country and where economies have eagerly pursued integration and specialization to stimulate growth in recent decades, exports are being pummeled. Forty percent of South Korea's exports are semiconductors and the uncertainty facing this industry is mounting. Singapore's growth is already near zero and forecasts are for worsening. Taiwan is increasing its exports to the U.S., but from an insufficient base that cannot make up for losses stemming from the trade war in Asia. Disruptions to growth in the region are likely to breed political turmoil and will likely escalate punitive trade moves such as Japan's recently-announced export restrictions on chemicals needed by South Korea for semiconductor manufacturing. The U.S. was the leader, persuader and arbiter of the international trading system in Asia. This system is now in danger of breaking down, as the U.S. contrives new ways to retaliate against and disadvantage its Chinese competitors, and China retaliates in kind.

Aside from economics, a series of U.S. steps aimed at undermining Chinese security interests will be met with unexpected responses that will not be in the interest of Asian stability or in the long-term interests of the United States. From missile and missile-defense deployments to nuclear weapons developments to surveillance operations to Taiwan, China perceives the U.S. military as continually and increasingly transgressing its security interests. Whether or not this is true or fair, Chinese perceptions are real and are likely to become more acute, especially in the current negative bilateral climate and considering the security paranoia in Beijing. The possibility of a mishap, given the frequency of U.S. military operations in the Western Pacific very near China's borders and claimed territories, is growing on a daily basis. If a military clash between China and the United States were to occur, the effects on East Asian stability are likely to be sharply negative. Moreover, it is difficult to predict how the U.S., in its current state, might respond to such a crisis.

This is why the Taiwan issue has become of increasing concern to those intimately familiar with its complications and why it must figure prominently in the list of potential Asian flashpoints. The United States has a heavy responsibility for maintaining stability across the Taiwan Strait, a task that has become more urgent and has required more active management since the 2016 election of Taiwan's independence-leaning Tsai Ing-wen. Effectively deterring Chinese military aggression toward what it views as a renegade territory has been a chief preoccupation of U.S. diplomacy with Beijing since Nixon's opening. So far, it has been successful. It is not clear whether President Trump appreciates this heavy responsibility, whether he understands the intricacies of the Taiwan issue or whether he simply views it through the prism of his trade war with China. Some of his advisors take advantage of his poor understanding to pursue their own maximalist agendas, regardless of the likely negative consequences for the people on Taiwan and for U.S. standing in the region. Appearing to take sides in the Taiwan presidential election, making provocative shows of U.S. military support and breaking precedents that exist to reassure Beijing of our intention to maintain the status quo are all dangerous and needless provocations. These actions serve neither Asian stability, the sustainability of the cross-Strait status quo nor U.S. interests.

And if descent into U.S.-China rivalry without a clear goal or strategy while undertaking a series of thoughtless provocations wasn't alarming enough, the U.S. is also attempting to prosecute a sloppily conceived and extremely ill-executed major power competition with both Russia and China simultaneously. A competition with the two major powers on the Eurasian landmass would have been difficult to wage when U.S. power was at its apex during the Cold War. Indeed, this realization by U.S. strategists is precisely what produced the opening to China in the early 1970s. But now, at exactly the time when such a realistic assessment of the "correlation of forces" (to use a Soviet-ism) is needed, the U.S. is treating both China and Russia as active belligerents, carelessly lumping them together in public documents and manically pressing other countries—regardless of those countries' interests—to isolate these two major powers in concert with the U.S. for an ill-defined end. It is obvious that such a simplistic approach will do nothing but push two otherwise strange bedfellows to coordinate their efforts and increase their collective influence, which is exactly what is happening on international issues ranging from Iran to North Korea and Syria to Venezuela.

Although I have outlined recommendations for a U.S. policy that would more effectively meet the challenge of China's rise elsewhere, I will summarize those aspects most relevant for Asian stability here. While it is true that permanent damage has been done, it is still possible to return to a more productive U.S.-China relationship. At this low point, a reversal of current negative trends will require a stated mutual recognition that constructive U.S.-China ties are a necessary underpinning to peace and prosperity for both countries, Asia and the world.

Following a stated intention to improve ties and seek cooperation to balance inevitable competition and rivalry, the United States should adopt a longer-term strategy to effectively meet China's rise that includes restoring the international trading system, reinstating respect for rules and moving China's reform and opening process forward. This would include bringing an end to the trade war and bringing China more deeply into international economic institutions, such as the Paris Club, OECD, Bretton Woods institutions, and insisting that its overseas development programs adopt standards of and coordinate with multilateral development banks. This kind of wholesale transition for China will require active U.S. involvement and adaptation of these institutions to allow for China's gradual inclusion. China's economic development is at a crossroads with dramatic implications for future global growth and China will have to make changes and concessions in order to perpetuate and strengthen the system. But the U.S. will also need to make efforts to fit China into the system; without such mutual efforts to improve the current global trading system, Asian economies and governments will be buffeted.

If technological innovation is to live up to its promise, it needs to evolve in an ecosystem that encourages sharing and allays people's fears of abuse. Only governments working together can establish and guarantee such an ecosystem. While competition, national security and protection of intellectual property will need to be considered, these are not the only priorities and they can be prudently risk-managed. If, however, governments fail to create an ecosystem of confidence for technological innovation and change, we will not only fail to realize its promise, but will create an environment of fear and suspicion. The United States and China are the two major players in this ecosystem, fierce competitors in world markets and suspicious of each other's intentions in the security realm. They will have to come together, however, to write new consensus rules to govern the technology space, as people will demand that governments be involved in curbing private sector and criminal abuses.

The U.S. security presence in the Asia Pacific must be credibly maintained to act as a bulwark against Chinese coercion and to “guarantee” access to the global commons for all states. Such a posture is not predicated on primacy and does not require an arms race or over-militarization of the Asia-Pacific. This responsibility should be carried quietly and confidently in a region that shuns open confrontation, focuses on economic development and is deeply economically integrated. Asian nations understand that the Chinese threat is not a military threat, but an economic one stemming from the weighty combination of China’s size, dynamism and state-directed resource allocations. Asian nations will rely on U.S. security support and backing to give them the confidence to compete and push back against Chinese aggression. But the most important stimulus for an Asian environment conducive to stability and prosperity will be China’s accession to and implementation of international rules that constrain its power and limit its opportunities for coercion. Absent active U.S. efforts to forge coalitions that will continually nudge China in this direction, China’s misbehavior will grow, and military countermeasures are unlikely to be effective.

In short, China and US must work together to fit themselves into a new order that is effective and inspires confidence in institutions and global governance. While the specter of China posing an existential threat to the United States is dramatic, it is not deemed urgent by most Americans, who are more concerned about economic and societal insecurity than an attack by a rival nation state. Americans instinctively understand the need to cooperate with China, home to one-fifth of humanity, at the same time that we compete and have differences.

This has been the position of every U.S. administration since Nixon because it is obvious and reasonable. There are many issues that need our urgent joint attention, and on which we are getting further and further behind, much to the frustration of people around the world who are expecting the major powers to demonstrate leadership and responsibility.

North Korea

In spite of the sweeping importance of the above challenges for Asia, it remains a fact that the most likely flashpoint for conflict in Asia is the Korean Peninsula and that a conflict here would embroil all the major powers of Asia and would be highly destabilizing and destructive. The state of non-peace has persisted on the Korean Peninsula since the end of World War II, punctuated by periods of détente or reduced tension. The prospect of finally overcoming this Gordian knot attracted both President Trump and new ROK President Moon, presenting perhaps the first opportunity in a decade to make progress on DPRK denuclearization and pursuing a long-awaited thaw in relations.

At the outset, it seemed that President Trump brought valuable assets to the DPRK problem. First, his administration assembled a formidable coalition of states to ramp up pressure against North Korea, including bringing China (and Russia) along in passing successively draconian UN sanctions resolutions. Then, when the moment came for engagement, Trump was uniquely positioned with his carte blanche for “personal diplomacy” to engage directly with the North Korean leader, which was never previously attempted. Unfortunately, due to the chaos of the Trump administration and the enduring nature of the North Korean regime, this opportunity was squandered. It is possible that nothing workable would have emerged from a serious attempt at a deal given the inherent difficulties and interests of those involved, but it is unfortunate that the testing that should have been done of the prospects for real movement was not accomplished. The energy that was put into assembling maximum pressure against the DPRK has now predictably dissipated, particularly as the Trump administration ramps up its all-out affront vis-à-vis China

and prosecutes its chaotic foreign policy around the world. Other countries could be forgiven for inferring that North Korea is no longer an administration priority given aggressive moves on Iran, Venezuela and China, to name just a few.

Given the dynamic of recent months, the Trump administration is unlikely to be able to seriously engage in DPRK-related negotiations before the November 2020 elections. Not only is North Korea going to want to see if Trump will be sticking around for a second term, but other countries important for progress on the issue will also be in wait-and-see mode. The one exception to this is President Moon, who has only his current five-year term and desperately wants to get concrete progress with the North before his departure in 2022.

For these reasons, Trump should abandon hopes of getting a big, package deal done before November 2020 and should instead focus his team on a small step that would improve Asian and U.S. security and build trust with the DPRK. Based on a UN Security Council sanctions resolution passed in 2017, all overseas contracted North Korean workers are to be sent back to the DPRK by the end of 2019. The implementation of this provision, sending back tens of thousands of workers from especially China and Russia, will be very difficult for those two countries to effect and for North Korea to absorb. Given the abysmal state of U.S.-China, U.S.-Russia and U.S.-North Korea relations, it is highly unlikely to happen. However, if the U.S. could patch things up enough with China and Russia to get them to agree to act and to allow the U.S. to use this UN provision as leverage, it may be possible to extract a small concession from the DPRK in exchange for a suspension or delay in the deadline for this provision.

Here, the problem will be coming to a consensus on what the “small concession” should be. Since the North Koreans have already agreed to suspend nuclear and long-range missile tests, the concession should be something in the denuclearization arena, such as reintroduction of inspectors at known facilities. This would allow some constructive work to continue through the U.S. election period and that work could be taken up by the next administration and carried further. While detractors will say that the U.S. should not walk back any of the sanctions provisions and should not “reward” bad behavior, it is better in the current climate to get something for the efforts that went into the maximum pressure campaign than to come out of it worse off than we were before. Over the longer term, it is absolutely critical that the U.S. get back to leading a unified global coalition to deal with the North Korea issue. North Korea is brilliant at exploiting the seams among countries and will continue to do so in the absence of enlightened U.S. leadership at the head of a prioritized and unified global effort.

In conclusion, although there are several specific potential flashpoints that are cause for concern in Asia, the most consequential issue for the future of Asian stability is the concerted strengthening and remaking of the global order. Because China’s rise is central to the impetus for the coming change, the adjustment or failure to adjust will have disproportionate effects on this region. The United States, its allies and other major powers must face squarely the reality of this change, which has been on the horizon already for an extended period and begin to work constructively toward sustainable new arrangements. There is an urgent need to repair and strengthen the credibility of the international system, U.S. diplomacy and to shore up relationships with allies, friends and partners. At the same time, the U.S. cannot afford to isolate other major powers in this effort and will need to build coalitions and cooperate effectively with others to maintain a stable and prosperous world.



