

# THE TRUMP ERA: NEW OPPORTUNITIES AND CHALLENGES IN EAST ASIA



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# Introduction

*by Donald S. Zagoria*

**A**fter seven months into the Trump era of international politics, a group of policy experts from the Asia-Pacific region assess the trends in the key bilateral relationships in the region and the outlook for the future.

Shao Yuqun, Director of the Institute of Taiwan, Hong Kong and Macao Studies at the Shanghai Institutes for International Studies (SIIS), one of China's leading think tanks on international relations, sees a surprisingly stable U.S.-China relationship and a continuing familiar pattern of limited cooperation and competition. Shao is worried, however, "about Trump's elusive and erratic personality, his unwillingness (or inability) to learn and the lack of professional officials in his administration." She is also concerned about how President Trump will act in a crisis. "Nobody can be sure about his response."

Robert S. Wang, a Senior Associate with the Center for Strategic and International Studies (CSIS) and a former State Department official, looks at the most pressing security challenges in the U.S.-China relationship—North Korea, the South China Sea, Taiwan, and trade and investment relations—and offers astute policy recommendations on how to deal with these challenges.

Bruce Klingner, a Senior Fellow at The Heritage Foundation, offers an extremely thoughtful and comprehensive assessment of all available options for dealing with the North Korean nuclear threat and concludes by recommending a "comprehensive, rigorous and sustained international pressure campaign" against Pyongyang. But Klingner believes that increased pressure on North Korea should be part of a process designed to get Pyongyang back to the negotiating table.

Kim Hyun-wook, a professor at Seoul's Korea National Diplomatic Academy, offers advice on how to bolster the U.S.-ROK alliance and make joint efforts to counter the North Korean challenge.

Matake Kamiya, Professor at the National Defense Academy of Japan, argues that Japan and the U.S. have made substantial progress towards deepening security cooperation but worries that the Trump administration does not sufficiently appreciate the role of the alliance in maintaining the liberal, rules-based international order.

Sheila A. Smith, Senior Fellow for Japan Studies at the Council on Foreign Relations, observes in a similar vein that President Trump and Prime Minister Abe have established close relations but several trouble spots ahead could pose difficulties, especially the lack of an overarching Asia-Pacific strategy and the absence of a shared vision on the future of the region.

Rory Medcalf, Head of the National Security College at Australian National University, also worries that the global rules-based order has come under intense strain in an "era of uncertainty" defined by the Trump presidency. But he believes that Australia recognizes that it cannot attain its security objectives without strong international partnerships, most importantly through its alliance with the U.S. but increasingly to include a web of "softer" partnerships in Asia and beyond. He also argues that the alliance is "more robust and lasting than any one administration."

In sum, there is deep concern in the region about President Trump's unpredictability, his lack of a strategic vision for the region, and about how he might act in a crisis.



# Assessing China-U.S. Relations in the Trump Era

*By Shao Yuqun*

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People used to say that the China-U.S. relationship had both a ceiling and a floor. However, that description of the bilateral relationship has seldom been heard over the past several years during academic discussions and debates in Beijing and Washington DC, or even in Shanghai and New York. The most debated question for the policy and academic community is whether the two powers will fall into the Thucydides trap, where China, as the rising power, will unavoidably challenge the United States, which has been the established hegemon in the world for decades. The optimistic answer is no, due to the combination of nuclear deterrence and strong interdependence between the two countries. The pessimistic answer is yes, and the reasoning comes from both western international theories and history. For the first time since the two countries established diplomatic relations in 1979, the Chinese side raised the concept of a “New Type of Major Country Relationship” to define the China-U.S. relationship, and the response from the United States was mixed. In general, the U.S. government has welcomed Chinese efforts to avoid conflicts and confrontation between the two countries and to seek cooperation, which is in the interests of both sides; it has reservations, however, regarding mutual respect for each other’s core interests. Some American researchers have accused China of identifying the issues on which they do not want to compromise as “core interests” in order to force U.S. concessions. No matter what the attitude is, the two countries have successfully avoided conflict and confrontation during the past eight years, even at times when they had strong disputes over security issues in the Asia-Pacific region. They also cooperated on the climate change issue and worked together within the framework of the G20 resulting in impressive achievements.

Even so, those who watch the China-U.S. relationship still have great concerns, especially because the Republican nominee, Donald Trump, who had criticized China harshly and talked frequently about having a trade war with China during the presidential campaign, won the election on November 8, 2016. When President-elect Trump had a phone call with Tsai Ing-wen, the leader of Taiwan, while also tweeting twice about the call, not only were cross-Strait relations experts in both countries surprised, but international relations observers around the world were also shocked. The phone call was a major break from the “One China” policy adopted by previous successive U.S. administrations since President Jimmy Carter switched recognition from the Republic of China (ROC) to the People’s Republic of China (PRC) in 1979, acknowledging that Taiwan is a part of “One China.” Though observers were not sure whether the phone call represented a strategic shift of the incoming president’s policy towards China, in the context of rising strategic competition between the two countries, most people predicted an unstable beginning to bilateral relations as Donald Trump entered the White House on January 20, 2017.

## What has been done so far?

For the past six months, however, the development of China-U.S. relations has been relatively stable and thus has gone beyond most observers' expectations. To generalize, there are four major fields that contribute to this relatively stable situation. First and foremost, President Xi Jinping and President Donald Trump have met twice and established a good working relationship. The major obstacle for the first summit meeting was President-elect Trump's position on "One China," so when President Trump said he would honor the United States' longstanding "One China" policy during a phone call with President Xi on February 9, it paved the way for future interactions between the two leaders. The Mar-a-Lago summit on April 7 and 8, 2017 happened earlier than most people expected. The whole atmosphere was comfortable for both sides. The meetings and discussions were constructive and intensive, helping the two teams get to know each other, and they were not hijacked by President Trump's order for the bombing of a government-controlled Syrian air base. The second meeting was during the G20 Hamburg summit, which was not reported on extensively by the U.S. media since the focus was on the first Trump-Putin meeting. History has shown that top-level meetings and working relationships are critically important to keep the China-U.S. relationship going smoothly, and this time is no exception.

Second, to adapt to a very results-oriented U.S. government and to respond to the Strategic & Economic Dialogue (S&ED) fatigue, the Chinese side agreed to streamline the S&ED into four working dialogues, namely the Diplomatic and Security Dialogue (D&SD), Comprehensive Economic Dialogue (CED), Law Enforcement and Cyber Dialogue, and Social and Cultural Dialogue. The first round of the D&SD was held on June 22, 2017 in Washington, DC. Chinese State Councilor Yang Jiechi cohosted the dialogue with U.S. Secretary of State Rex Tillerson and Secretary of Defense James Mattis. Notably, General Fang Fenghui, Chief of the Joint Staff at the Department of the Central Military Commission, also joined the dialogue. According to the U.S. State Department, this is the highest-level civil-military dialogue that the two sides have had.<sup>1</sup> In less than one month, on July 19, the first round of the CED was held in Washington, DC. Chinese Vice Premier Wang Yang, U.S. Secretary of Treasury Steven Mnuchin and Secretary of Commerce Wilbur Ross were the co-hosts. According to both governments, the other two dialogues will be held later this year.

Third, instead of engaging in a trade war with each other, officials of the two biggest economies agreed to have a 100-day plan, later extended to a one-year plan, in order to manage difficult trade and investment issues. During the planning process, the American side focused on balance, fairness and reciprocity on matters of trade, and the Chinese side emphasized the complex reasons that caused the imbalance of trade in goods. The shared spirit is that some early harvest is needed for stabilizing the bilateral relationship. According to the "initial actions" of the 100-day plan, some outcomes were reached, covering agricultural trade, financial services, investment and energy.<sup>2</sup> Then, about two months later during the first round of CED, both sides agreed to reduce the trade deficit in a cooperative manner. Since differences are guaranteed in this bilateral economic and trade relationship, the two sides' decision to use dialogue and negotiations to manage differences is a good message for both China and the U.S. as well as the rest of the world. As the Chinese side said before the dialogue, the two teams would also have discussions on strengthening macroeconomic policy coordination, as well as global economy and governance,<sup>3</sup> conversations which are in the interests of all related economies. The American media has been critical of the dialogue's results, complaining that no big achievements were made. The working teams understand, however, that there are no silver bullets here and the only way to tackle the problems is through dialogue and negotiation with a cooperative spirit.

Fourth, in the security field, the focus has been on the North Korean nuclear issue. Then President-elect Trump was warned by the Obama administration that the North Korean nuclear issue would be the top priority on the incoming president's agenda. The more than 20 missile tests and two nuclear tests conducted by North Korea in 2016 have made the American side conclude that it is very urgent for the U.S. to stop North Korea's nuclear program before it is able to target the U.S. mainland with a nuclear-tipped intercontinental ballistic missile (ICBM). The Trump administration has adopted the "maximum pressure plus engagement" strategy with a lot of pressure on China as the so-called most influential player on North Korea and with almost no engagement with the North Korean side. At the same time, because President Trump and senior officials in his administration have repeatedly said that "all options are on the table," fear of a rapid escalation of tension on the Korean Peninsula has been spreading. While strengthening its sanctions on North Korea, Chinese Foreign Minister Wang Yi also offered the suggestion that as a first step, North Korea should suspend its nuclear and missile activities while the U.S. and South Korea should also suspend large-scale military drills, and such a "dual suspension" would allow all sides to come back to the negotiating table. The response to the "dual suspension" from the American side has been negative, and the Trump administration started "secondary sanctions" on some Chinese entities.

The good news in the worsening security situation in Northeast Asia is that so far the two major powers are still working together to figure out what to do next. On July 28, however, North Korea conducted its 2<sup>nd</sup> ICBM test, which led President Trump to criticize China via Twitter.