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How to Stabilize East Asia

By Sue Mi Terry

U.S. the Offshore Balancer

East Asia is more peaceful now than in past decades—certainly more peaceful than it was during the First Sino-Japanese War (1894-1895), the Russo-Japanese War (1904-1905), the Second Sino-Japanese War (1937-1945), the Allies' war against Japan (1941-1945), the Chinese Civil War (1946-1950), the Malayan Emergency (1948-1960), the Korean War (1950-1953), the Taiwan Straits crises (1954-1955, 1958), the two Vietnam Wars (1946-1954, 1959-1975), the Khmer Rouge insurgency (1979-1998), or other conflicts that mar its recent history. But, while there is relatively little actual warfare in East Asia (save for a few low-level insurgencies in Southeast Asia, specifically the Philippines, Indonesia, and Thailand), a great deal of turmoil and instability roils just beneath the surface. North Korea's nuclear and missile programs continue unabated despite three summits between North Korean leader Kim Jong Un and President Donald Trump. Japan is at odds with its historical foes, China and Korea (both North and South); indeed, tensions between Tokyo and Seoul have spiked in recent months. The United States is engaged in a trade war with China. China is growing in military and economic power and acting more assertively in the South China Sea. The larger trend is the growth of Chinese power and the relative decline of American predominance—a changing of the Great Powers that historically has usually been accompanied by armed conflict, as Graham Allison has pointed out.¹ In short, there is a great deal to be concerned about in a region that contains roughly a quarter of the world's population and a quarter of its economic output.

From Washington's vantage point, it remains very much in America's interest to stabilize East Asia to the greatest extent possible because the U.S. economy, despite the recent conflict with China, remains so closely linked to the whole region. (Indeed, companies that have moved production out of China because of the trade war have largely relocated to Southeast Asia.) East Asia is also home to some of America's closest and most important allies—Australia, Japan, South Korea—and has been of central concern to American strategists since the United States became a Pacific nation with the admission of California into the Union in 1850. Even before then, American clipper ships had already been trading with China. The events of the past 170 years—especially the annexation of Hawaii in 1898 and of the Philippines, Guam and Wake in 1899, the Portsmouth conference in 1905, and the wars with Japan, North Korea, and North Vietnam—have only deepened the American focus on the Pacific as a region of central concern.

The U.S.' ability to dictate events in East Asia, however, has waned along with its relative power vis-à-vis China. But even in the heyday of American power, it often could not get what it wanted—witness the unsatisfying end of the Korean War and the disastrous end of the Vietnam War. *Today, if the U.S. is to achieve its core objectives in East Asia, it will have to act not as a hegemon, much less an imperial power, but as an offshore balancer, trying to maintain a rough equilibrium among competing powers.*

There are many concerns in East Asia that compel American attention. These include principally the two remaining Communist powers—North Korea (nuclear weapons, ballistic missiles, human rights abuses) and China (trade, the military balance of power, the situation in the South China Sea, the treatment of Uighurs, human rights in Hong Kong, the future of Taiwan). But there are also broader, transnational concerns relating to cybersecurity, terrorism, freedom of navigation, climate change, natural resources extraction, and areas of contested sovereignty. In addition, there are important issues of alliance management with established allies such as Japan, Australia, and South Korea along with emerging partners such as India and Vietnam. It is not easy to boil this plethora of concerns down to the three most important priorities, but this essay will focus on the following three areas: (1) resolving Korean Peninsula issues; (2) fostering rapprochement between South Korea and Japan while broadening and deepening U.S. alliances with its key allies; and (3) finding the right mixture of competition and cooperation in the U.S. relationship with China to achieve a more stable status quo in East Asia.

Korean Peninsula: Reduce the North Korean Threat in the Short-Term, Promote Unification in the Long-Term

Washington's major focus is, of course, on North Korea's nuclear and missile programs. President Trump, thinking Kim Jong Un was brought to the negotiating table primarily because of his maximum pressure policy and "fire and fury" rhetoric—rather than the North's own advances in its nuclear and missile program—thought he could entice Kim with Vietnam-style economic development. Unsurprisingly, his expectations were not borne out. In Vietnam, adopting Chinese-style economic policies was possible because of the coming to power of genuinely reformist leaders who turned their focus toward liberalizing and expanding Vietnam's economy without threatening its neighbors—and that in turn only occurred after they had achieved their dream of unifying all of Vietnam under their rule. Trump has a much more difficult task with Kim—he must convince the North Korean leader that he should abandon the nuclear arsenal that keeps his own regime safe and open up the country while a freer, richer rival state continues to exist in the south. Put another way, the Vietnamese were magnanimous in victory, whereas Trump is asking Kim to make sacrifices in de facto defeat.

That said, Kim is not his father. He is looking ahead to his next four decades in power. Kim appears to be interested in opening up the economy to some degree and seeking ways to reduce dependence on China. Reducing tensions with the U.S. and relaxing sanctions are important objectives for him—but he wants to do so while keeping his WMDs. As such, North Korea continues to defy the international community by building nuclear weapons and testing ballistic missiles, albeit now only of the short-range and submarine-launched variety. The Center for Strategic and International Studies assesses that North Korea has 20 undeclared ballistic missile operating bases capable of striking all of South Korea and southern Japan.² A new UN Panel of Experts report, meanwhile, finds that the North's "comprehensive and autonomous" ballistic missile program's capacity to penetrate missile defense systems has further increased with the short-range missile tests this year.³ In short, the negotiations process has taken us further off the crisis path but has not yet made the region safer.

The question is whether future working-level negotiations can produce an agreement on advancing toward the amorphous goal of “denuclearization” announced at the first Trump-Kim summit, in Singapore in June 2018. Coming up with a roadmap to advance the Singapore declaration with a timetable for disarmament and a declaration of the North’s existing stockpiles—the *sine qua non* for true denuclearization—will likely remain a substantial challenge. The only way to reduce the North Korean nuclear threat is to get International Atomic Energy Agency (IAEA) inspectors into North Korea to oversee the suspension of nuclear operations, the sealing off of nuclear facilities, and the installation of monitoring cameras. That is what happened in Iran. But there is no indication that there will be any such agreement with North Korea in the foreseeable future. While there still remains a possibility of some sort of deal with Pyongyang before the U.S. presidential election next year, it will not result in denuclearization. Even if some sort of an interim deal is possible—the North, for example, could agree to put a limit on its existing stockpile and offer to close down the 5MW reactor at Yongbyon—caution is in order because North Korea will be tempted to cheat on any deal, as it has in the past.

While Kim has learned that he can’t get substantial sanctions relief without offering more concrete denuclearization progress, neither is he likely to face any significant reprisals from Seoul or even from Washington, particularly now that President Trump has fired the administration’s most hawkish senior official, John Bolton. Absent provocations from the North in the form of new nuclear and long-range missile tests (President Trump has dismissed the ten short-range missile tests conducted this year as “very standard”),⁴ the Trump administration would struggle to organize a return to “maximum pressure,” given that both Seoul and Beijing have moved on. This, then, allows Kim to attempt to patiently wait for the world to accept North Korea as a “responsible” nuclear weapons power while banking the legitimacy he’s already been afforded by three meetings with President Trump.

Thus, at best, North Korea’s nuclear and missile threat could only be reduced or managed, not eliminated. If the Kim regime is at least willing to cease production of fissile material and end nuclear and missile testing—all verified by international inspectors—it would be worthwhile to consider targeted sanctions relief in exchange, with the goal of moving toward *some* dismantlement of key facilities and weapons versus *none*. At the same time, however, the U.S. and its partners must be prepared to respond if diplomacy fails (as it likely will) by pursuing a strategy to contain and deter and if, necessary, compel North Korea to reduce the threat—particularly the potential spread of nuclear weapons to rogue states, terrorist groups, or others.

This means, first and foremost, strengthening the coalition of UN member states in a sanctions campaign with the goal of depleting the North’s hard currency as long as the regime remains defiant. The U.S. should be prepared to use any future provocations by the North as a platform for seeking broader legal authorities at the UN Security Council to prevent proliferation, while accelerating secondary sanctions against third-party entities assisting North Korea. The Kim regime has set an artificial deadline of the end of the year and threatened that if the U.S. does not present “a new calculation method” (translation: significant sanctions relief), the talks may come to an end.⁵ Using the Iran case as a model, the U.S. and its allies can respond by expanding pressure on the North’s financial transaction capacity, including facilitators and enablers. The U.S. will also need to increase its efforts to “name and shame” countries that facilitate or turn a blind eye to sanctions violations (for example, flag states of suspicious vessels). The U.S. should also engage law enforcement, coast guards, navies (including those of South Korea and Japan), and broader U.S. assets to create “rings” of preventive action around the North with continuously available surveillance and interdiction efforts.

Such a short-term strategy of giving diplomacy a try while being prepared to deter and punish North Korea's regime is a sustained, long-term approach that plays to U.S. strengths, exploits our opponent's vulnerabilities, and sends a message to rogue states that there is a meaningful cost to nuclear proliferation—while avoiding the pitfalls of a potentially calamitous conflict. This strategy would deter the regime from rash action, strengthen the U.S. alliances in Asia, and continue to deplete the hard currency reserves needed to underwrite the lifestyles of the North Korean elite and maintain their support for the Kim family.

Over the long-term, however, Washington should move beyond trying to reduce the North Korean nuclear threat to focus on encouraging the unification of the two Koreas. The conventional wisdom held by many in Washington is that, even under the best of circumstances, the reunification of South and North Korea would be more expensive and more challenging than the unification of East and West Germany, because the two Koreas are further apart when measured by standard of living, education, and a variety of other indices. Some American academics and policy analysts may therefore believe that a divided Korean Peninsula is in America's interest at least for the foreseeable future.⁶ Some may even believe the status quo is preferable because it justifies a continuing U.S. military presence in South Korea (which can be used to contain China) and because the U.S. could find a unified Korea harder to influence than a South Korea dependent on the U.S. for military support. Some may even fear that a united Korea would be more likely to engage in hostilities with Japan, particularly considering recent flare-up between South Korea and Japan. (In a similar vein, before the fall of the Berlin Wall, many American analysts believed that a divided Germany was in America's interest because of fears that a united Germany could chart an independent foreign policy path that would wind up destabilizing Europe.)⁷

But this is a myopic view. Unification of the two Koreas is the only real, long-term solution to the threat posed by North Korea. In fact, unification of the two Koreas could potentially turn out to be a great boon not only for the U.S. and Korea but for the region as well from an economic, security, and human-rights perspective. Assuming that unification does not result from a devastating conflict, a Korea unified would in due course likely emerge as a consumer and industrial powerhouse with a well-educated and hard-working population of approximately seventy-five million people, with considerable natural resources (mostly in the North), advanced technology, and armed forces that are among the largest and most capable in the world.⁸ Moreover, unless the unification process backfires and produces a crippled, inward-focused state—an unlikely outcome—a unified Korea is likely to be more politically and economically influential in both regional and global affairs than either South or North Korea is today.

It's time for the detailed thinking on this unification issue to begin in earnest. Washington did for the first time formally commit to Korean reunification as a desirable end-state in the June 2009 U.S.-ROK Joint Vision Statement and then again in 2013, but in practice, there has not been active discussion within policy circles in Washington regarding how to bring about unification.⁹ Moreover, while the United States and South Korea have joint military plans to deal with a North Korean collapse, instability or even war with the North, they do not have similarly comprehensive joint plans to deal with the unification of the two Koreas. There is also no organization in the U.S. government to prepare and implement a strategy to address the various unification-related challenges that are likely to arise. The U.S. should first begin by examining the interests and motivations of the major other actors that would be involved, principally the two Koreas, China, Russia, Japan, and the United Nations. There isn't a consensus by key states or actors on the issue as South Korea, Japan, Russia, and China have differing strategies, priorities, and policies. But examining in detail what are China's, Russia's, Japan's, and South Korea's national interests and to what extent will they benefit or incur costs for supporting a policy on unification will be a good beginning. It is vitally important that U.S. promotion of unification not be seen by Beijing as a

threat. Washington could assure Beijing that U.S. troops would not be permanently stationed north of the thirty-eighth parallel and might not be stationed on the Peninsula at all. Such communications would not entirely dispel Chinese concerns, but they could at least assuage them to some extent.