### **What are the major features of the relationship?**

*The framework of China-U.S. relations has been stable and very difficult to pull down.* The first six months of China-U.S. relations has been more stable and peaceful than most observers predicted they would be at the end of 2016. Although there is a long history of China-bashing during American presidential campaigns followed by a return to a close working relationship with China when winners enter the White House, the history breaking phone call between Trump and Tsai made most people worry about an unstable and tough beginning to the China-U.S. relationship under President Trump, even though Trump is regarded as a dealer and a negotiator by nature. What we have seen after January 20, 2017 is that President Trump rapidly shifted his position on "One China" to pave the way for the April summit in Mar-a-Lago. It is a vivid example that this bilateral relationship is so critical for the United States that no U.S. president can risk damaging it. When the two countries face tremendous challenges, there is no choice but to work together, which is in both of their interests. No political player in the U.S., whether it is the president or Congress, can break the foundation and the framework of China-U.S. relations.

*Economics and trade, as well as the North Korean nuclear issue, are the two most important issues that will define the development of the bilateral relationship in the second half of 2017, and perhaps even in 2018.* President Trump is a very results-oriented president, and he needs to deliver results to his domestic audience to prove that he has the capability to bring back jobs for people mainly from the "rust belt," who have not benefitted from globalization and have been forgotten by both political parties for many years. Assessing the chaotic situation we have seen in the Trump administration, especially the difficult relationship between the president and his fellow Republican colleagues on Capitol Hill, it is very possible that following the White House failure on the repeal of Obamacare, the tax cut and infrastructure program will also fail to pass Congress by the end of this year. If that happens, then the White House will need more from the

trade area to appeal to the president's base and to mobilize the Republican grassroots for the midterm elections in 2018, which means the Trump administration will likely put more pressure on China in the coming months to either make a bigger compromise in the negotiations or to act more swiftly with regard to policy adjustments.

The 2<sup>nd</sup> ICBM test conducted by North Korea shows that the North Korean nuclear issue will continue to be the most challenging security issue for China-U.S. bilateral relations. According to some early analyses, the intercontinental ballistic missile flew for about 45 minutes, going 3700 kilometers high, and for a distance of 1000 kilometers. If the missile were fired on a flatter, standard trajectory, it would have major U.S. cities such as Los Angeles, Denver and Chicago well within its range, with the possible ability to reach as far as New York and Boston.<sup>4</sup> On August 5, the UN Security Council imposed new sanctions on North Korea. With 15 votes in favor, Resolution 2371 passed unanimously. The sanctions target North Korea's primary exports and will also slash North Korea's annual export revenue of \$3 billion by more than a third. While Nikki Haley, the U.S. Ambassador to UN, showed toughness on North Korea, Secretary Tillerson showed flexibility when he said during his visit to Southeast Asia that Washington was willing to talk to Pyongyang if it halted a series of recent missile test launches. The North Korean side, however, has not stopped the provocations. Instead, North Korean state media announced that the country's military devised a plan in mid-August to fire four intermediate range missiles at the U.S. territory of Guam. That statement stirred another round of strong words from the United States, and although this round of rhetoric appears to have passed for now, there is still rapidly rising worry that such verbal escalations will turn into a military conflict on the Peninsula.

China has continued its existing policy by urging North Korea to respond to the positive message sent by Secretary Tillerson while also emphasizing that China will strictly execute all the contents of the UN resolution regardless of great economic loss. Both China and the U.S. see the current North Korean regime as a "trouble maker" to the regional peace, but they have differences regarding how to deal with the "trouble maker." The challenge is that not only do they have to coordinate with each other, they also have to coordinate with other regional countries. Whether a new version of the Six-Party Talks will happen in the second half of this year is a measurement of the effectiveness of China-U.S. coordination.

*All the other issues are still there.* Starting from the second term of the Obama presidency, China and the United States have had a very tense relationship in the South China Sea. While the United States is not a claimant state, it conducts "freedom of navigation" operations (FONOPs) regularly and supported the Philippines to launch the arbitration case against China. Since Donald Trump came into power, the South China Sea issue has not been prominent in the bilateral relations between U.S. and China, but the issue is still there. According to the U.S. media in early May, FONOPs had not been conducted in South China Sea since President Trump took office.<sup>5</sup> While the Pentagon said that U.S. Defense Secretary James Mattis was putting FONOPs on hold as part of a broader review of "the American security posture around the world," some observers believed that it was due to the Trump administration's need for China's assistance on pressuring North Korea.

The calmness in South China Sea did not last long. At the end of May and in early July, the U.S. conducted two FONOPs—by the USS Dewey near Mischief Reef and the USS Stethem near Triton island, respectively. Then on August 10, the USS John S. McCain carried out a FONOP again and travelled close to Mischief Reef in the Nansha Islands. While repeatedly criticizing America’s FONOPs, China concluded discussion with ASEAN countries about the framework of a Code of Conduct (COC) in the South China Sea during the recent ASEAN foreign ministers’ meeting in Manila and the two parties are going to start talks on the COC this year. Chinese Foreign Minister Wang Yi specifically mentioned the precondition for the official start of the COC consultations, which is “when the situation in South China Sea is generally stable, [and] if there is no major disruption from outside parties.”<sup>6</sup> In general, the Trump administration will not change the policy adopted by the Obama administration in South China Sea due to its commitment to its allies and its geo-strategic interests in the Asia-Pacific region. Even though its strategic focus is not currently on the South China Sea, it will come back to this issue sooner or later. Besides the South China Sea, other issues—like the two countries’ interaction in cyber space and outer space, U.S. NGO activities in China, the Taiwan issue, the human rights issue, etc.—will not disappear.

### **What will happen in the future?**

The definite answer is do not be surprised if something terrible happens. When combining all the above potential issues of this bilateral relationship with the historical trend of an unstable beginning to the China-U.S. relationship because of the political transition to a new U.S. administration, it is natural to conclude that the bilateral relationship will cool down and even face new immediate challenges.

Since President Trump took office, the mainstream media and the foreign policy establishment have all been worrying about Trump’s elusive and erratic personality, his unwillingness (or inability) to learn, and the lack of professional officials in his administration. Unpredictability has been the key word when people talk about Trump’s foreign policy. Even among those who have full confidence in the U.S. political system and its restrictions on the White House, worries remain because of the president’s immense power in the foreign policy decision-making process. However, if one takes Trump’s policy towards the Asia-Pacific region as an example, most observers agree that in general, despite President Trump’s tweets, his administration’s policies have not deviated from previous policies, which are supported by both Democrats and Republicans in the United States. Still, people are worried about what President Trump will do if a crisis happens; nobody can be sure of his response.

In addition to the concern above, there are two questions that will be difficult to answer during the Trump era but vital for the development of China-U.S. relations. The first one is to what extent will the rising nationalism and high division within the American society affect U.S. foreign policy? In other words, when and how will President Trump make a deal with the Congress for its support on his domestic agenda that sacrifices China’s interests?

What we have been seeing during the past six months is President Trump's tense relationship with his Republican colleagues on the Hill. With "America First" as the catchphrase for the Trump administration, President Trump's priority certainly is on domestic issues, such as job creation. However, on the repeal of Obamacare, tax reform or budget cuts, Trump's ideas are different from those of the Republican Party. So far, President Trump was unable to get a Republican-controlled Congress to repeal Obamacare. On tax reform and budget cuts, two critical issues for the Trump administration, it is also extremely difficult for the White House to coordinate its plan with Senate and House Republicans. Though President Trump is an unconventional political figure, he still needs to deliver on his campaign promises to those who voted for him on November 8, 2016. As president, he needs to coordinate and make deals with Congress. In this sense, President Trump is more likely to make deals with Congress than with China, and when China's core interests are sacrificed, China-U.S. relations will face great challenges.

The second question is to what extent will the possible decline in the capability of U.S.-led alliances in the Asia Pacific influence China-U.S. relations? Most would agree that despite Trump's words during the campaign, his policy towards U.S. allies in the Asia-Pacific region has not changed so far. The U.S. allies, especially Japan and Korea, however, while trying hard to strengthen their alliance with the U.S., are preparing for the rainy days. The often-heard complaints about President Trump in Tokyo's and Seoul's policy circles should not be neglected. It does not necessarily mean that the strategic trust between the U.S. and its allies is decreasing; however, the allies are facing a more inward-looking United States, and they, Japan in particular, will seek more independence and autonomy in dealing with regional security challenges. The other choice for U.S. allies is to have more coordination with China on regional security and economic issues. Currently, both the Abe administration and the Moon administration have shown their willingness to improve relations with China. Whether these two bilateral relationships can overcome difficulties and move forward is still unknown, but strategically, these three countries have already felt the need to work more closely together in the fluid regional situation. Whether it is to have more independence or to work more closely with China, Japan and Korea's policy adjustments will have an impact on China-U.S. relations. The challenge is for observers to predict the impact of such adjustments.

Regarding the development of China-U.S. relations in the Trump era, one thing is for certain: the two countries will continue to have limited competition and cooperation both on the global and the regional levels. The competition will happen mostly in the international economic institutions and in the development area, due to the rapid growth of Chinese economic strength and its global influence. The prominent example is the Asian Infrastructure Investment Bank (AIIB). In the context of the One Belt One Road Initiative, AIIB has a lot of space for China to test its new ideas. Sooner or later, new models and paradigms that are more suitable to the regional countries will be implemented. This process can be called a competition between China and the U.S. However, AIIB is not a mechanism used by China to destroy the U.S.-led international economic institutions, as alleged by the Western media. AIIB still works within the established economic and financial framework, and it is cooperating and will continue to cooperate with the World Bank, the Asian Development Bank and others. Since China is still a beneficiary of the current international order and its overall economic power still lags behind the United States, it is not wise for the Chinese government to seek a confrontational policy toward the United States. The competition between China and the U.S. will not be comprehensive, but it will be limited.