While the popular uprisings that have swept countries from East Germany and the Philippines to Egypt, Syria, Libya and Tunisia are still unlikely in North Korea, they are a reminder that sudden change is always possible. It is in the U.S.' and the region's interest to begin laying the groundwork today for the peaceful unification of the two Koreas sometime in the future. This is the only way to end North Korea's threat for good.

**Bring Korea and Japan into closer realignment;
Broaden and deepen the U.S. alliances with South Korea and Japan**

Another important issue that the U.S. must tackle to enhance stability, security, and prosperity in East Asia is to foster Korea-Japan rapprochement and bring its two closest allies in Northeast Asia into closer alignment. Stronger bilateral ties between Seoul and Tokyo and a more robust triangular security structure between the U.S., South Korea, and Japan are critical in light of continued the North Korean nuclear and missile programs and Chinese security threats. Enhanced cooperation between Seoul and Tokyo can increase America's capacity to deal with regional threats by redistributing military roles and responsibilities among its most capable allies. But the relationship between South Korea and Japan has yet again soured considerably this year.

The Korea-Japan relationship has waxed and waned since the end of World War II mainly because of Korean resentment about Japan's handling of its history on the Korean Peninsula. The feud between the two reached a new historic low recently with the decision by the Japanese government to place limits on Japanese companies supplying three chemicals critical to the production of semiconductors and flexible panel displays by Korean firms, on the grounds that there were insufficient controls on the potential seepage of those materials to North Korea and other banned countries. Japan subsequently removed South Korea from its "white list," a list of countries that have privileged security status that allows exports to flow without time-consuming export controls. In reality, Japan's moves are in retaliation for the South Korean Supreme Court's ruling in the fall of 2018 upholding the 2013 verdict in favor of elderly Koreans who had sued Japanese companies, alleging that the Japanese companies had profited from their slave labor during the Japanese occupation of Korea between 1910 and 1945. When the Japanese companies refused to pay damages, citing the 1965 normalization treaty, the court ordered the seizure of the companies' assets in South Korea. The Abe government was outraged—especially because this came shortly after the Moon Jae-in administration's decision to scrap the 2015 comfort women deal reached by Prime Minister Shinzo Abe and then-President Park Geun-hye, which at the time was announced as the "final and irrevocable resolution" on the issue.

South Korea has in turn retaliated by removing Japan from its own "white list" and by announcing its decision to scuttle the U.S.-Japan-South Korea trilateral intelligence sharing agreement called GSOMIA (General Security of Military Information Agreement) although it reversed course just hours before the expected expiry of the deal. These moves and countermoves by both countries are geopolitical mistakes that only add to instability in the region.

The growing divergence between Seoul and Tokyo, and subsequent tension in the U.S.-Korea alliance, only benefit China and North Korea, whose leaders share a common goal—the steady erosion of the post-war alliance system in Asia, the estrangement of the region’s leading democracies from each other, and the weakening of U.S. power in Asia.¹⁰ Attenuated Korea-Japan relations only reinforce a perception in Beijing that democracies will not stick together to protect the norms and values that are vital to peace and stability in the region.

In this climate, it may appear impossible to improve South Korea-Japan relations. It’s important to note, however, that historically, given the right conditions—especially the right push from their common ally, the United States—the two neighbors at varying times, at least to some degree, have overcome their mutual animosity. In the 1990s, for example, South Korea and Japan had reached the apex of their relations with the Kono statement on the issue of comfort women in 1993 and the Murayama apology in 1995, in which Prime Minister Tomiichi Murayama expressed “deep remorse” and “heartfelt apology” for Japan’s wartime acts.¹¹ Monuments and museums were built in Japan to commemorate the victims of WWII and wartime atrocities were addressed in Japanese textbooks.¹² Then, in 1998, when President Kim Dae-jung came into the office in South Korea and initiated his “Sunshine Policy” towards North Korea, he employed a very similar strategy of active engagement in his dealings with Japan. The highlight of bilateral relations occurred during an official visit to Japan in 1998 when Kim Dae-jung and Japanese Prime Minister Keizo Obuchi declared their intent to improve South Korean-Japanese relations through “political, security, economic and cultural exchanges.”¹³ This led to increased collaboration on regional security matters relating to North Korea and dialogue between the two nations’ militaries.¹⁴

Increased cultural contact positively affected public perception of each country. A Korean ban on Japanese cultural imports (such as songs and movies) was lifted and, in 2002, South Korea and Japan successfully co-hosted the World Cup.¹⁵ South Korea’s imports of Japanese products, including cars and electronic goods, surged 82.9 percent from 2002 to 2008. At the same time, the percentage of Japanese who said they “liked” Korea reached 63.1 percent in 2009, the highest total since the survey began in 1978.¹⁶ Japanese consumers have become fascinated by Korean singers and TV and movie stars as part of a “Korean wave,” or *hallyu*, of pop culture. An increasing number of tourists have followed on the heels of these cultural exchanges. Whereas in 1965, the number of people visiting the other country was approximately 10,000, it reached 2.52 million in 1996, and further increased to 4.84 million in 2007.¹⁷ In 2012, Korea Tourism Organization figures show that 3.5 million Japanese accounted for the largest group of foreigners to visit South Korea.¹⁸

History suggests, therefore, that it is possible the current low in Japan-Korea relations could lead to another period of increased cooperation—especially if the right incentives are in place. Consider how the Kim-Obuchi declaration came about in 1998: A year earlier Japan faced a security crisis due to North Korea’s test-firing of missiles that sailed over the Japanese mainland and landed in the Pacific Ocean. Meanwhile Kim Dae-jung came into office with South Korea still reeling from the IMF financial crisis in 1997 and saw Japan as a potential source of assistance.¹⁹

Moving forward, China could be a unifying security concern, although the threat perceptions are obviously quite different in Tokyo than in Seoul. Tokyo’s immediate concerns regarding China are its military modernization program and its actions regarding Japan’s southwestern islands. South Korea’s concerns with China are not as severe as Japan’s, but nevertheless there is underlying anxiety in South Korea about the rise of China, particularly since China has historically viewed the Korean Peninsula as part of its sphere of influence. Seoul’s anxiety has been fostered by China’s past claim to the ancient Korean kingdom of Koguryo (covering parts of the northern and

central Korean peninsula), Chinese fishermen's illegal fishing in South Korean waters, territorial disputes over Socotra (a submerged rock in the East China Sea known as Ieodo to Koreans and Suyan Rock to the Chinese), as well as China's expansion of its air defense identification zone (ADIZ). Recently, two Chinese warplanes, along with three Russian military planes, entered what South Korea considers its territorial airspace, near a cluster of disputed islands that South Korea controls but Japan also claims. It is unclear exactly what China—and Russia—were up to, but South Korea fired 360 warning shots and scrambled 18 fighter aircraft. South Korea's public became weary of China in the aftermath of China's overreaction to South Korea's decision to host the U.S. Terminal High Altitude Area Defense (THAAD) system in 2017. Beijing levied hefty economic punishment on Seoul, banning all package tours to South Korea and targeting South Korea's Lotte Group, which owned numerous retail stores across China. South Korea's ambivalent attitude toward China and concern about being dominated by Beijing is thus genuine.

The priority for the U.S., therefore, should be to encourage greater efforts at reconciliation between its two close allies. The U.S. can start by encouraging leaders on both sides to refrain from emotional nationalistic rhetoric. If such preliminary steps prove fruitful, the U.S. could then launch a more concerted diplomatic effort to try to resolve the outstanding issues between the two countries. Imagine if Secretary of State Mike Pompeo were to engage in the kind of intensive "shuttle diplomacy" between Seoul and Tokyo that Henry Kissinger employed in the 1970s to allow Israel to reach an agreement with its historic enemy, Egypt. The effort might still fail, but then again it could at least stop the relationship from deteriorating further.

The South Korea-Japan relationship is as troubled as any relationship in the world between mature liberal democracies. But history does not have to be destiny. Many other nations have overcome decades, even centuries, of conflict to establish close working relationships. Think of France and Germany. A similar transformation will not occur anytime soon in the highly fraught South Korea-Japan relationship, but there are many shared interests to bring the two neighboring states together for the stability of the region. With a little help from Washington it is quite possible that they will be able to enhance their cooperation.

Beyond fostering Korea-Japan rapprochement, the U.S. will need to find a new rationale for the U.S. alliance network other than deterring North Korea or containing China. If the U.S. alliance network is to survive for another seven decades or more, the U.S. should work with South Korea and Japan to upgrade, modernize, and transform the alliance to a regional and global partnership that includes political, economic, and diplomatic and cultural cooperation. There are numerous areas in which all three countries could cooperate. These include enhancing Official Development Assistance (ODA) to Southeast Asia, Central Asia, and Africa, focusing on areas such as pandemic disease, education, and gender empowerment; working together on new frontier challenges such as in space and artificial intelligence; strengthening the global nonproliferation regime to stop the spread of nuclear, biological, and chemical weapons and delivery systems; promoting common norms regarding cybersecurity in order to protect critical infrastructure, such as power grids, nuclear facilities, and banks; and addressing common challenges in maritime security, anti-submarine warfare (ASW), and mine warfare. For all of the disputes between Japan and South Korea, they, and the United States, have ideological, security, and economic interests that are closely aligned in the region and around the world. Deepening their mutual alliance to address new areas of concern will promote enhanced security and prosperity in Asia.

Cooperation and Competition with China

There is no relationship that is more important to the future of the world—or more fraught at the moment—than that of the U.S. and China. President Trump’s imposition of tariffs on goods imported from China beginning in 2018 has not resulted in China’s capitulation to U.S. concerns about trade deficits and theft of intellectual property. While U.S. pressure has indeed hurt China’s economic growth, it has not been enough to extract any meaningful concessions from Beijing.²⁰ Instead of being deterred, U.S. actions have led China to fight back, levying its own tariffs on U.S. goods, devaluing its currency, and decreasing purchasing of U.S. goods, imposing real pain on U.S. agriculture and American farmers.

The linkages between China’s export-led development and the U.S. consumption economy which once led observers to describe “Chimerica” as a single economic unit are now being unwound at a rapid pace with consequences that no one can foresee. In the meantime, the U.S. military advantage in the region is eroding relative to Chinese capabilities. The security competition between the two countries is also intensifying and shifting in China’s direction as it militarizes the South China Sea and acquires asymmetrical weapons systems (such as diesel submarines, cruise missiles, cyber weapons, and space weapons) that can offset the U.S. superiority in conventional weaponry. Meanwhile, East Asian countries including U.S. allies today are increasingly uncertain about Washington’s attention to their interests and their security. Questions and even doubts about the substance and sustainability of the American commitment to the region have grown, and most of the countries in the region have been already begun adjusting their economic, foreign and security policies to hedge against the potential unreliability of the United States. Indeed, such equivocating by U.S. allies is itself contributing to the attrition of American influence in the region. All in all, American primacy in East Asia is eroding, which does not bode well for the long-term stability of the East Asian region.

Washington’s withdrawal from the Trans-Pacific Partnership (TPP) has only further undermined U.S. leadership in the region. With the withdrawal from the TPP, Washington forfeited strategic advantages and economic benefits that would likely have emerged through the partnership with eleven other Pacific economies. The TPP presented a clear economic advantage for the U.S. when already China has a larger share of East Asian regional trade than the U.S. and is now the biggest trading partner of most of its neighbors, including key American allies South Korea and Japan. TPP would have been also a useful template for addressing concerns about China flouting international trade rules. As Professor Ian Sheldon at the Ohio State University says, “TPP expanded beyond the remit of the WTO in an effort to deal with issues sensitive to China” and “had the clear potential to push China to play by the rules and stop stealing intellectual property, stop forcing American firms to hand over technology through joint ventures and put an end to China’s practice of sponsoring firms that are state owned enterprises.”²¹

Rather than continuing with brinkmanship tactics that have destabilized the U.S.-China relationship, the U.S. should instead seek to establish more stable balance of power with Beijing. But for that to occur, what is needed first and foremost is a little humility in recognizing that the U.S. is not omnipotent. Neither the U.S. nor China can or should entirely dominate the Northeast Asian region, and any pressure on China should be done multilaterally, rather than unilaterally. Kurt Campbell and Ely Rothermel suggest in “The China Reckoning” in *Foreign Affairs* that Washington has put too much faith in its power to shape China and that one of the guiding principles for U.S. policy moving forward should be humility in how much we can change China.²² It’s true that, as Edward Alden writes in *Foreign Policy*, the Trump administration “has fired almost every salvo it has to force the Chinese into submission,” yet it could not bend China to its will.²³

The U.S. will need to find a clear-eyed policy that is the right mix of competition and cooperation with China. Working with our allies, the U.S. needs to first and foremost end a destructive trade war with China. Tariffs that hurt both countries are a bad idea. It is better to sanction individual Chinese companies (for example, Huawei) and work multilaterally, through the World Trade Organization (WTO) and with European Union to muster international pressure on Beijing to abide by the rules it agreed to in joining the WTO. Pursuing a policy of economic engagement, however, does not also mean that the U.S. shouldn’t continue to press China on its aggressive behavior in South China Sea or on human rights issues. The U.S. is right to push back on China’s deepening authoritarianism—from its forced detention of over a million Uighur Muslims in western China to Beijing’s growing pressure to erode liberal democracy in Hong Kong. Washington should continue to highlight and speak out against the internment camps in Xinjiang and hold to account the people and companies complicit in this repression. The United States, for example, could use the Global Magnitsky Act to sanction the people involved with the “reeducation camps.” It will be more effective if this effort is multilateral—Washington could work closely with Congress and the appropriate United Nations agencies to investigate human rights abuses and pressure on Beijing to respect the rights and autonomy of Hong Kong.

The U.S. also needs to continue to apply counter pressure against Beijing’s efforts to create its own sphere of influence and expand its military power in the South China Sea. Again, this requires multilateral and sustained cooperation. While the U.S. should build up its arsenal in ways to counter Chinese asymmetrical threats—that is, the U.S. should put less resources into surface ships and manned aircraft and more into undersea drones, surface drones, aerial drones, intermediate-range missiles, cyber weapons, etc.—the U.S. will also need to draw closer with China’s neighbors to put collective pressure on China. This means strengthening rather than straining our alliances—avoiding a trade dispute with Japan while doing more to cultivate India, Vietnam, Indonesia, Malaysia, the Philippines, South Korea, and other countries on China’s periphery. The U.S. can and should conduct freedom of navigation patrols in the South China Sea with U.S. allies such as Japan (which has the world’s second-largest navy). The U.S. could try building out the Quad into a quasi-NATO for Asia, or, failing that, to simply encourage more multilateral engagement among U.S. allies in Asia. Finally, of crucial importance: the U.S. should rejoin the TPP.

Washington should make it clear to Beijing that the objective isn't to either control China or to keep China down. As the U.S. has said in the past, if China plays by the rules, the U.S. will make way for China as the world's largest economy and the U.S. will happily trade with China, a two-way relationship that benefits both countries and the region. While showing resolve, it's important to reach an understanding with Beijing on areas of cooperation such as fighting climate change and Ebola, maintaining strategic stability, combating terrorism, and managing conflict through international peacekeeping. U.S. primacy in Asia may be gone but a stable balance of power is still possible—and that must be based on a more stable relationship with China.

Summary

There are a plethora of issues in East Asia that require Washington's attention. In this paper, three priorities were discussed in order to stabilize the region: reducing the North Korean threat while working toward Korean unification; fostering rapprochement between South Korea and Japan while broadening and deepening the U.S. relationship with both allies; and, finally, finding the right mixture of cooperation and competition in the U.S. relationship with China. These policies are not a panacea. There are other challenges that will remain even if they are resolved—and resolving any of them will take years of toil. To make progress on any of them will require a different mindset from the one that is currently evident in Washington. What is needed is roll-up-your-sleeves diplomacy and concerted engagement animated by a shrewd strategy of attempting to maximize U.S. influence even while its relative economic and military power continues to decline vis-à-vis China. American policymakers need to display a sense of humility and an awareness of the limitations to American power that have all too often not been evident—while not losing faith in American ideals and American power. The United States cannot dictate to East Asia but it can still promote positive change in this vital region.



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¹ Allison, Graham, *Destined for War: Can America and China Escape Thucydides's Trap?* Boston, New York: Mariner Books, 2017. Print.

² North Korean operating bases would presumably have to be subject to declaration, verification, and dismantlement in any future final and fully verifiable denuclearization deal. See, for example, new CSIS Beyond Parallel imagery, "Undeclared North Korea: the Kumchon-ni Missile Operating Base," 6 September 2019. Web. 11 December 2019. <<https://beyondparallel.csis.org/undeclared-north-korea-the-kumchon-ni-missile-operating-base/>>

³ United Nations Security Council. *Report of the Panel of Experts established pursuant to resolution 1874 (2009), S/2019/691*. p. 31. 31 August 2019. Web. 11 December 2019. <<https://undocs.org/en/S/2019/691>>

⁴ Sanger, David E. and William J. Broad, "North Korea Missile Tests, 'Very Standard' to Trump, Show Signs of Advancing Arsenal." *The New York Times*. 2 September 2019. Web. 11 December 2019. <<https://www.nytimes.com/2019/09/02/world/asia/north-korea-kim-trump-missiles.html>>

⁵ Holland, Steve and Hyonhee Shin. "North Korea Says Willing to Resume U.S. Talks This Month, Launches More Projectiles." *Reuters*. 9 September 2019. Web. 11 December 2019. <<https://www.reuters.com/article/us-northkorea-usa/north-korea-willing-to-resume-talks-with-us-in-late-september-kcna-idUSKCN1VU1MW>>

⁶ See for example, Gregory, Paul Roderick. "A Grand Bargain on Korea." *Jewish World Review*. 17 August 2017. Web. 11 December 2019. <<http://jewishworldreview.com/0817/gregory081717.php3>>

⁷ See, for example, Driver, Strobe. "A Unified Korea: Good for All (Except Japan)." *E-International Relations*. 10 February 2019. Web. 11 December 2019. <<https://www.e-ir.info/2019/02/10/a-unified-korea-good-for-all-except-japan/>>

⁸ Terry, Sue Mi. "Unified Korea and the Future of the U.S.-South Korea Alliance." *Council on Foreign Relations Report*. 11 December 2015. Web. 11 December 2019. <<https://www.cfr.org/report/unified-korea-and-future-us-south-korea-alliance>>

⁹ In 2009, the "Joint Vision" statement from the U.S.-ROK Presidential Summit said: "Through our Alliance we aim to build a better future for all people on the Korean Peninsula, establishing a durable peace on the Peninsula and leading to peaceful reunification on the principles of free democracy and a market economy." See: The White House. "Joint Vision for the Alliance of the United States of America and the Republic of Korea." 16 June 2009. Web. 11 December 2019. <<https://obamawhitehouse.archives.gov/the-press-office/joint-vision-alliance-united-states-america-and-republic-korea>>

The 2013 Summit concluded: "We pledge to continue to build a better and more secure future for all Korean people, working on the basis of the Joint Vision to foster enduring peace and stability on the Korean Peninsula and its peaceful reunification based on the principles of denuclearization, democracy and a free market economy." See: The White House. "Joint Declaration in Commemoration of the 60th Anniversary of the Alliance Between the Republic of Korea and the United States of America." 7 May 2013. Web. 11 December 2019.

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¹⁶ Cabinet Office, "Public Survey on Diplomacy," December 14, 2009, quoted in June Park, "Korea-Japan Relations Move Toward Co-Evolution." *Seri Quarterly*. January 2011.

¹⁷ "US-Korea Academic Symposium." *Seri Quarterly*. p. 102.

¹⁸ “Insight: Do South Koreans really hate Japan.” *The Asahi Shimbun*. 21 June 2013.

¹⁹ Moon, Chung-in and Seung-won Suh. “Security, Economy, and Identity Politics: Japan-South Korean Relations under the Kim Dae-Jung Government.” *Korea Observer* 36, no. 4 (Winter 2005), 561–602.

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The China-U.S. Relationship, Hong Kong and Strategic Stability

By Da Wei

In the 30 years since the end of the Cold War, East Asia has experienced longtime regional peace, rapid economic growth and dramatic social modernization. China and other regional countries have created successful “East Asian Stories.” The United States has also maintained strong regional influence and benefited from the robust regional economy growth. However, these “good old days” seem to have faded away in the past two years. The good news is that the possibility of a military conflict or even a war in East Asia is not very high; however, the bad news is that East Asia, the gravity center of the global power shift, is probably destined to face a growing danger of major powers rivalry or even confrontation.

East Asia needs to be stabilized in the following three dimensions. The first is the China-U.S. relationship. The nature of this bilateral relationship is the key to the stability of East Asia. A hostile Sino-U.S. relationship will become the most important source of almost all problems in East Asia. The second is the current hot spot of Hong Kong, as well as the longtime source of potential conflict, Taiwan. The third issue area that needs to be stabilized is the “strategic stability” under the new technological environment.

China-U.S. relationship

Sino-U.S. relations is the axis that will determine the future of East Asia. The reason is obvious: China and the United States are the two most important countries in the world. The gap between the two countries’ comprehensive national strength is shrinking, while the differences between their domestic political and economic systems are becoming increasingly apparent. These two major changes have led to growing tensions in Sino-U.S. relations. In the Trump administration’s *National Security Strategy* in December 2017, the United States government announced it would pursue the “strategic competition” which replaced the “engagement” strategy adopted by successive U.S. administrations since Nixon. This means Sino-U.S. relations are bidding farewell to the relative stability since the 1970s and are entering uncharted waters with tension and uncertainty.

Many experts attributed the sudden change of Sino-U.S. relations to the personalities and political agendas of the leaders of China and the United States, but the rapid changing of the international system may be a more profound and important reason. China and the United States are in a very unique circumstance now. There has been no precedent in modern history of international relations. Three variables determine the nature and direction of today’s Sino-U.S. relations: the international system, comprehensive power, and domestic institutions. First, China and the United States are still in the same international system, which includes a set of common, international political and security institutions, as well as an interdependent economic order. Although the voice of “decoupling” between China and the United States is rampant, the two countries are still largely in the same international system, and it is not easy to completely reverse this situation.