In areas where the two countries should and can cooperate, cooperation will also be limited. On the global level, climate change and the world economic recovery used to be two of the issues on which China and the U.S. had quite successful cooperation within the UN framework and the G20. Under the Trump presidency, U.S. policy towards climate change is totally different compared with its predecessor's and has made China shift its major partners to the EU, Canada, and some other large economies. The G20 is still an indispensable platform for leaders of major economies to engage with each other, coordinate their policies and seek the establishment of a more equitable governance framework. Because of the Trump administration's lack of interest in global governance, despite the annual meetings, the G20 may not be a forum where China and the U.S. can lead effective cooperation on governance issues related to many countries. On the security front, there are many issues that require China and the U.S. to cooperate with each other. Putting aside the North Korean nuclear issue, the two countries already have some limited cooperation in Afghanistan and the Middle East. In the Asia-Pacific region, China has participated in the RIMPAC exercises twice despite the escalating tensions in the South China Sea. Due to the trust deficit, however, it is almost impossible for the two countries to have further cooperation either in Afghanistan or in the Middle East. And worse, even if the two countries improve their cooperation in the above areas, it will not help decrease the trust deficit. For China-U.S. relations, the most critical field is their security relations in the Asia-Pacific region. As long as their interaction in this region, which is currently focused on the North Korean nuclear issue, does not serve to build mutual strategic trust, cooperation in the peripheral areas will not be of much help to improve overall bilateral relations.

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<sup>1</sup> Thornton, Susan A. "Previewing the U.S.-China Diplomatic and Security Dialogue." *U.S. Department of State*. 19 June 2017. Web. 14 September 2017. <<https://www.state.gov/r/pa/prs/ps/2017/06/272014.htm>>

<sup>2</sup> "Joint Release: Initial Results of the 100-Day Plan of the U.S.-China Comprehensive Economic Dialogue." *United States Department of Commerce*. 11 May 2017. Web. 14 September 2017. <<https://www.commerce.gov/news/press-releases/2017/05/joint-release-initial-results-100-day-action-plan-us-china-comprehensive>>

<sup>3</sup> "Press conference by the spokesperson." *Ministry of Commerce of the People's Republic of China*. 13 July 2017.

<sup>4</sup> Lendon, Brad. "US slams North Korea missile test as Kim claims 'whole US mainland' in reach." *CNN*. 30 July 2017. Web. 14 September 2017. <<http://edition.cnn.com/2017/07/29/asia/north-korea-intercontinental-ballistic-missile-test/index.html>>

<sup>5</sup> Diamond, Christopher. "No freedom of navigation operations yet: Trump administration wrestles with posturing in the South China Sea." *Navy Times*. 9 May 2017. Web. 14 September 2017. <<https://www.navytimes.com/news/pentagon-congress/2017/05/09/no-freedom-of-navigation-operations-yet-trump-administration-wrestles-with-posturing-in-the-south-china-sea/>>

<sup>6</sup> "ASEAN stresses self-restraint, non-militarization in South China Sea." *philstar Global*. 6 August 2017. Web. 14 September 2017. <<http://www.philstar.com/headlines/2017/08/06/1725986/asean-stresses-self-restraint-non-militarization-south-china-sea>>



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# U.S.-China Relations: Current Challenges and Opportunities

*By Robert S. Wang*

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## Historical Context

As many have pointed out, U.S.-China relations have become increasingly important as China's economic and military power has grown dramatically over the past couple of decades. This importance is reflected not only in bilateral ties but also in regional and global issues in which the two countries have interests and are involved. At the same time, however, this bilateral relationship has also become increasingly tense and even confrontational as China has become more assertive in pursuing its "core interests" and historical claims, particularly since 2008 in the aftermath of the global financial crisis when there was widespread perception of "China's rise and U.S. decline" among Chinese officials and analysts.<sup>1</sup> At that point, notably, China began to pursue its maritime claims in the East and South China Seas more aggressively than it had in the past.<sup>2</sup>

In its drive to reassert power and influence in Asia, it is not unexpected that China would see the strong U.S. military presence and security alliances in the region as major obstacles to realizing its expansive "China dream." For instance, Article V of the Japan-U.S. Security Treaty would require the United States to support Japan in the event of Chinese military action to "reclaim" the Senkaku/Diaoyu Islands that are currently under Japanese administration. Even more central and problematic for China, the U.S. Taiwan Relations Act (TRA) requires the United States to make available defense articles and services "to enable Taiwan to maintain a sufficient self-defense capability" thus posing a significant barrier to China's goal of national reunification as China maintains the right to use military force. China considers the U.S.-led regional security alliance system a relic of the Cold War that it clearly aims to erode and dismantle in the long term. Many Chinese have even criticized the United States for seeking to "contain" China despite little evidence of such intention. In fact, the U.S. overall presence and ties to the region have generally helped to maintain stability and to enable the remarkable economic development of the region, including China, since the Second World War.

On the other hand, many in the United States have attributed China's rise primarily to its having taken advantage of the global trading system by employing "unfair trade practices" and adopting essentially mercantilist policies over the past few decades.<sup>3</sup> Indeed, this was the key theme related to China in Trump's recent election campaign that resonated with much of the American public, especially in manufacturing states where millions of American jobs have been lost, in large part, to Chinese imports. And even though the U.S. government has never formally designated China a "currency manipulator" in its Treasury reports, there is little question that China utilized tight currency controls, along with government subsidies and predatory pricing (dumping), as major tools in promoting its highly successful export-led growth policies. At the same time, China has continued to restrict broad market access for U.S. goods and services exports with tariff and non-tariff barriers—a practice that has contributed to the current massive trade imbalance between the two countries. From this perspective, it was ironic that President Xi Jinping presented China as a champion of globalization at the 2017 World Economic Forum in Davos.

In addition to bilateral trade and investment issues, many in the United States have also come to view China's rise as particularly alarming because of widening differences over basic human rights values, especially since Xi Jinping assumed power in 2012.<sup>4</sup> The U.S. policy of engagement with China since the 1970's had been predicated largely on the assumption that economic growth and opening would eventually lead to political reforms and liberalization. While China has certainly become a much more open society in general, its domestic security policies have remained repressive, especially those targeting political and religious groups as well as ethnic minorities in China. The long-term incarceration and recent death of Chinese Nobel Peace Prize Laureate Liu Xiaobo highlighted this fundamental issue in the relationship. Recent Chinese policies with respect to foreign non-governmental organizations (NGOs) operating in China and the democracy movement in Hong Kong have also contributed to rising anxieties, including among the public in Taiwan.

At the same time, despite these fundamental differences, most people on both sides recognize the mutual benefits derived from the bilateral relationship over the years. China's access to a wide-open U.S. market has certainly been a major, if not the key, factor in its rapid economic growth. In the United States, the business community had also been particularly supportive of expanded trade and investment ties, with annual bilateral trade in goods and services growing to nearly \$650 billion by 2016 and the stock of U.S. foreign direct investment (FDI) in China totaling \$70 billion. Chinese FDI in the United States has also risen sharply in recent years, with cumulative FDI transactions estimated at \$110 billion by the end of 2016.<sup>5</sup> Beyond bilateral economic ties, many have pointed to the benefits of extensive educational and cultural exchanges, tourism, and U.S.-China cooperation on a wide range of regional and global issues from UN peacekeeping, humanitarian assistance and disaster relief, and climate change (though now suspended by the Trump administration) to the recent Iran nuclear deal.

Finally, everyone recognizes that a major conflict between China and the United States would be disastrous, and that both sides need to manage the bilateral relationship cautiously. While no one expects either country to initiate armed conflict, the possibility of an accidental conflict escalating into a more serious one cannot be excluded, given the fundamental differences and underlying tensions in this relationship.<sup>6</sup> As far back as 2005, then Deputy Secretary of State Robert Zoellick called on China to become a "responsible stakeholder" in the international system. At the U.S.-China Sunnylands summit in 2013, Xi Jinping proposed a "New Type of Great Power Relations" that aims to avoid conflict over differences while advancing areas of mutual interest. Although the United States has explicitly not accepted this specific Chinese formulation (that also calls for respect for China's "core interests" and suggests the creation of "spheres of influence"), the United States has certainly acknowledged the need to address the challenges as well as pursue the opportunities for cooperation in the bilateral relationship.

Drawing on this historical context, I will focus on a few of the more urgent issues in the bilateral relations that will require the immediate attention of the Trump administration. I will offer some thoughts on how the U.S. government might address these issues in dealing with China. Each of these issues presents challenges as well as opportunities for cooperation.

## North Korea's Nuclear Threat

From the U.S. perspective, North Korea's recent acceleration of its nuclear weapons and ballistic missile program appears to be the most urgent and highest priority issue to address in its relationship with China at this time. North Korea (DPRK) has conducted a total of six underground nuclear tests since its first test in 2006, with the last three in January and September of 2016 and, most recently, on September 3 of this year. In 2016, it also test-fired a submarine-launched ballistic missile in April and fired a ballistic missile directly into Japan's maritime economic zone for the first time in August. Thus far in 2017 (as of the writing of this essay), the DPRK has successfully fired four mid-range ballistic missiles into the Sea of Japan in March, one long-range ballistic missile in May, two more in the month of July, and in August fired a mid-range missile directly over Japan. Although some had raised questions about whether the two missiles fired in July actually qualified as long-range intercontinental ballistic missiles (ICBMs), analysts have concluded from the flight path that they could reach parts of the mainland United States. In any case, President Trump has made very clear that he sees these developments as posing a near-term and potentially catastrophic threat not only to our allies, U.S. forces and Americans in South Korea and Japan, but also to the United States itself.

This issue thus dominated the summit between Presidents Trump and Xi in their first meeting at Mar-a-Lago in April 2017, and continues to be the focal point of bilateral relations. It is obvious that the numerous UN-mandated economic sanctions imposed against the DPRK since 2006 have not had much impact on the regime's efforts to develop its nuclear and ballistic missile capability. Despite multiple rounds of sanctions, the DPRK continues to be able to obtain the material and the technology to develop its weapons system as well as the financial resources needed to procure them. Insofar as approximately 85 percent of North Korea's foreign trade is conducted with or goes through China, there is strong suspicion that China has not fully and consistently implemented the sanctions.<sup>7</sup> In fact, China's own Customs data indicated a nearly 40 percent rise in bilateral trade with North Korea in the first quarter of 2017. In late June, the U.S. Treasury Department for the first time announced secondary sanctions against four designated Chinese entities, including the Bank of Dandong and Dalian Global Unity Shipping Co., for providing financial services and assistance to the DPRK government, and banned them from operating in the U.S. financial system. Following the July missile tests, with a strong push by the United States, the UN Security Council voted unanimously to approve additional sanctions that are expected to eventually reduce North Korean exports by \$1 billion, or about a third of its total exports, if fully enforced. Shortly afterwards, as if to underscore this point, the U.S. Treasury designated another 16 entities, including six Chinese-owned companies and one Chinese person, for evading or helping to evade existing UN sanctions.<sup>8</sup> In September, following the DPRK's sixth nuclear test, the UN Security Council stepped up sanctions further by agreeing unanimously to impose a ban on the country's textile exports and capping its imports of crude oil.

Meanwhile, China has continued to argue that UN sanctions alone are not sufficient and that the United States needs to "address the DPRK's legitimate security concerns," without which China "has no leverage to convince this foreign nation to stop its nuclear program."<sup>9</sup> At the United Nations, China's ambassador has proposed a freeze of North Korea's nuclear and missile programs in exchange for a suspension of U.S.-ROK military exercises in South Korea. He called on the parties to "come back to the right track of seeking a settlement through dialogue and negotiations." In response, Secretary of State Rex Tillerson insisted that China needs to show concrete evidence of applying "much greater economic and diplomatic pressure on the regime" to persuade the DPRK to suspend its nuclear and ballistic missile tests before the United States would be willing to restart negotiations with the DPRK. Otherwise, he warned that the two sides will not be able "to prevent further escalation in the region." Indeed, tensions have dangerously

spiked with the recent exchange of dire threats issued from the leaders of the two countries, accompanied by further DPRK missile tests and sixth nuclear test as well as U.S.-ROK joint military exercises, including the mock bombing drill by U.S. and ROK fighters at the end of August.

So at this stage, despite agreement on the latest UN sanctions, it appears that China and the United States are still divided on precisely how to deal with the looming North Korean nuclear crisis. While sharing the goal of a denuclearized Peninsula, the Chinese have clearly been unwilling to exert too much pressure on the DPRK regime because they fear doing so could antagonize a nuclear-armed and unpredictable neighbor, creating instability on China's borders. At the same time, China may also see this situation as an opportunity to use the DPRK nuclear threat to weaken the U.S.-ROK security alliance and ultimately to undermine the credibility of the U.S. commitment to its allies in the region. China's recent actions against South Korean companies in response to the deployment of THAAD missiles, for example, created another issue between the United States and South Korea. If, for some reason, the United States and South Korea were to accept the Chinese "double suspension" proposal, it seems highly unlikely that the Kim Jong Un regime, without bearing the full pressure of UN sanctions, would be willing to give up its nuclear weapons capability or be content until U.S. forces are completely withdrawn from the Korean Peninsula, if not the region as a whole.

### *Recommendations*

The bottom line is that there must be significant pressure on the DPRK if it is to be persuaded to suspend and eventually even give up the pursuit of nuclear weapons capability. China is the key country that can effectively apply economic pressure. Thus, the United States should start by urging China to increase enforcement by utilizing its vast array of domestic law enforcement tools to ensure effective compliance with the UN sanctions.<sup>10</sup> But if China continues to be unwilling to enforce UN sanctions fully, the United States should rapidly expand its own secondary sanctions against Chinese and other companies and individuals that continue to assist the DPRK with materials, technology and financing in violation of UN sanctions approved by China itself. It appears at this time that the Trump administration is moving in this direction. Insofar as major Chinese banks and companies with business interests in the United States may eventually be implicated, the impact of these secondary sanctions could be considerable. If China does decide to retaliate against American companies, this could add to the possibility of a potential trade war with significant consequences for both sides, but especially for China's more trade dependent economy.

At the same time, it is important that the United States makes clear that these actions do not preclude eventual negotiations with North Korea and a diplomatic solution. Without strong pressure on the North Korean regime, however, negotiations will most likely fail and lead simply to an even more serious crisis as the DPRK continues to advance its nuclear weapons and ballistic missiles program. So, strong and fully enforced sanctions are necessary, even if not ultimately sufficient (as some experts predict), for the denuclearization of the Korean Peninsula and a peaceful resolution of this crisis.

Meanwhile, the United States should continue to coordinate closely with South Korea and Japan to enhance defensive measures and deterrence against the DPRK's nuclear threat and to make clear that it is prepared for a worst case scenario that everyone, including China, presumably wants to avoid.

## Maritime Disputes in the South China Sea

As noted earlier, China began to pursue its historical maritime claims in the South China Sea more aggressively in the wake of the global financial crisis in 2008. As detailed in numerous reports, China markedly increased the deployment of paramilitary forces, e.g., fishing vessels, maritime militia and coast guard, to conduct patrols in disputed maritime areas to challenge the opposing claims of other countries, e.g., the Philippines and Vietnam.<sup>11</sup> It also stepped up harassment of U.S. naval and air reconnaissance missions in the area resulting in a number of incidents, such as when Chinese vessels surrounded the USNS Impeccable in 2009 and Chinese fighter jets intercepted U.S. maritime patrol aircraft in 2014 in the South China Sea. Since 2013, moreover, China has also undertaken large-scale land reclamation and construction projects among the reefs under its control in the Spratly Islands as well as substantially upgrading its military infrastructure and deploying surface-to-air missiles in the disputed Paracel Islands to enhance its surveillance and power projection capabilities throughout the South China Sea. China's strategic goals with respect to the South China Sea thus seem quite clear. Its increased military and paramilitary deployments and the buildup of facilities on reclaimed islands are intended to consolidate and eventually expand China's control of the disputed islands either directly or by increasing its leverage in future negotiations. But more importantly, China is projecting military power in the South China Sea to challenge the long-term U.S. military presence and to test U.S. commitment to its security allies and to the region.

Thus far, the U.S. response has been relatively balanced and restrained, underscoring that it takes no position on the territorial sovereignty issues and calling for regional agreement on a maritime code of conduct while also expressing "significant concerns over China's land reclamation, construction and the militarization of disputed areas."<sup>12</sup> Even when the United States resumed freedom of navigation operations (FONOPs) in late 2015, it chose first to conduct "innocent passage" through China's territorial waters rather than directly challenging China's territorial claims. On that mission, the USS Lassen also conducted innocent passage through the territorial waters of disputed islands occupied by Vietnam and the Philippines. Since then, the United States has conducted six more FONOPs, including three in 2017 after the Trump administration came into office. In the latest operation in August, the USS John S. McCain maneuvered within the 12 nautical mile radius of the Chinese-held installation on Mischief Reef, a low-tide elevation feature, challenging China's claim to a territorial sea around the artificial island it has created.<sup>13</sup> More broadly, U.S. officials have continued to reiterate that "the United States will fly, sail, and operate wherever international law allows" in support of U.S. military reconnaissance missions in Asia and around the world.

Looking back over the past decade, however, it appears that China has in fact advanced its strategic goals significantly in the South China Sea. To start, China has reclaimed over 3,000 acres of land on several reefs under its control. Even though China did announce an end to its land reclamation projects on “some” of these outposts in June 2015, it continues to build up facilities, including dual-use airfields, on these artificial islands. As noted earlier, China subsequently installed surface-to-air missiles on Woody Island in the disputed Paracels in 2016. Meanwhile, China continues to retain control of Scarborough Shoal which it wrested from the Philippines in 2012, and has rejected the 2016 UN Tribunal ruling against its “9-Dash Nine” maritime boundary claims. At the same time, the Chinese have continued to challenge U.S. military reconnaissance and FONOPs in the region. In December 2016, for example, a Chinese ship seized an unmanned underwater drone deployed by and in the presence of a U.S. Navy ship in international waters, provoking an angry response from President-elect Trump himself. Finally, despite U.S. responses to Chinese actions in the South China Sea, there seems nonetheless to be widespread concerns among U.S. allies and other countries about the U.S. willingness and capability to confront China’s growing military power in the region.

### *Recommendations*

The key issue for the United States is indeed whether it is willing and able to confront coercive behavior by any power and uphold a rules-based structure in the region. If it is perceived to be unwilling or incapable of doing so, its allies and partners are likely to question the sustainability of the long-term U.S. military presence and role in the region. While the United States has repeatedly asserted commitment to its security alliances in Asia, it must ultimately demonstrate this commitment through actions. In the South China Sea, this means that the United States must more vigorously contest the *fait accompli* of artificial islands created by China in the past few years and uphold international law in this regard. To do so, the United States should conduct more regular FONOPs that not only assert the right of innocent passage through territorial waters but also challenge the claim of territorial waters around artificial islands created from reclaimed reefs. It will likely encounter further challenges from Chinese military forces but the United States must make very clear, and demonstrate, that it is willing to accept the risks involved. Not doing so would encourage further coercive behavior and raise more questions about U.S. commitments. At the same time, the United States should continue to encourage China and others to seek non-coercive diplomatic solutions to their territorial disputes and to finalize a maritime code of conduct in the region.