Secondly, the gap in the overall national strength between China and the United States has been shrinking in past decades. Although China's economic growth has slowed down in past five years, most analysts still believe that it is only a matter of time until the size of China's economy surpasses that of the United States. And while there is still a huge gap of the "comprehensive power" between the two countries, it is entirely possible that China and the United States will achieve a more balanced status in the Western Pacific.

The third variable is domestic political and economic institutions. In past ten years, the differences in this regard between China and the United States are increasingly prominent. China is increasingly confident in its own "system," "path," "theory" and "cultures." The leadership of the Chinese Communist Party in China is increasingly strengthened, and the government plays an important role in the market economy. The anxiety over these "Chinese characteristics" is rising. When the power gap between China and the United States is relatively large, this institutional difference may be tolerable from the U.S. perspective. Now that the gap is getting closer, this difference is becoming more and more unbearable. There are only two options: either China changes its domestic institutions, which seems completely impossible; or China and the United States try to decouple and march towards competition or even confrontation.

In the next few years, we will probably see the following basic trends. First, Sino-U.S. relations will continue to develop in a negative, rather than positive, direction. Secondly, the fact that China and the United States will continue to be in the same system will confine the degree of the deterioration. China and the United States will present a different form of competition from the United States and the Soviet Union. China and the United States are unlikely to have a hot war or a cold war. Finally, the degree of interdependence between China and the United States will decline.

The negative direction of Sino-U.S. relations will have a far-reaching impact on East Asia.

First, the deterioration of China-U.S. relations may divide the East Asia into two geopolitical groups. Many countries in the region may be forced to choose between China and the United States. In the past, many East Asian countries maintained a relatively close security and strategic relationship with the United States while also maintaining relatively close economic ties with China. This situation may be difficult to sustain. Of course, this split is different from the opposition between the East and West blocs during the Cold War. Splitting one region into two blocs will be very painful. Regional allies in the United States such as Japan, South Korea, Australia, and the Philippines will face the most difficult choices. The choice of these countries will also influence the judgment of the United States and China on the geopolitical environment of the entire region.

Secondly, the layout of the supply chain in East Asia may be forced to change. China is the hub in this chain and other countries in the region participate extensively. In the past half century, East Asian countries have relied on a highly coordinated regional division of labor to achieve economic growth. At present, the Trump administration seems to be consciously promoting the restructuring of the manufacturing industry chain with China as its core. This effort is superimposed on the effect of China's rising manufacturing costs, which may eventually lead to changes in the regional economic division of labor. In the future, even if the US administration's foreign economic policy changes, or the Sino-U.S. trade war can achieve a "truce," a competitive and even confrontational bilateral relationship will definitely affect the economic field and lead to the re-layout of the industrial chain and the technological circle. This trend may lead to a reduction in economic cooperation in the region and a decline in economic efficiency, resulting in a "lose-lose" situation.

Third, some potential conflict hotspots in East Asia, such as the Korean Peninsula, the Taiwan issue, the South China Sea issue, the Sino-Japanese Diaoyu Islands dispute, and the Sino-Indian border disputes, may be embedded in the framework of major power competition. The controversy will become more intense and complicated.

Whether China-U.S. relations can be stabilized depends on our definition of “stability.” If we say that “stability” refers to changing the current negative momentum of Sino-U.S. relations and bringing this most critical bilateral relationship back to the track of the past forty years, then this goal is almost certain to be impossible. We can call this stability “positive stability.” The several structural factors mentioned above determine that it is difficult to achieve positive stability in Sino-U.S. relations. Another definition of “stability” means that Sino-U.S. relations will not slip further into military conflicts. We can call this stability “negative stability.” Although this stability is likely to be realized, it is not enough to prevent the spillover effect in geopolitics and geoeconomics. Therefore, in the near term, the primary problem for China, the United States and other countries in the region is how to avoid instability in East Asia caused by the deterioration of Sino-U.S. relations.

Hong Kong, Taiwan and “traditional” issues

The effect of China’s rise is spreading throughout the world. However, the area that received the most impact was a “belt” that was directly adjacent to mainland China. From the disputes between China and Japan on the Diaoyu Islands, to the disputes among China and other Southeast Asian claimants over the South China Sea, these are all “old” or “traditional” security issues in East Asia. But the most eye-catching issue at this moment is Hong Kong, which is part of China. In 1997, the Hong Kong Special Administrative Region started its endeavor of “one country, two systems” and with a high degree of autonomy within the People’s Republic of China. An Anti-Extradition Law Amendment Bill (ELAB) Movement broke out in June 2019. The contradiction between the “pro-democracy protesters” and the Hong Kong government has led to continued riots in this process for more than five months.

Taiwan is also part of China, but it has been separated from mainland China since 1949. China has always been committed to the reunification of the motherland; while over the last 20 years, the majority of the people on the island tend to prefer independence or remaining permanently separated from the mainland. After the pro-independent candidate Tsai Ing-wen became the leader of Taiwan in 2016, cross-Strait relations have once again become tense. With the 2020 Taiwan elections approaching, cross-Strait relations are likely to become more difficult.

The Hong Kong issue itself is not an international security issue. Since Hong Kong is already a part of China and the People’s Liberation Army is stationed in the SAR, there is no possibility of any international conflict arising from the Hong Kong issue. However, the Hong Kong issue is likely to rapidly intensify the relationship between China and the Western world and to create a “new cold war.”

Hong Kong is a former colony of the United Kingdom, and the Western world has had a strong presence in Hong Kong. Therefore, although Hong Kong has long been a part of China legally, it is ideologically like an “enclave” of the West in China. The demonstrations and riots in 2019 reflect the fear and resistance of some Hong Kong citizens to the rising power of China. To some extent, the unique location of Hong Kong is reminiscent of the first Berlin crisis of 1948, when West Berlin—still occupied by the United States, Britain and France—was an enclave surrounded by an area that was occupied by Soviet troops. The rapid deterioration of East-West relations led to the

Soviet Union's decision in June 1948 to impose a blockade on West Berlin. The United States, Britain and France organized nearly one year of air transportation to West Berlin. This incident not only gave birth to the two Germanys, but also led to the rapid deepening of the US-Soviet confrontation and formed the first climax of the Cold War.

Hong Kong and Berlin are of course fundamentally different. However, historical cases are always enlightening. If the Hong Kong incident continues, it will definitely accelerate the rapid deterioration of relations between China and the West. Especially for China, Hong Kong is a mirror of the fate of China itself. Interference by Western countries will always be seen by most Chinese as Western powers trying to continue their suppression of China. This sensitivity was apparent in the recent controversy around Daryl Morey, manager of the Houston Rockets in the NBA. Morey, who tweeted a simple message to support the Hong Kong protesters, attracted dramatic fury from Chinese fans and netizens within two to three days. The incident quickly became a "politically correct" confrontation between the Chinese and American people. The point here is not who is right and who is wrong, but that this incident illustrated just how fragile Sino-US relations are today and how sensitive the Hong Kong issue is.

The Taiwan issue is even more sensitive than the Hong Kong issue. This is currently the only hotspot that could lead to a large-scale military conflict between China and the United States. Once the Taiwan issue has reached the level of military conflict, it will never be an accident that both sides intend to downgrade. For China, this is about whether the goal of reunification of a country and the rejuvenation of the nation can be achieved; for the United States, this is about its credibility and whether its commitment to allies and "partners" can be fulfilled, and whether the United States can continue to exist in East Asia.

In the short term, the chances of the Taiwan issue rising to a military conflict are very low. But the medium and long-term trends are not positive at all. Since 2017, the U.S. Congress and the Trump administration have been increasingly involved in the Taiwan issue. The attempt to "stimulate" China with the Taiwan issue is becoming more and more obvious. Due to the importance and sensitivity of the Taiwan issue, China has little room to compromise. The US' provocations to China on the Taiwan issue may accelerate the deterioration of Sino-US relations. The possibility of a military conflict in the Taiwan Strait in the medium and long term depends mainly on the following three factors. First, it will depend on whether the pro-independence forces in Taiwan will continue to grow. At this point, considering the increasing time of cross-Strait isolation and the educational and cultural policies of the Taiwan authorities, the balance has developed substantially in the direction of pro-independence. If the pro-independence Democratic Progressive Party (DPP) wins reelection in 2020, this trend will continue. The second factor is the military balance between the two sides of the Taiwan Strait. If the cross-Strait military strength is basically balanced, the impulse of the two sides to take military action will be suppressed. However, the balance of military power across the Taiwan Straits has irreversibly tilted toward the Mainland. The third factor is the nature of Sino-U.S. relations. The more friendly the China-U.S. relationship is, the more China will have to consider the feelings of the US. The more hostile China-U.S. relations, the less China needs to worry about the effects of its Taiwan policy on the U.S. Therefore, considering these three factors, all factors are developing in the direction of possible military conflict.

In short, among the "traditional security issues" for China, I believe that the importance of the Hong Kong and Taiwan issues has surpassed that of the South China Sea issue and have become the two major issues that need to be stabilized in the next stage.

Challenges to Strategic Stability

East Asia was a frontier of the Cold War. Because of the effect of mutual nuclear deterrence, the United States and the Soviet Union never reached the point of direct military conflict. Of course, there have been casualties and heavy wars on the Korean Peninsula and Southeast Asia, but these wars were not a direct conflict between the super powers. After the end of the Cold War, China and the United States gradually became the main players in this region. Like the U.S. and the Soviet Union, China and the United States are also two nuclear powers. There is an asymmetric balance between the two countries. At the same time, the entire East Asian region has formed a political culture with the primary goal of pursuing the people's well-being. After the end of the Cold War, international war gradually drifted away from this region. The economies of various countries were increasingly connected into an interdependent whole. In short, the strategic balance centered on the mutual nuclear deterrence is the most important factor in maintaining the overall stability of East Asia. Military conflict has been viewed as undesirable and unimaginable as well.

Having said that, with the development of technology and the evolution of international relations, the existing strategic stability in East Asia is faltering. Traditional strategic stability constituted by nuclear powers is increasingly unable to ensure peace and stability in East Asia.

With the deterioration of relations between the United States and China/Russia, related countries have tried to create a more advantageous position in the traditional strategic balance. On October 1, 2019, advanced strategic weapons such as Dongfeng-41 once again attracted international media interest when displayed at the National Day Parade in China. This is actually a microcosm of the continued competition of strategic weapons in countries such as China, the United States and Russia. The development and deployment of anti-missile systems like Terminal High Altitude Area Defense (THAAD) in South Korea is also constantly testing the strategic balance between the countries concerned. In the past few years, North Korea's breakthrough in nuclear power has greatly challenged the nuclear non-proliferation regime; meanwhile, the Trump administration has withdrawn from the Intermediate-Range Nuclear Forces Treaty (INF Treaty). Observers are naturally pessimistic towards the future of the U.S.-Russian Strategic Arms Reduction Treaty (New START) which will expire in 2021. These changes mean that the restrictions on arms control are becoming weaker and weaker, and the uncertainty facing the traditional strategic balance is increasing.