### **Taiwan and Cross-Strait Relations**

Since the inauguration of President Tsai Ing-wen in May 2015, Beijing has begun to apply increasing pressure on her administration to accept the controversial “92 Consensus” despite clear opposition among the majority of people in Taiwan.<sup>14</sup> Beijing cut off high-level official communications between the two sides and applied economic penalties by reducing Chinese tourism to Taiwan and certain agricultural imports from Taiwan. Beijing has also stepped up military pressure by increasing the frequency and reducing the proximity of PLA bomber and fighter exercises and patrols around Taiwan. On the political front, Beijing has succeeded in prying away a couple of Taiwan’s diplomatic allies, i.e., São Tomé and Príncipe in December 2016 and Panama in June 2017. For the first time in eight years, Beijing also blocked the participation of Taiwan delegates in the World Health Assembly in May 2017.

Under the TRA, the United States “considers any effort to determine the future of Taiwan by other than peaceful means, including by boycotts or embargoes, a threat to the peace and security of the Western Pacific area and of grave concern to the United States.” And the TRA states further that it is U.S. policy “to maintain the capacity of the United States to resist any resort to force or other forms of coercion that jeopardizes the security, or the social or economic system, of the people of Taiwan.” Beijing’s actions against Taiwan over the past year clearly constitute “coercion” and thus call for a U.S. response by law. While the Trump administration’s notification to Congress of a Taiwan arms sales package on June 29, 2017, was an appropriate step, it was merely a belated decision carried over from the previous administration. The U.S. government will need to take additional steps to respond to Beijing’s coercion against Taiwan, if it is to comply with U.S. law. Apart from the issue of legal compliance, a U.S. failure to respond to Beijing’s coercive measures against Taiwan may be interpreted by China and other countries as a lack of resolve to counter-coercion and could weaken the U.S. security alliances in the region.

### *Recommendations*

Rather than responding in a piecemeal fashion to Beijing’s coercive policies toward Taiwan, the United States should consider new measures that further institutionalize its unofficial relationship with Taiwan as intended by the TRA. Among these, the United States should revert to a regular and uninterrupted process of arms sales to Taiwan that is not linked to the vagaries and politics of its relationship with Beijing.<sup>15</sup> Relatedly, as called for in the 2017 Defense Authorization Act, the Secretary of Defense should conduct a program of senior military exchanges between the United States and Taiwan that has the objective of improving military-to-military relations and bilateral defense cooperation. On the economic front, the United States should propose launching negotiations with Taiwan on a bilateral investment agreement (BIA) that will facilitate and expand bilateral investments and strengthen long-term economic ties. After completion of the BIA, the two sides could then consider negotiating a free trade agreement (FTA). More broadly, the United States should schedule regular senior, including cabinet-level, government visits to Taiwan to deepen cooperation on a wide range of regional and global issues from health and education to disaster relief, anti-human trafficking and law enforcement efforts. Although Beijing is certain to react strongly and negatively to these policies, they will send a clear and necessary message that the U.S. commitment to Taiwan—and its democracy and civil society—is not negotiable, and that Beijing’s only path to political reunification with Taiwan must be one of “peaceful means.”

## **Bilateral Trade and Investment Issues**

Since the Mar-a-Lago summit in April 2017, China and the United States have made some progress on the trade front with an “early harvest” 100-Day Action Plan. This plan allows the resumption of U.S. beef exports to China; partial opening of the Chinese financial market to wholly owned U.S. companies engaged in credit rating, electronic payment and bond underwriting services; and the expedition of safety evaluations for eight pending U.S. biotechnology product applications. For China, the plan permits the export of China-origin cooked poultry to the United States and sets a path for the import of U.S. liquefied natural gas (LNG). While a welcome start, the overall impact of these measures on bilateral trade is expected to be minimal. At the first session of the high-level Comprehensive Economic Dialogue in July, moreover, it appeared that the two sides were unable to make further progress on any of the key bilateral trade and investment issues that have contributed to the enormous trade imbalance between the two countries. Shortly upon taking office, President Trump signed an executive order to initiate a government review of “unfair trade practices” as well as two memoranda to initiate a Section 232 review of the impact of steel and aluminum imports on U.S. national security. These measures could have an impact of U.S.-China trade relations.

Apart from long-standing trade issues, American companies have also increasingly expressed strong concerns about China’s pursuit of industrial policies that provide tens of billions of dollars of government financial support directly to “national champions” in designated advanced technology sectors, as laid out in part in the recently published “Made in China 2025” State Council report.<sup>16</sup> With Chinese industries quickly rising up the manufacturing value chain, the government’s broad strategic goal at this stage appears to be in creating and supporting companies—many of them state-owned or invested—that can challenge the dominance of foreign companies in a wide range of high-tech sectors and move China further up the value chain. For example, the government initially devised policies to support “indigenous innovation” by directing government procurement to domestic companies that could substitute domestic for foreign technology products in targeted areas. Foreign companies have also complained about policies that require them to enter into joint ventures and transfer technology to their Chinese partners when seeking to invest in China.

Over the past few years, China has promulgated legislation on national security, cybersecurity, and the internet that have created even more obstacles for foreign firms operating in the country. The government has also used existing laws, such as the anti-monopoly law, specifically to target major foreign technology companies while allowing its own state-owned enterprises to operate without any such restrictions. Partially due to these developments, President Trump signed an executive memorandum on August 14, 2017 directing the U.S. Trade Representative to launch an investigation into “China’s laws, policies, practices and actions related to intellectual property, innovation and technology.” Within a week, USTR Robert Lighthizer announced the initiation of a Section 301 investigation to determine whether China’s intellectual property policies and practices are “unreasonable or discriminatory and burden or restrict U.S. commerce.” If so, the law would allow the president to impose trade sanctions, tariffs, or other trade restrictions against China without approval from the World Trade Organization (WTO).

Another critical component of China's industrial plan is to acquire foreign technology, whether legally or illegally. Suspected Chinese government-linked cyber-espionage targeting American high-tech companies had become a major issue in the bilateral relationship in the second term of the Obama administration.<sup>17</sup> In April 2015, President Obama signed an executive order to establish the first sanctions program that would impose penalties on foreign individuals who engage in destructive attacks or commercial espionage in cyberspace. In early 2016, a U.S. Justice official indicated that Chinese cyber-espionage was a "serious threat to our national security," estimating that thousands of U.S. companies have been targeted and successfully hacked by Chinese entities.<sup>18</sup>

Meanwhile, Chinese companies investing abroad have begun to focus on acquiring foreign companies with high-tech capabilities in different industries. In December 2016, the United States finally blocked a Chinese company from buying the U.S. assets of Germany's Aixtron SE, a semiconductor-equipment supplier, on national security grounds because its technology and products have military applications in satellite communications and radar. According to the U.S. Treasury, the proposed acquisition was to be financed in part by Sino IC Leasing Co. Ltd., which belongs to an industrial investment fund established by the government to develop China's integrated circuit industry.<sup>19</sup> In light of the dramatic growth of Chinese FDI and acquisitions in the United States, there are increasing calls among the U.S. business community for establishing some form of "reciprocity" in bilateral investment relations with China.

### *Recommendations*

As seen above, the issues in U.S.-China trade and investment relations can have critical national security implications for the United States, particularly with respect to China's current drive for global leadership in high-tech industries. While the United States should continue to strengthen trade enforcement actions against traditional "unfair trade practices," it also needs to respond urgently to the new issues related to China's industrial policies and their impact on U.S. companies and U.S. technology leadership. President Trump's August 14 memorandum and USTR's subsequent launch of a Section 301 investigation are steps in the right direction, and the United States should be prepared to defend its decisions and actions in the WTO dispute settlement process.

At the same time, and more broadly, the United States should agree to resume bilateral investment treaty (BIT) negotiations but insist on the principle of reciprocity in the investment relationship. While continuing to welcome Chinese investments in general, it should begin applying this principle of reciprocity to its review of Chinese investments in the United States, especially those in high-tech sectors. For example, in direct response to China's industrial policies, the United States should develop and apply stricter criteria for approving Chinese investments in high-tech industries in the country. It should consider broadening the definition of "national security" to incorporate consideration of long-term "technology security" with respect to proposed investments from designated countries that discriminate against U.S. companies in this area. The United States should also consider even tighter export controls as long as China continues to pursue these discriminatory industrial and investment policies.

## Conclusion

The U.S.-China relationship faces difficult challenges ahead but there are also opportunities for cooperation and significant benefits if the two sides succeed in addressing disputes. In fact, the strong interdependence between the two countries built up over the past few decades makes it imperative that they manage this relationship to avoid armed conflict or trade wars and eventually arrive at a mutually acceptable and rules-based process for dealing with these differences. The United States has clearly shown over the years that it does not seek to contain China. On the contrary, it has sought to engage China and in fact facilitated China's dramatic economic growth with its open market to Chinese imports and private sector investments in China.

At the same time, however, it is important that the United States underscores that it also has vital interests in the region in terms of its long-standing security alliances, broad economic ties and deep values commitments. It must make clear, especially as the crisis on the Korean Peninsula escalates, that the United States will not just stand by or withdraw from the region in response to coercion and intimidation, and will act to protect its interests. It must convey to China that the only way forward in resolving these issues is through peaceful reconciliation that takes into consideration the interests of all the parties in the region. The United States should also encourage China to adopt further market reforms and establish the principle of reciprocity in bilateral trade and investment relations. Working together, China and the United States have an opportunity to help sustain regional stability and prosperity in the years ahead.

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# Stop Pulling Punches on North Korean Sanctions

*By Bruce Klingner*

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## Introduction

North Korea's test launches of an ICBM that could eventually target the American homeland and threats to launch missiles at Guam have energized debate over U.S. policy toward Pyongyang, generally along three lines—a preventative military attack, negotiations, or enhanced pressure.