Even more dangerous is that the strategic balance has already exceeded the nuclear weapons field and is closely linked to other domains. Combined with the development of new technologies in outer and cyberspace, the threshold for serious military conflicts has been greatly lowered. The development of cyber technology and changes in national cybersecurity strategies have made the boundaries between cyber warfare and conventional warfare and even nuclear war increasingly blurred. In the Iranian nuclear crisis, the United States and Israel have already used cyber weapons such as "Stuxnet." In October 2019, the U.S. reportedly used cyber weapons against Iran again.¹ According to the *New York Times*, the US military has extensively set up a "back door" in the Russian power plant network. Once the U.S. believes that it has been attacked by a Russian cyberattack, it can launch a cyberattack against Russia and smash its power grid. If this story is true and the United States has already made such a cyber-military deployment to Russia, other countries can legitimately ask if the United States has made similar preparations for or deployments in other competitive powers. At the same time, the U.S. cybersecurity strategy allows the U.S. military to use conventional weapons and even nuclear weapons to fight back. Due to the low threshold of cyberattacks and the diversity of potential cyberspace actors, the adjustment of

the U.S. cybersecurity strategy means that the possibility of the acceleration from cyberspace to traditional security is increasing.

The development of new technologies is also changing the traditional strategic relationship between big powers. For example, several major powers are also developing hypersonic weapons, which may break the balance between traditional spears and shields. China has already demonstrated its DF-17 in National Day military parade; the U.S. has had more than a dozen hypersonic projects by 2018, according to the US Strategic Command; Russian has also had similar tests. The development of unmanned combat technology has further lowered the threshold for using military means. In terms of new technologies, the most important development is the development of artificial intelligence. AI may change the military's information resources and decision-making speed, thus profoundly change the balance of military power of various countries and the security balance of East Asia.

Therefore, how to maintain an effective strategic balance under the new conditions of rapid change is also a security factor that needs to be addressed for stability in East Asia.



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¹ Ali, Idrees and Phil Stewart. "Exclusive: U.S. carried out secret cyber strike on Iran in wake of Saudi oil attack: officials." *Reuters*. 16 October 2019. Web. 16 December 2019. <<https://www.reuters.com/article/us-usa-iran-military-cyber-exclusive/exclusive-us-carried-out-secret-cyber-strike-on-iran-in-wake-of-saudi-oil-attack-officials-say-idUSKBN1WV0EK>>



Reflections and Possibilities: Commemorating the 40th Anniversary of the Establishment of US-China Diplomatic Relations

By Juliet Lee*
August 2019

In cooperation with the China Institute of International Studies (CIIS), the Forum on Asia-Pacific Security (FAPS) at the National Committee on American Foreign Policy (NCAFP) conducted its first US-China emerging leaders Track II dialogue in New York City on July 29, 2019. While both American and Chinese participants agreed that more dialogue and cooperation on common interests were needed, there was a mix of both optimism and pessimism on what could be done in the near and long-term to help get bilateral relations back on track. Topics for discussion included an overview of the past 40 years of US-China relations, security relations, economic and trade relations, and people-to-people exchanges. What follows is a summary of the discussion.

US-China Relations at 40

In reflecting on US-China relations, an American presenter noted that misunderstanding and miscommunication is a serious problem for both older and younger generations of experts and scholars. The participant elaborated that the United States and China are each plagued by doubts and insecurities in their respective development, history, and politics, and they have a tendency to blame the other for growing anxieties at home. As a result, both countries have adopted counterproductive policies for their own national development as well as for bilateral relations. For China, Beijing appears to be walking back, or even abandoning economic reforms while increasing political repression. For the US, President Trump's "Make America Great Again" strategy has left the country isolated, and his trade policies are damaging economic development. From a Chinese perspective, the strategic goals of the current US administration are "out of touch." A Chinese presenter noted that while the balance of power may be changing and creating friction, these tensions should not necessarily change the quality of the relationship, especially when the US and China are highly interdependent. Chinese participants argued that China has no intention of replacing the US atop the global international order, and security challenges like terrorism and the challenges posed by countries like the DPRK and Iran are more important in the short term than great power competition.

*The views expressed in this report are solely those of the author and do not necessarily represent the views of the co-organizers.

Another American presenter suggested that the last 40 years of US-China relations can be defined by three distinct eras of overlapping interests. The first is an era of overlapping geopolitical interests between the mid-1960's to the late 1980's when the distrust between China and the Soviet Union was a strategic opportunity for better US-China relations. The second is an era of overlapping geo-economic interests, when after the fall of the Soviet Union the global community embarked on an ambitious process of globalization. For the US, there was a sense that developing and deepening global economic ties would reduce the likelihood of global conflict, as countries are less likely to go to war with their trading partners. But there was a buildup of trends—which included the global financial crisis and the Arab Spring, or the spread of so-called revolutions in authoritarian societies—that propelled the United States and China into a third era.

The third and current era can be defined by perceptions of vulnerability instead of overlapping interests. Both the US and China have weaponized interdependence by emphasizing the threat of the other system to justify the need to exercise state power. In the United States, there has been a reassessment that the benefits of globalization have not been equal to the costs, and as a result, the Trump administration is leveraging or 'weaponizing' the interdependence of globalization with tools like tariffs, sanctions, and investment restrictions. For China, its challenges to consolidate national power at home, its reliance on foreign intellectual property and import of energy and raw materials, combined with the dominance of the US military in the maritime domain, are all seen by Beijing as potential points of leverage against China's ability to grow and exercise power.

Elaborating on the ongoing trade war, another Chinese participant argued that without a trade deal, US-China relations will remain unstable but also acknowledged that making a deal will not be easy. There was a discussion on the likelihood of a trade deal, with American participants predicting a trade deal will happen because President Trump wants it. The question is whether it will be a good deal.

There was a consensus among American and Chinese participants that the US and China have become prisoners of their own narratives by blaming each other for perceived problems and using the other side as a "rallying cry" for domestic audiences, which does not leave any space for discussion or political capital for solving problems. Participants also agreed that there is an imperative for both sides to focus on improving its own system, but as one American participant pointed out, there is an overall sense of frustration with the inability to come up with any solutions to get out of this situation.

US-China Security Relations

One Chinese participant worried that conflict between the US and China was inevitable, citing the Thucydides trap, particularly in light of comments from policymakers in Washington calling China a "whole of society" threat. The participant called for a balance between trust and distrust and identified three pairs of factors that influence this equilibrium. The first pair of factors is perception and misperception, and it appears that misperceptions are prevailing in Washington. The second is positive bias, or overconfidence, and negative bias, or the natural tendency to exaggerate a threat because bad news attracts more attention. The third pair of factors is risk-taking versus risk-aversion, strategies that shape decision making. In an absolute game, people tend to avoid risk.

The session then focused on two specific areas of bilateral security relations: military-to-military relations and cross-Taiwan Strait relations. Military-to-military relations, despite periods of ups and downs over the last 40 years, have been relatively stable and this is one area for potential cooperation. An American participant credited this to leaders on both sides understanding the risks of decoupling in the military realm. Over the years, the US and China have established rules of behavior for air and maritime encounters, and there is progress in discussing how senior leaders would communicate in times of crisis. However, as with any security relationship, there are constraints and weaknesses. For the US, military-to-military exchanges are regulated by Congressional legislation, and the continuity of these exchanges are seen as contingent on Chinese behavior. For China, Beijing has cited US obstacles that have inhibited military cooperation, such as arms sales to Taiwan, legislation like the National Defense Authorization Act, and Russia-related sanctions on China's equipment development.

In order for the military-to-military relationship to continue to grow in a way that benefits the interests of both countries, the scope of these exchanges needs to go beyond cooperation between active military forces. From an American perspective, the Joint Staff Dialogue Mechanism should be resumed as a way to improve senior-level crisis communications. There is also a need for operational rules of behavior for land encounters, as there currently is no protocol in place for the two forces to de-conflict should there be a major land crisis where both sides intervene. And finally, there is a need for Track I dialogue about rules of behavior in the strategic domains—such as space, cyber, and nuclear—where an accident or escalating crisis could potentially cause the most damage for both countries. It was argued that these recommendations would require commitment at the highest levels.

Another area of bilateral security relations discussed was cross-Taiwan Strait relations. From a Chinese perspective, Beijing believes that Washington is damaging or diluting its one-China policy by upgrading its unofficial relations with Taipei. Specific examples of upgrading unofficial relations were seen during Tsai Ing-wen's recent transit through the US, which included the first time a Taiwan leader has visited its representative office in the United States; the first time its leader visited a federal agency; a meeting between Taiwan National Security Advisor David Lee and US National Security Advisor John Bolton, as well as the public disclosure of the meeting; and the identification of Taiwan as a "country" in the US Department of Defense's recent *Indo-Pacific Strategy*. A Chinese participant argued that these actions are sending the wrong signals to Tsai and her administration, and that the US should clarify its position that it 1) does not recognize Taiwan as a sovereign state and 2) does not support any Taiwan independence movements.

During the discussion, an American participant reiterated that the United States strongly believes that the Taiwan sovereignty issue should not be resolved by the use of force, but Mainland China has not renounced the use of force. In response, a Chinese participant argued that the use of force would be against Taiwan independence forces and not the majority of people in Taiwan. The question remains whether or not Beijing identifies the Taiwan authorities as independence forces.

An American participant asked if there was perhaps going to be a change in strategy coming from China vis-à-vis Taiwan in light of the current situation in Hong Kong. Chinese participants acknowledged that the current situation in Hong Kong is frustrating. From one Chinese perspective, Beijing is doing its best to exercise patience and support to maintain stability and the prosperity of Hong Kong, and Beijing will not intervene because it supports the Hong Kong government in handling its affairs by itself. It was argued that the protests in Hong Kong is part of a global trend of rising populism and dissatisfaction with globalization.

Overall, a common point of emphasis when it comes to US-China security relations was the importance of improving dialogue, especially crisis management tools, in order to make bilateral relations sustainable. The US and China should get better at managing the competitive aspects of the relationship. As one American pointed out, during the last bipolar strategic competition, it took a major crisis in Cuba to bring the two sides involved together for a comprehensive security dialogue; there is no need to get to this point today.

US-China Economic and Trade Relations

According to an American participant, the current trade war is part of a larger economic and technological conflict that reflects rising global competition and security fears. It is easy but insufficient to blame President Trump for the trade war, as there has been a growing bipartisan narrative since the 2008 financial crisis that China's mercantilist policies have created a harmful imbalance. While countries understood that China was not going to completely abide by the "spirit" of rules when it acceded to the WTO, they also believed that it would make these necessary reforms over time and were willing to wait. Now, this strategic patience on the part of China's trading partners has come to a close as the opaque state-market relationship in China gives perceptions of unfairness. China's economy has also slowed down, and life for businesses in China has become much more difficult today, which changes the perspective on what companies are willing to tolerate.

Despite the economic slowdown, China today is much bigger and more consequential to global economic ties than it was in 2001. One American participant repeated the oft-used economic adage that, "if China sneezes, the world catches a cold." As China grew, the massive and explosive going out program undertaken by Chinese companies resulted in a growing consciousness of the non-reciprocal nature of economic exchanges with China. It's understood that after all of this time, China is not going to change. But an economic cold war is not in anyone's interests, and the costs of decoupling would be dire for the global economy and could lead to an extreme scenario of an "Asia for Asians" that is led by China and where the US is excluded. The biggest challenge to bilateral trade relations is the state-market relationship in China. For Beijing, the most important thing to do would be to further liberalize China's economy. For Washington, it needs to stop exaggerating the China threat and portraying China's economic strength as unstoppable without US containment. There were concerns from both American and Chinese participants about Beijing and Washington interfering with the economic relationship for national security reasons.

A Chinese participant identified three paradoxes in US-China economic disputes. The first is the belief that China should commit to market-oriented reforms. But while a pure market economy is preferred in the long-run, the need for rapid progress makes state intervention attractive in the short-term. Second, a planned economy crowds out a market economy. Industrial policy is beneficial when it is clear which industries are profitable but fails when the future is unclear. And third, China, as a "revisionist power," seeks to uphold the current free trade system, where the US, as the "hegemon" is seeking to rewrite trade rules.