The imminence of Pyongyang's crossing the ICBM threshold has led to growing advocacy by some for a preemptive military attack to prevent North Korea from attaining its objective. Secretary of State Rex Tillerson declared that if North Korea reached a technological level deemed threatening, then military options "were on the table."<sup>1</sup>

National Security Advisor H.R. McMaster commented that President Trump insisted that it was "intolerable" for North Korea to be able to target the United States with a nuclear warhead and had directed preparation of a preventive war option to thwart North Korea from completing development of an ICBM.<sup>2</sup> President Trump threatened to unleash "fire and fury" if North Korea threatened the United States with an ICBM capability.

Conversely, other experts are pushing for a return to negotiations, insisting that talks are the only way to constrain Pyongyang's growing nuclear arsenal. But dialogue requires a willing partner. Pyongyang rejects the core premise of the Six-Party Talks and makes emphatically clear that denuclearization is off the table and that there is nothing Washington or Seoul could offer to induce the regime to abandon its nuclear arsenal.<sup>3</sup>

The most effective way to engage in negotiations would be after a comprehensive, rigorous, and sustained international pressure campaign. Such a policy also upholds U.S. laws and UN resolutions, imposes a penalty on those that violate them, makes it more difficult for North Korea to import components—including money from illicit activities—for its prohibited nuclear and missile programs, and constrains proliferation.

Successive U.S. administrations have talked tough about imposing pressure on North Korea, with President Obama incorrectly declaring it to be "the most heavily sanctioned, the most cut-off nation on earth." Obama and his predecessors only timidly and incrementally imposed sanctions against Pyongyang's serial violations of UN resolutions and U.S. laws.

There are, of course, no easy solutions to the long-standing North Korean problem. But the most sensible is to drastically increase pressure on the regime and those who assist it as part of a comprehensive, integrated strategy. While leaving the door open for eventual negotiations, the U.S. must also ensure it has sufficient defenses for itself and its allies.

Demonstrating that much more can be done to pressure North Korea also lengthens the fuse of war by deterring advocates of preventative attacks from prematurely pulling the trigger on a military option.

## **Save Preemption for Imminent North Korean Attack**

Some experts advocate a military attack to prevent North Korea from completing the development of a nuclear ICBM that can threaten the United States. Scenarios generally include intercepting the test flight of an ICBM, targeting an ICBM launcher in North Korea, or more extensively attacking the regime's missile program.

A lone North Korean missile on a test flight on a trajectory determined to be aimed only at open water does not pose an imminent or existential threat to the U.S. It is also questionable whether allied ballistic missile defense systems could intercept such a flight since it would be outside the height, range, and flight profile interception parameters for which such systems were designed.

Intercepting such a test flight could redirect international focus and anger away from North Korea's violation of UN resolutions and toward the U.S.'s military action. In addition, regardless of whether such a missile interception constituted a formal act of war by the U.S., it would certainly be seen as provocative and could trigger a North Korean military response.

Attacking a missile on its launch gantry at North Korea's known fixed test launch sites or a road-mobile missile launcher would have a greater likelihood of success but carries a commensurately increased risk of a military response to attacks on North Korean soil. Would such an attack be reserved for preventing test flights of ICBMs or would it also include Musudan and Hwasong-12 intermediate-range ballistic missiles that can threaten U.S. bases in Guam?

Destroying a single missile in the air or on the ground would not undermine Pyongyang's ICBM program. Doing so would require a more extensive bombing campaign. But advocates for preventative military attack have not identified what technological milestone should trigger a stroke nor a proposed target list to ensure that the capability is prevented.

For example, would a requisite attack be focused only on missile test facilities or also missile and nuclear weapons research, production, and storage facilities as well as mobile missile units? What mitigating actions would be taken to prevent a North Korean military response, including a potentially cataclysmic attack on Seoul? How would China be prevented from responding to an attack on its ally?

There is a distinct difference between using military force to avert a North Korean attack on the U.S. with a nuclear-tipped missile and preventing Pyongyang from building or testing such a missile. U.S. reactive or preemptive military actions responding to an inbound missile or imminent nuclear attack would be a defensive response.

By contrast, a preventative attack may not be consistent with international law and could needlessly trigger an all-out war with North Korea. Pyongyang already has the ability to target South Korea and Japan with nuclear weapons and also has a million-man army poised just across the DMZ from South Korea. Without moving any military units, Pyongyang could unleash a devastating artillery attack on Seoul.

Such a war risks catastrophic consequences for the United States and its allies with potentially hundreds of thousands or millions of casualties. Neither the U.S. nor South Korea should initiate an attack on North Korea for crossing yet another technological threshold, such as an impending test launch of one missile or a successful long-range test demonstrating reentry vehicle capability.

The more prudent course of action is to reserve a preemptive attack for a situation in which the Intelligence Community has strong evidence of imminent strategic nuclear attack on the U.S. or its allies. However, the U.S. need not needlessly precipitate a conflict. While the U.S. should be steadfast in its defense of its territory and its allies, it should not be overeager to “cry havoc and let slip the dogs of war.”

### **Negotiations with North Korea: Abandon Hope All Ye Who Enter Here**

Advocates for engagement insist that the only way to constrain Pyongyang’s growing nuclear arsenal is to rush back to nuclear talks without insisting on preconditions. But promoting another attempt at a negotiated settlement of the North Korean nuclear problem flies in the face of prior experience, such as the collapse of Pyongyang’s previous pledges never to develop nuclear weapons or, once caught with their hand in the nuclear cookie jar, subsequent promises to abandon those weapons.

Pyongyang previously acceded to the 1992 North–South Denuclearization Agreement, the Non-Proliferation Treaty, the International Atomic Energy Agency (IAEA) safeguards, the Agreed Framework, three agreements under the Six-Party Talks and the Leap Day Agreement—all of which ultimately failed. A record of zero for eight does not instill a strong sense of confidence about any future attempts. Do negotiation advocates presume a ninth time would be the charm?

For over 20 years, there have been official two-party talks, three-party talks, four-party talks and six-party talks to resolve the North Korean nuclear issue. The U.S. dispatched government envoys on numerous occasions for bilateral discussions with North Korean counterparts. The U.S. and its allies offered economic benefits, developmental assistance, humanitarian assistance, diplomatic recognition, declaration of non-hostility, turning a blind eye to violations and non-implementation of U.S. laws.

Seoul signed 240 inter-Korean agreements on a wide range of issues and participated in large joint economic ventures with North Korea at Kaesong and Kungangsan. Successive South Korean administrations offered extensive economic and diplomatic inducements in return for Pyongyang *beginning* to comply with its denuclearization pledges.

It is difficult to have a dialogue with a country that shuns it. North Korea closed the “New York channel” in July 2016, severing the last official communication link, until allowing dialogue recently to facilitate the return of the comatose and dying U.S. citizen Otto Warmbier.

Pyongyang walked away from senior-level meetings with South Korean counterparts in December 2015, precipitating the collapse of inter-Korean dialogue. In the Joint Security Area on the Demilitarized Zone (DMZ), North Korea refuses to even answer the phone or check its mailbox for messages from the U.S. and South Korea. North Korea has already repeatedly rejected several attempts at engagement by newly elected South Korean President Moon Jae-in, dismissing them as “nonsense.”

### *Hope Springs Eternal*

Despite these failures, there has been a renewed advocacy by some experts to negotiate a nuclear freeze. The proposals all share a common theme in calling for yet more concessions by the U.S. to encourage Pyongyang to come back to the negotiating table in return for a commitment by the North to undertake a portion of what it is already obligated to do under numerous UN resolutions.

A nuclear freeze was most recently negotiated with the February 2012 Leap Day Agreement which crashed and burned within weeks. Indeed, all eight denuclearization agreements with North Korea were variants on a nuclear freeze. Yet that does not seem to deter freeze proponents from advocating another try. Hope is a poor reason to ignore a consistent track record of failure.

### *Too High a Price*

What would the U.S. and its allies have to offer to achieve a freeze? Those things that were previously offered to no effect? Or would Washington and others have to provide even greater concessions and benefits? The regime has an insatiable list of demands, which include:

- **Military demands:** the end of U.S.-South Korean military exercises, removal of U.S. troops from South Korea, abrogation of the bilateral defense alliance between the U.S. and South Korea, cancelling of the U.S. extended deterrence guarantee, postponement or cancellation of the deployment of THAAD to South Korea and worldwide dismantlement of all U.S. nuclear weapons;
- **Political demands:** establishment of formal diplomatic relations with the U.S., signing of a peace treaty to end the Korean War, and no action on the UN Commission of Inquiry report on North Korean human rights abuses;
- **Law enforcement demands:** removal of all UN sanctions, U.S. sanctions, EU sanctions and targeted financial measures; and
- **Social demands** against South Korean constitutionally protected freedom of speech (pamphlets, “insulting” articles by South Korean media, and anti-North Korean public demonstrations on the streets of Seoul).

### *Consequences of a Bad Agreement*

A freeze would be a *de facto* recognition and acceptance of North Korea as a nuclear weapons state. Doing so would undermine the Non-Proliferation Treaty and send the wrong signal to other nuclear aspirants that the path to nuclear weapons is open. Doing so would sacrifice one arms control agreement on the altar of expediency to get another.

A nuclear freeze agreement without verification would be worthless. North Korea’s admission of its prohibited highly enriched uranium program made verification even more important and difficult. The more easily hidden components of a uranium program would require a more intrusive verification regime than the one that North Korea balked at in 2008.

A freeze would leave North Korea with its nuclear weapons, which already threaten South Korea and Japan. Such an agreement would trigger allied concerns about the U.S. extended deterrence guarantee, including the nuclear umbrella, to South Korea and Japan. Allied anxiety over U.S. reliability would increase advocacy within South Korea for an independent indigenous nuclear weapons program and greater reliance on preemption strategies.