Turning to the technological conflict, a Chinese participant argued that when the US blacklists Huawei and ZTE, it forces China to develop its own systems and cooperate with countries other than the US. This participant pointed out that all new technology, including 5G, is insecure, but argued that these vulnerabilities are inherent because it is designed by human beings. This is not just true for Huawei but also for all other tech products and services.

US participants agreed that no company can guarantee perfect security, but US concerns about Huawei are twofold: from a technology-specific angle, there are serious questions about whether the company is intentionally building a backdoor in its products to allow for government surveillance or whether it is just an accidental design flaw; from a political angle, there are serious concerns about the intentions of the Chinese state.

Third Parties and People-to-People Exchanges

Throughout the day-long dialogue, both American and Chinese participants acknowledged the importance of people-to-people exchanges for improving all aspects of the bilateral relationship. But even these exchanges have become victim to deteriorating relations. One Chinese perspective is that the US misperceives China's goals of people-to-people exchanges as being driven solely by the promotion of propaganda, citing the closure of Confucius Institutes in America as just one example. As a result of this mistrust, there has been greater scrutiny of Chinese students coming to do certain types of research in the US, and Chinese universities have had greater difficulty recruiting American scholars. A Chinese participant pointed out that there is no convincing quantitative research on the value and impact of people-to-people relations, and even though these exchanges are intended to build trust, it is difficult to assess their effectiveness.

On the other hand, an American participant argued that Track II dialogues between non-governmental professionals can still play an important role in managing tensions in US-China relations. These candid, intellectual exchanges both open and improve the quality of communication between each side in an attempt to defuse negative generalizations and address political sensitivities that may hamper discussions at the official level. However, some participants worried that these types of exchanges are becoming increasingly difficult because of both sides delaying or denying visas to certain scholars or types of students. From an American perspective, the detainment of Michael Kovrig and Michael Spavor, as well as the reported harassment of American businessmen, have had chilling effects on people-to-people exchanges. One participant noted that this view is not just shared among hardliners but also among those who were or still are considered pro-engagement, including the US business community that had once been the strongest proponent for positive US-China relations. A Chinese participant acknowledged that the media of both sides often contribute to mutual misunderstanding and mistrust, which in turn translates into misguided policies.

China's Belt and Road Initiative (BRI) was discussed as a potential area where the US and China can cooperate. It is undeniable that Asia is in dire need of infrastructure projects. An American participant identified two key trends: Beijing and its SOEs prefer government-to-government deals, and BRI projects are lacking good governance and human capital. BRI has received negative attention partly because of the way these projects have been implemented on the ground. But another American participant argued that the US needs to carefully parse which BRI projects are strategically motivated, perhaps by assessing which projects have limited or no commercial value for China.

Conclusion

What can the last 40 years of US-China relations teach us about the next 40? American and Chinese participants agreed that the United States and China need to get out of the trade war as soon as possible. Both countries also need to redefine areas of overlapping interests, such as developing rules for appropriate and prohibited cyber behavior, how to address climate change, and how to reform international institutions. International cooperation is essential in fields such as science and technology, and if the US pursues true decoupling, China will be forced to pursue partnerships with other countries that may seem counter to US interests. And finally, there is a need for a consensus building process with enforceable international rules and diplomatic work on areas of no consensus, and in order to rebuild trust, both sides need to make clear that the other is not an existential threat.

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Finding Common Ground: A US-ROK-China Trilateral Emerging Leaders Dialogue

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On October 15, 2019, the NCAFP's Forum on Asia-Pacific Security (FAPS) convened its first-ever trilateral US-Republic of Korea-China Track II conference for emerging leaders. While much of the discussion was focused on opportunities and challenges in the trilateral relationship, the context of the discussion was heavily shadowed by twists and turns in several bilateral relationships, including between the US and China; ROK and Japan; inter-Korean relations and US-DPRK relations. A common thread throughout was whether or to what extent changes in US foreign policy implemented by President Trump would be sustained after his term of office. What follows is a summary of the discussion's key debates and policy recommendations.

US-China Relations: Strategic Competition and the Korean Peninsula

Participants acknowledged that the main constraint on trilateral cooperation was the ongoing deterioration of US-China relations but also roundly agreed that the increase in strategic competition between the US and China was not analogous to the Cold War between the US and USSR. As one participant noted, the previous Cold War was defined by political and military competition, not economic competition; the impasse between the US and China is largely over how to handle economic competition given the vast differences in the two country's political systems and state-market relations. One speaker outlined the situation as a "status dilemma," in contrast to the "security dilemma" framework often used to analyze major power anxieties: in a status dilemma, both countries are satisfied with the status quo but worried about the other's ability to challenge their position in the established regional or global order.

The sources of anxiety were coming from both sides: in the US, President Trump's unconventional style created uncertainties over the future of US policy in Asia, including reassessments of the value of America's regional alliances and a new confrontational approach toward China, particularly regarding trade. Meanwhile, China was dealing with multiple and sometimes competing identities—developing and developed country, market-oriented and socialist, globally engaged but also cordoned off from worldwide information flows by the great firewall and extensive internal censorship regime.

In the US, there seemed to be no will on either side of the aisle to fundamentally realign US policy toward China, signaling that a change in administration in 2020 or 2024 would not resolve issues in the bilateral relationship. But in the private setting, participants expressed a desire to work toward mutual understanding and better define the era of 'strategic competition.'

** This report reflects the notes and recollections of the author alone and is not a consensus document.*

Both sides were particularly concerned about the spillover of these strategic concerns into the people-to-people relationship. Chinese scholars were having greater difficulty with the visa application process to visit the US; US experts were concerned about similar issues on the Chinese side due to increased regulations from China's NGO law. Both sides were equally concerned about their treatment during such visits. Chinese participants observed an uptick in monitoring by US intelligence agencies during exchange visits while Americans raised the issue of the long-term detention of Western scholars and Americans of Chinese heritage. One American who organizes such exchanges in the US noted that the deterioration in the security environment for scholars was motivating institutions to restrict internal approvals for conference invitations. In general, since the beginning of the year, approximately 20 percent of Chinese scholars who accepted invitations to visit the US were not able to attend the conferences—half due to delays in receiving a US visit, the other half due to restrictions placed by their own institution on travel to the US. The due diligence process had also increased for US scholars planning to travel to China for meetings, events, and research.

Not only was travel itself becoming a barrier to exchanges, but there was a general sense that the policy environments in both countries were increasingly insular and that scholars were playing a lesser role in feeding ideas and recommendations into the policy process. With the significantly reduced possibility of policy transfer, one American asked, what is the role and utility of Track IIs? Participants on all sides contributed to a list of reasons to continue the Track II conversations: these dialogues a) build networks among scholars, former officials, and experts which advance the issue discourse; b) demonstrate high-value conversation; c) build confidence and provide reassurances when official messaging is unclear; and d) can identify the low-hanging fruit or slightly easier issues for officials to prioritize. One Korean participant made a strong case for adding more members of the business community to such meetings, since their interests are also shaped and affected by policy choices as security and economic concerns are merging.

The interests of the US and China on the Korean Peninsula seemed separated by short-term and long-term interests. On the surface, many participants pointed out that the US and China do share a sincere goal of nonproliferation on the Korean Peninsula. Chinese participants were frank about their desire to see North Korea give up its nuclear program. However, there were disagreements on the means to this end that revealed larger anxieties about the geostrategic future of Northeast Asia. First, China wants to retain North Korea as a buffer state between itself and US troops stationed with its ROK ally. Second, because of the need for this buffer zone, China places more emphasis on regime stability and survival than does the US. So, China seems more comfortable with a long-term, step-by-step process than the US, which broadly finds such processes full of delays, pitfalls and even traps.

A Chinese participant noted that the competition between the US and China gives ample room for the North Koreans to take advantage of the strategic suspicion between the two powers. In this participant's estimation, a working strategy to denuclearize North Korea would involve both US engagement with North Korea and China's political and economic support of such engagement—including strong sanctions enforcement. Carrying out this strategy effectively will require policy coordination and some degree of trust, both dubious in the current negative bilateral environment.

ROK Regional Policy

Participants in the conference continued to question US credibility to its alliance structure and to regional diplomacy and development in the Trump administration's "America First" era. But one American presenter noted that the US is not the only country in the region that seems to be strategically self-isolating; the ROK is looking similarly insular as it deals with a deep political divide between the progressive and conservative camps, an inter-Korean strategy that seems to be at best stalled, and still strained relations between both the ROK and China and worsening relations between the ROK and Japan.

Support for the US alliance inside the ROK remains strong but may be slipping due to the constant negotiation and renegotiation of the Special Measures Agreement (SMA), governing burden sharing within the alliance. One ROK participant pointed out that burden sharing can be a broader conversation than cost sharing—there may be room for the negotiators to meet in the middle through offsets such as the ROK's greater participation in overseas operations, weapons acquisitions, and foreign aid. This conference took place before press reports surfaced of the US's opening position of raising the ROK portion of the cost by five times to USD 5 billion; as of this report a deal has not been reached.

Many participants were not convinced that a strained relationship between Washington and Seoul would precipitate a tilt of the ROK toward China. ROK-China relations remained poor after the deployment in the Park administration of the Terminal High-Altitude Missile Defense (THAAD) system, despite the face-saving 'three no's' policy that patched up the initial dispute. This experience seemed to test the ROK's capacity to balance or hedge between the two major powers and left a sour taste for the behavior of both. An American participant pointed out that the US might be hyper-reactive to any ROK attempt to balance between itself and China, given the current strategic direction in Washington.

Discussions on ROK-Japan relations were largely over whether the ROK would proceed with terminating the General Security of Military Information Agreement (GSOMIA) agreement allowing direct intelligence transfer between the two countries. At the time of the conference, participants were largely pessimistic that a deal could be reached. An ROK participant noted that the ROK and Japan had very different interpretations of the events that led to the announcement to terminate and therefore could not even agree on what the problem is or where responsibility for it lies, much less come up with a solution to move forward—Japan sees the issue as an economic problem stemming from the ROK's Supreme Court decision to make certain Japanese companies liable for occupation-era forced labor, but in using national security tools and justifications for its retaliation penalties against Korean industry, the ROK was compelled to leverage the security arrangement in response. Though, at the time of this report, the decision to terminate has been suspended, untangling this problematic knot of human rights, economic, security and political considerations remains ongoing work for the US allies.

Prospects for Trilateral Cooperation

A Chinese presenter used the Iran nuclear deal (Joint Comprehensive Plan of Action or JCPOA) as a basis to argue that pressure policies are ineffective at forcing countries to change behavior. The issue is which behavior is meant to be addressed through diplomatic efforts. In the case of Iran, for example, the JCPOA was very effective at dealing with Iran's nuclear proliferation; in fact, the presenter noted, Iran has yet to violate this agreement despite the US withdrawal in May 2018. However, the agreement may be unsatisfactory to the US because it did not address Iran's behavior of using conventional and proxy forces to press its regional interests, and therefore did not address the concerns of US allies and partners. Similarly, the pressure campaign on the DPRK seems to have blunted its desire to test or display nuclear weapons, but not its demonstration of missile and conventional capabilities. In other words, the threatening behavior stays the same while the means to exercise the behavior shifts in response to pressure campaigns.