## **Sanctions: An Important Component of Foreign Policy**

For years, successive U.S. administrations pulled their punches on fully enforcing U.S. laws against North Korean, Chinese, and other violators. Contrary to the mischaracterization that North Korea is the most heavily sanctioned country in the world, the U.S. has sanctioned other countries to a greater degree than North Korea. Prior to 2016, North Korea ranked eighth of U.S.-sanctioned nations, after Ukraine/Russia, Iran, Iraq, the Balkans, Syria, Sudan, and Zimbabwe. Currently, North Korea is the fifth-most sanctioned entity by the U.S.<sup>4</sup>

In February 2016, the U.S. Congress sought to induce greater executive branch action by passing the North Korea Sanctions and Policy Enhancement Act (NKSPEA).<sup>5</sup> The legislation closed loopholes, toughened measures, and provided new authorities. The three major actions of the Obama administration against Pyongyang in 2016<sup>6</sup> were all *required* by provisions in the NKSPEA. Since passage of the law, the number of U.S. sanctioned entities on North Korea has doubled.<sup>7</sup>

Diplomatic pressure, increased financial sanctions, and growing concern of reputational risk from being linked to a heinous regime has led an ever-growing list of nations, banks, and businesses to reduce business activity with even legitimate North Korean enterprises. Numerous foreign entities are severing their business relationships with North Korea by suspending economic deals, curtailing North Korean worker visas, and ejecting North Korean diplomats.

### **How North Korea Evades Sanctions**

Although the North Korean nuclear and missile programs are indigenous, the regime requires access to foreign technology, components, hard currency, and the international financial system. In 2017, the UN Panel of Experts concluded that, far from being isolated, North Korea continued to circumvent sanctions through “evasion techniques that are increasing in scale, scope and sophistication.”

Pyongyang maintains covert access to the international banking system through a “global array of overseas networks [that] make up a complex overseas financing and procurement system designed to raise the funds and materials North Korea needs for its regime security and weapons programs.”<sup>8</sup>

The UN panel assessed that most of North Korea’s financial transactions continue to be denominated in U.S. dollars and thus go through U.S. banks.<sup>9</sup> The U.S. Treasury Department also found that designated North Korean banks still conduct financial transactions through the American banking system.<sup>10</sup>

The UN Panel of Experts identified a characteristic that makes enforcing sanctions against North Korea easier than against Iran: “A *limited number* [emphasis added] of trusted individuals appear to serve as the networks’ key nodes. ...Although shell companies can be swiftly changed, the individuals responsible for establishing and managing them have remained, often for years.”<sup>11</sup>

While identifying the covert networks is difficult, “by hiding their illicit activities within the global financial network, the North Korean agents leave behind a digital trail within public records, and other data sources, and are acutely vulnerable to targeted sanctions.”<sup>12</sup>

A groundbreaking report by C4ADS, a small non-governmental organization using publicly available unclassified data, discovered that China “represents about 85% of total North Korean trade. Yet, this entire trading system has consisted of only 5,233 companies from 2013 to 2016 [that] play a disproportionately large role.” Of those firms, a “disproportionate share of that trade is centralized among an even smaller number of large-scale trading firms [so that] the top ten importers of North Korean goods in China in 2016 controlled just shy of 30% of the market.” In turn, those trading firms are controlled by a very small number of key executives.<sup>13</sup>

C4ADS concluded that North Korea has become increasingly reliant on a small number of “gateway firms” operating across multiple covert networks that could become strategic chokepoints for targeted sanctions. As such, the North Korean network in China is “centralized, limited, and therefore vulnerable.”

### *Kick ‘Em in the Nodes*

The limited and centralized nature of the North Korean network means that targeting a relatively small number of key nodes can have disproportionate disruptive ripple effects impacting multiple networks across multiple countries. Every law enforcement action could induce remaining components of the network to change routes, bank accounts, and procedures to less effective means to acquire and transfer components and currency. Even legitimate businesses will become more fearful of being entangled in illicit activity and more fully implement required due diligence measures.

Each individual action to constrict North Korea’s trade may not be decisive, but cumulatively these efforts reduce North Korea’s foreign revenue sources, increase strains on the regime, and generate internal pressure.

But whereas North Korea adapted to increasing international pressure by altering its *modus operandi*, international law enforcement efforts did not keep pace. The UN Panel of Experts blamed the lack of success of strengthened international sanctions on a lack of “requisite political will, prioritization and resource allocation to ensure effective implementation.”<sup>14</sup>

Sanctions enforcement must be flexible, innovative, and adaptive to the changing tactics of the target, rather than abandoning efforts to uphold law and order as having become too difficult. As North Korea shifted to Chinese brokers, the UN and U.S. agencies should have begun including them on sanctions lists.

Presently, only 12 percent of U.S. sanctions to curtail North Korea’s nuclear and missile programs are targeted against non-North Korean entities whereas only 2 percent of UN sanctions are focused on non-North Korean entities.<sup>15</sup>

### *Raising the Cost of North Korean Defiance*

North Korea must be held accountable for its actions. To refrain from doing so is to condone illegal activity, give *de facto* immunity from U.S. and international law and to undermine UN resolutions. The UN, the U.S. and the European Union have not yet imposed as stringent economic restrictions on North Korea as they did on Iran.

There is much more that can be done to vigorously implement UN sanctions as well as unilateral actions the U.S. can take to uphold and defend its own laws. It is possible to influence foreign entities’ actions through both direct legal action as well as changing their cost/benefit analysis of engaging economically with Pyongyang.

Only such a long-term principled and pragmatic policy provides the potential for curtailing and reversing North Korea's deadly programs. Returning to over-eager attempts at diplomacy without any North Korean commitment to eventual denuclearization is but a fool's errand. Everything that is advocated by engagement proponents has been tried, often repeatedly, and failed.

## **What the Trump Administration Should Do**

### *Isolate North Korea Economically and Diplomatically*

The U.S. must go beyond sanctions and diplomacy to a full-court press strategy to diplomatically and economically isolate North Korea from the international community and introduce tremors into regime stability. Washington should:

- Cut off the flow of foreign currency into North Korea and target any entity suspected of aiding or abetting North Korean nuclear, missile, and conventional arms development; criminal activities; money laundering; or import of luxury goods. Such targeted financial measures should include seizing and freezing assets, imposing significant fines, and precluding their access to the U.S. financial system.
- Encourage North Korea's business partners to sever their relationships by underscoring the reputation risk of being associated with a regime that exploits its overseas workers and conducts crimes against humanity and terrorist acts against civilians.
- Advocate additional UN measures and assess unilateral U.S. steps to more broadly target North Korea's national economy, including a global embargo to cut off North Korea access to oil, trade, currency, and financial markets. There is precedent for such a move. In November 1963, the UN General Assembly, in Resolution 1899 (XVIII), urged all UN member states to refrain from providing petroleum to South Africa for its policy of apartheid.
- Ban North Korea from international cultural, educational, sporting, and other exchanges, including the Olympics, as the UN requested in December 1968 that all states and organizations do so with the apartheid regime of South Africa. Pretoria was banned from participating in the Olympic Games.

### *Fully Enforce U.S. Laws*

Successive U.S. presidents have declared North Korea a grave threat to the United States and its allies. The U.S. Treasury Department has called North Korea a "threat to the integrity of the U.S. financial system."<sup>16</sup> Yet, the U.S. did not back up its strong words with commensurate actions.

For too long, successive administrations have used sanctions as a calibrated and incremental diplomatic response to North Korean provocations rather than a law enforcement measure defending the U.S. financial system.

Washington should sanction all entities violating U.S. laws, executive orders, and regulations rather than, as in the past, doling out a few entities to be designated after each North Korean violation. Doing so, however, requires resolve and political will to sustain a comprehensive long-term campaign against a growing threat to the United States and the international community.

### *End de facto Chinese Immunity from U.S. law*

Washington has long cowered from targeting Chinese violators of U.S. laws for fear of undermining perceived assistance in pressuring North Korea or economic retribution against U.S. economic interests. U.S. officials privately comment that they have lists of North Korean and Chinese entities for which they have sufficient evidence to enforce U.S. law and impose sanctions but have been prevented from doing so.

The U.S. must separate law enforcement measures to protect America's financial system from diplomatic attempts to encourage Beijing to more fully implement required UN sanctions. Any entity that enters the U.S. financial system is subject to its rules and regulations, regardless of country of origin. The U.S. is not only allowed but required to take action.

The NKSPEA mandates secondary sanctions on third-country (including Chinese) banks and companies that violate U.N. sanctions and U.S. law, therefore:

- The U.S. should penalize all entities, particularly Chinese financial institutions and businesses that trade with those on the sanctions list, export prohibited items, or maintain correspondent accounts for North Korean entities.
- Washington should impose significant fines on China's largest four banks at a commensurate level to the \$12 billion in fines the U.S. levied on European banks for money laundering for Iran.
- The U.S. should designate as a money-laundering concern any medium and small Chinese banks or business complicit in prohibited North Korean activities. The U.S. has not imposed any fines on a single Chinese bank and only recently designated the Bank of Dandong—the first action against a Chinese bank in 12 years—as a welcome first step.

### *Ban North Korea Overseas Workers Exploited in Highly Abusive Conditions*

North Korea has an estimated 60,000 to 100,000 overseas workers in 50 countries (but mainly China and Russia), earning the regime between \$1.2 billion and \$2.3 billion annually in foreign currency.<sup>17</sup> Other experts estimate the figure is lower, approximately \$300 million to \$400 million annually.<sup>18</sup>

North Korean workers overseas often operate in violation of international labor laws.<sup>19</sup> The U.S. should push for a UN ban on North Korean overseas laborers which would end exploitative labor practices and eliminate a source of regime revenue.

### *Target North Korean Human Rights Violations*

Advocacy for human rights must be a part of a comprehensive U.S. policy on North Korea. Stigmatizing the regime for its barbaric treatment of its people is consistent with American values and principles, provides an additional means to sanction the regime, and provides greater traction in gaining international condemnation and punitive action against Pyongyang.