An American presenter was extremely pessimistic about the prospects for trilateral cooperation between the US, ROK and China on any issue, least of all the North Korean nuclear issue. There are serious structural differences in how each side views the problem and its potential solutions and the environment for cooperation on a single strategy was worsening. The pressure campaign on the DPRK no longer follows the criteria for sanctions effectiveness—that they be done early, among a coalition of allies and partners, and are sufficiently targeted. What limited bandwidth there remains for cooperation must be now focused on management of the North Korean nuclear issue outside of the multilateral context.

A Korean presenter followed on these two presentations by tying the prospects of trilateral cooperation to the outcome of the US-DPRK talks. Although the US and China may have divergent interests regarding strategic partnerships on the Korean Peninsula, China does want the DPRK to improve its economic situation and the US is likewise willing to make space for such development if the DPRK can move toward denuclearization. There are incentives for the two major powers to coordinate on this issue—China can provide infrastructure investment through its BRI program; the US can solidify the dollarization of the North Korean market—but only if the threat from the DPRK's nuclear weapons and missiles program is addressed. But recognizing the limited utility of the pressure campaign to change DPRK behavior, it would be helpful to widen the scope of potential cooperation beyond the Korean Peninsula. Joint exercises or training on the Code for Unplanned Encounters at Sea (CUES) protocols may be a way to strengthen crisis management mechanisms in this trilateral grouping.

Participants also discussed potential cooperation in Southeast Asia. Between China's BRI projects, the US Indo-Pacific Strategy, and the ROK's New Southern Policy, there is clearly a desire for all three countries to devote resources to Southeast Asia's development. To do so, further discussion would be needed on areas of overlap between the three policies. The ROK would like to prioritize joining the economic ventures of the US Indo-Pacific Strategy, including existing investment trilaterals such as the US-Australia-Japan infrastructure fund, before going on to join the BRI. There may be opportunities for the ROK tech industry to add value to US-led plans and ideas.

One American participant pointed out that the US was going through a period of change in how it sees its ability to consolidate and use national power to achieve strategic goals. Expectations that arose after the fall of the Soviet Union about the US ability to achieve strategic goals in a unipolar world order are crashing down. The global order that was built with US leadership doesn't seem to do enough for those displaced by the changes of economic integration and globalization; military primacy doesn't seem to be enough to prevent attacks against the US and its interests overseas. The result of this clash of expectations and reality is policy incoherence on how to deal with adversaries—is engagement tantamount to appeasement or a necessary mechanism?

How to Deal with North Korea

The View from Washington.

A US official speaking under the Chatham House Rule saw both successes and continued challenges in meeting the Trump administration's priorities for relations with the ROK, China and the DPRK. There was positive momentum on trade issues in particular, with the US and China continuing to parse a 'Phase One' deal and with the update of the US-ROK free trade agreement (KORUS) about a year ago. There was convergence on the principles of the Indo-Pacific Strategy and the New Southern Policy to promote sustainable economic development, good governance and security sovereignty in Southeast Asia. All three sides do share the goal of denuclearization in North Korea. All sides agree in broad terms on the process and have coordinated on maintaining the pressure campaign as well as on leaving as much room as possible for engagement. The working level relationship between US Special Envoy for North Korea Steve Biegun and his counterparts in the ROK and China has been strong. The situation on the Peninsula is markedly different from where it was in 2017, when military conflict seemed possible.

However, while President Trump has created new momentum in engaging Chairman Kim, it remains to be seen if the DPRK's negotiators can participate meaningfully in a working-level process. The US is ready and willing to engage on the DPRK's priorities, including security guarantees, but need sustained dialogue to figure out how to best address these issues. There is still room for further contact at the highest levels and there had been a commitment from the DPRK side to working-level talks when the two leaders met at the DMZ in June 2019. However, the Stockholm talks (held just days before this conference) seemed to indicate that the DPRK negotiators had little, if any, license to go beyond talking points.

The US government is ready to work with the DPRK on parallel and simultaneous ways forward. The key for resolving this issue diplomatically is to strike the right balance between pressure and engagement, and working together toward this balance is an opportunity for cooperation between the US, the ROK and China.

Participant Perspectives.

An American presenter with extensive experience on the ground in North Korea raised the issue of information sharing between US diplomats with experience negotiating with the DPRK. There is an asymmetry between the negotiation teams on both sides, as the DPRK team tends to stay in their position for decades, whereas the American teams switch out every few years. This could be mitigated by better consultation within the USG with previous negotiating teams. This participant emphasized the entirely transactional nature of the DPRK's negotiating style, cautioning that we should not expect the DPRK to consider negotiations that would bring transformational change at this point. Instead, the US should work with a firm but respectful tone to get a point where agreement to disagree on certain issues can be a starting point for further progress.

A Korean presenter outlined two potential frameworks for the DPRK's nominal prosperity—it can either encourage or engender a “Cold War” in East Asia, exploiting tensions between the China/Russia and US/ROK/Japan blocs to extract concessions from both sides; or it can find a post-nuclear weapons survival strategy. North Korea developed the nuclear program as either a survival strategy following the collapse of the Soviet Union, or a mechanism for mobilizing its citizenship through the creation and diffusion of international crises. But it's unclear whether either such DPRK strategy is relevant today. The longer the DPRK waits to join the international community by following the norms of nonproliferation and non-threatening behavior, the more the gap it must overcome to meet development and standard of living expectations grows. Despite stresses in bilateral relationships that affect strategic coordination to change the DPRK's calculus—such as the US-China trade dispute, poor relations between the ROK and Japan, and competing maritime territorial claims—there is value in continuing conversations on what incentives can be provided to the DPRK and how to verify a denuclearization process.

A Chinese presenter saw the DPRK advancing a ‘new *byungjin*’ policy over the last couple of years. Instead of the first *byungjin* line of economic development plus the nuclear program, the DPRK today seemed to be pursuing a diplomacy plus economic development framework. The nuclear program has a utility in maintaining an impetus for diplomacy, and thus building friendships, creating stability, and working toward arms control talks with the US, but this presenter saw little enthusiasm from Pyongyang for a credible deal. The key determinant of the DPRK's policy will be the interplay between the older generation of North Koreans, who are very comfortable with a ‘military first’ strategy; and the younger generation, who want a middle-class lifestyle. In this presenter's experience studying and traveling to the DPRK, their economy is performing well in light manufacturing and the electricity supply is stable enough to support night markets. But there remain serious limitations on economic growth and development due to incredibly poor infrastructure and rampant corruption. However, in this presenter's view, the type of financial reform that would allow international financial institutions (IFIs) to invest in the DPRK will be the last step of potential reform, not the first. So, the question of how the DPRK overcomes development hurdles remains to be seen.

The discussion following the presentations focused on the same thorny issue that has plagued discourse on North Korea for decades: the DPRK wants economic reform but not political reform, and there are currently no avenues for it to rejoin the international economy without some rebalancing of power within the country. In other words, the international community is seeking transformational change cloaked as transactional change and the DPRK is only ready for transactional change cloaked as transformational change.

Participants talked about how to meet the demand signals from the DPRK for greater information about the outside world within this context. Academic exchanges, agricultural exchanges and training programs for DPRK officials on how the international financial system works may create constituencies for transformational change. The challenge for the international community is how to balance against the risk that knowledge gained in these exchanges will be applied toward evading the sanctions regime; the challenge for the DPRK is how to integrate modern concepts into its political system.

Participants also discussed the perennial question of who benefits from drawing this stalemate out over time. One participant thought the answer was dependent on whether the sanctions were working—if so, time is not on Kim Jong Un’s side; if not, it is. A few participants agreed that time was on Kim Jong Un’s side, but not on the side of the North Korean people, who must endure the consequences of their leadership’s actions. A participant also questioned whether there is divergence between the goal of the North Korean people for political reunification with the South and the Kim Jong Un regime’s goal of economic reunification with no political changes. However, it was likewise acknowledged that there is little commonality among the younger generations of both sides.

Policy Recommendations and Conclusion

Policy recommendations focused on how to create stability while political relationships are being tested by a shifting regional balance of power. A Chinese presenter tied the divided Korean Peninsula to the Taiwan issue and suggested that China could not take a more active role in unification of the Korean Peninsula (no matter the political outcome) before resolving its own reunification with Taiwan. If China were reunified with Taiwan, it may not see continued US troop presence on the Korean Peninsula as a potential threat. In the meantime, the critical task before the three sides is for each to assure the other that their policy behavior is predictable.

An American presenter argued that the goal for the US in the current trade negotiations with China must be to ensure that tariffs are not permanent. In other words, the leverage that tariffs create cannot be a perpetual tool to address long-standing issues between the US and China, or an end unto themselves, but a means by which to forge a more stable, sustainable trade relationship. Similarly, no deal with North Korea is better than a “bad deal,” which might include giving up alliance equities, and/or disproportionate trade and sanctions relief in exchange for piecemeal steps. Another way to inject stability into the region is to foster—perhaps by direct US engagement—strong ROK-Japan relations. The goal of policy stabilization is to preserve space for mutual gains; in an unstable regional environment, zero-sum thinking becomes the dominant paradigm.

A Korean presenter outlined some significant constraints on the ROK’s policy options: first, Sino-US competition puts South Korea in a difficult position between its key security partner and its key economic partner. Second, the space to exercise leverage on North Korea is limited—a military option is not possible and the collapse of the DPRK is not likely. Sanctions are not always an effective tool because of the prevalence of the black market in North Korea. The only way out of both problem sets is Trump administration-led negotiations. This presenter argued that Kim Jong Un wants to be a ‘good king,’ e.g. to maintain political legitimacy by providing benefits to the people. He has taken some reform steps by changing military duties from security to economics and is working to staff his regime with his own people. The US should seize on these paradigm shifts.

Reaction to the presentations included pushback from some Americans about the linkage between Taiwan and the Korean Peninsula. The US has never opposed China's reunification with Taiwan or its economic rise; the long-standing policy has been that such reunification is achieved without the use of force or coercion, and, relatedly, that China exercises its economic power within the confines of the existing rules-based international order. One participant argued that the military option against North Korea must stay on the table, if for no other reason than to compel China to fully enforce the sanctions regime.

Arms control talks were also raised as a potential stabilizing factor in the region. Particularly after the US withdrawal from the INF treaty, there is an urgent need for robust communications between the US and China on strategic stability. There is also a need to acknowledge that the arms control landscape includes the DPRK's nuclear program, despite the understandable refusal to formally recognize the DPRK as a nuclear weapons state. As the DPRK continues to shift its security posture from conventional to strategic weapons, there will be a greater need to forestall accidental or intentional use of nuclear arms.

Another suggestion was to take advantage of the strong expectations and personalities of the leaders involved in these negotiations. The region is in a period where a lot of foreign policy and security policy decision-making power is concentrated at the highest levels of government. Setting up opportunities for the top leaders to meet may be more productive than a traditional working level process, though it does carry risks. The failure to delegate negotiating power decreases the bandwidth of governments, and can directly lead to policy failures such as the breakdown of the Hanoi summit.

What is needed most is a high-level, institutionalized dialogue on the regional security architecture—past, present, and future. This would have to include discussions on security assurances for the DPRK should it choose to give up its nuclear weapons, arms control talks between the US and China that factor in contingency and crisis management, and the separation of forward-looking security cooperation from historical issues and social justice. The prospects for realizing this type of framework are low in the short term but, at the same time, the danger of policy miscalculation leading toward a full-blown crisis is rising. The three sides should make every effort at the Track II level to game plan such an arrangement so it is ready to present to the leadership if and when an opening for multilateral dialogue returns.

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OCTOBER 15, 2019

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