Executive Order 13687, issued in 2015, declared that North Korea's "serious human rights abuses constitute a continuing threat to the national security, foreign policy, and economy of the United States." Since the July 2016 designation of Kim Jong Un and other North Korean entities, the United States has not taken any additional measures against North Korean human rights abusers.

Washington should exponentially expand the list of North Korean entities sanctioned for human rights violations and lead an energetic public diplomacy effort to shame foreign businesses away from dealing with North Korea.

### *Increase Information Operations*

Increase information operations to promote greater North Korean exposure to the outside world. Promoting democracy and access to information in North Korea is in both the strategic and humanitarian interests of the United States. Improving access to information will help the people of North Korea and provide a means of influencing North Korea from the inside out. As demonstrated by U.S. and West German efforts during the Cold War, technology and media can play a crucial role in undermining totalitarian regimes.<sup>20</sup>

The United States and South Korea should expand broadcasting services, such as Radio Free Asia, and distribution of leaflets, DVDs, computer flash drives, documentaries, and movies into North Korea through both overt and covert means. South Korea should look into the potential for generating cell phone transmissions, potentially using the frequency of the network created in North Korea by Egyptian firm Orascom, to enable North Korea's citizens to communicate with the outside world. Subversive coercive information operations exposing the true nature of the regime could sow domestic dissent against the regime.

### *Increase Inspection and Interdiction of North Korean Shipping*

As required under UN Resolution 2270, all UN member nations should be proactively monitoring *all* North Korean cargo entering and leaving the country. Section 205 of the NKSPEA enables the U.S. to impose secondary shipping sanctions on ports failing to implement required inspections. Washington could intensify inspections or ban shipments into the U.S. from non-compliant ports.<sup>21</sup>

## **Conclusion**

If the U.S. is serious about going after North Korea's nuclear and missile programs and those who assist it, then Washington will have to engage in a more expansive, sustained, and committed campaign. This must include a willingness to sanction Chinese entities.

Targeted financial measures, including secondary sanctions, are a component of U.S. laws and executive orders to defend the U.S. financial system against those who would use it for illicit activities. Those who argue against imposing stronger sanctions should be called on to explain how giving entities immunity from U.S. law furthers the cause of North Korean denuclearization.

That all of these measures could have been implemented years ago is testament to a collective lethargy, a multi-national reluctance to confront North Korean belligerence. The United States and other nations should not shirk from their responsibility to stand up to those who would do us harm.

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# ROK-U.S. Relations and Alliance Management

*By Kim Hyun-wook*

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## Introduction

Since Donald Trump's election victory, the international community has been gripped by a wave of uncertainty. During his candidacy, Trump promised to formulate his foreign policy based on the "America First" principle. In fact, President Trump's overall policy initiative is constructed around his worldview as an entrepreneur. And it appears that such a worldview will delineate his foreign and national security policies as well. The logic that underpins his policy initiative is that the United States should no longer allocate more than the necessary budget to playing the role of the "world's policeman." He also questions whether the U.S. should continue to funnel an extravagant amount of money into military spending to protect its allies. As his policy stance has been clear from the beginning, the aftershock of Trump taking the Oval Office has been starkly felt in every corner of the world. Such a policy stance has put the world on edge.

Yet, it remains unexplored whether Trump will craft his actual foreign and national security policies in line with the policy ideas promised during the campaign. For a start, Trump's foreign policy, if formulated on the isolationist "America First" principle, has the potential to trigger the collapse of the decades-long U.S. effort to establish the post-World War II international system and to maintain U.S. global leadership. Provided this isolationism comes to pass, America's economic preeminence is very likely to be significantly damaged, contributing adversely to realizing an "America First" reality. However, given the recent trajectory of unfolding events around the world, such as the U.S. bombing of Syria and imposition of sanctions against North Korea, it appears that Trump's foreign policy is shifting away from isolationism into internationalism. This means that the Trump administration's foreign policy is still evolving with the possibility that the U.S. will choose to intervene in global affairs in a selective manner in the years to come.

In fact, what is currently emerging as Trump's foreign policy is a strategy of "peace through strength." To elaborate, Trump insists that sequestration should not dictate U.S. military capabilities, and thus should be ended. In line with that idea, Trump has proposed that the U.S. Congress rip up the current sequestration on the military and draft a new budget plan to build up U.S. military capabilities. To give an illustration, Trump sketched out his vision for U.S. military forces as follows: a regular Army of 540,000 soldiers, up from the current 490,000; a Navy of 350 ships, with the addition of 80 units to the current 270; an Air Force of 1,200 fighter attack aircraft which is up from the current 1,100 units; and a Marine Corps of 36 active-duty infantry battalions, which is currently composed of 23. His goal is to lead various deals through strength. Judging from this perspective, it is projected that Trump will neither take the options of military intervention off the table nor give up American leadership to tackle impending problems in core regions with strategic value for the U.S. Although it is expected that Trump will be guided by the principle of minimum intervention to prevent overreach in decisions to send American military forces abroad, a set of policies designed to strengthen America's leadership in key regions is likely to be pursued in a more proactive manner.

In light of the shifting contours of U.S. foreign policy, what stance should the South Korean government take and how should it formulate its policy? With Moon Jae-in sworn in as the new ROK president, there is concern that the ROK-U.S. alliance might be on the road to falling apart. Those who voice such concerns seem to be extrapolating forward from the discord between Washington and past South Korean progressive administrations. In spite of such a track record, the Moon administration is pushing for tough sanctions against Pyongyang in response to its ICBM test, conducted immediately after the recent ROK-U.S. summit, which is in line with Trump's hardline North Korea policy. Moreover, with Pyongyang continuously waging provocations, Moon has allowed the completion of the THAAD deployment. Aside from the THAAD deployment issue, the ROK and the U.S. have yet to reach an agreement on the defense burden-sharing issue. In addition, the possible renegotiation of the ROK-U.S. bilateral free trade agreement is one of the factors that might complicate the current picture. Taking the aforementioned key issues into consideration, this article explores the trajectory of the ROK-U.S. alliance in the years ahead.

## **The Future of the ROK-U.S. Alliance**

### *Consistent Reinforcement of the ROK-U.S. Alliance*

It is projected that the Moon administration will make persistent efforts to consolidate and advance the ROK-U.S. alliance. In the 2015 National Security Strategy, the Obama administration announced that the U.S. government would double down on efforts to pursue its “rebalancing to Asia” strategy after the U.S. economy had rebounded from a global recession. After Trump assumed the presidency, Washington has signaled that it will lambaste China to consolidate U.S. leadership and maximize American interests in Asia. In an attempt to strengthen its national security based upon a stronger ROK-U.S. alliance, the South Korean government has taken a series of measures including the THAAD deployment. But such moves resulted in weakening ties between Seoul and Beijing, raising the unappealing possibility that the Korean Peninsula might serve as the venue for Sino-U.S. rivalry. It remains a daunting challenge for the Moon administration to navigate the competing interests of the U.S. and China, while sustaining a robust ROK-U.S. alliance.

At the 2009 Summit, then South Korean President Lee Myung-bak and U.S. President Obama agreed to transform the ROK-U.S. alliance into a comprehensive strategic alliance. Since Moon took office, Seoul and Washington have been making substantial joint efforts to achieve that goal. But a concrete set of objectives and a path forward to advancing the ROK-U.S. alliance have yet to be set since both governments have been meticulously calibrating their relations with Beijing. For now, it is recommended that the U.S. and South Korea should be engaged in creating a general roadmap for building a comprehensive strategic alliance. This means that Moon should aim to partner with the U.S. on a global scale, rather than to confine the scope of the ROK-U.S. alliance to Northeast Asia, in order to prevent the alliance from damaging ROK-China relations.

The alliance system consists of attitudinal and behavioral components.<sup>1</sup> Attitudinal components refer to the rationale for alliances, their objectives, and threat perception. The behavioral aspect controls the operation of alliances—the establishment of the military chain of command within an alliance, burden-sharing among allies, construction of military bases, and setting up the alliance's military strategy. In terms of the ROK-U.S. alliance, Seoul and Washington are working to reach consensus on the global, regional, and Peninsula-level objectives of the alliance and threat perceptions. For instance, the two heads of state agreed to regularize two-plus-two strategic dialogues during their first summit meeting. In their future two-plus-two strategic dialogues, it is

first required that the U.S. and ROK redefine the common strategic objective of their alliance. Building on the redefined common strategic objective, the roles, missions, and capabilities of the allied forces should be discussed. That is to say, the two sides must work together to produce a detailed operation guideline for the alliance which sets United States Forces Korea's (USFK) goals to be pursued in the Peninsular, regional, and global context, and to explore avenues to reach consensus on strategic flexibility and OPCON transfer issues.

The abovementioned issues affect how the South Korean government should craft and implement its foreign policy to balance between the U.S. and China in the years ahead. With the U.S. having regained its strength, global standing, and hardline policy toward Beijing, the tensions between the U.S. and China are likely to escalate. As part of pertinent efforts, it is essential for the two allies to fine-tune the direction of the ROK-U.S. alliance. In doing so, South Korea's national interests should be reflected. Moreover, Seoul and Washington should explore ways to operate the alliance in the regional context, and assure Beijing that the alliance is not aimed at trespassing upon Beijing's influence in the region.

### *ROK-U.S. Policy Coordination Toward North Korea*

The Trump administration has opted for a maximum pressure and engagement policy in dealing with Pyongyang. Given Trump's background as a businessman, it appears that he will capitalize on every option available to attain the denuclearization of the Korean Peninsula. So far, the Trump administration has imposed pressure and sanctions to bring the Kim regime back to the negotiating table. And along the way, Washington urged Beijing to apply greater pressure on Pyongyang. Despite the efforts made, Pyongyang recently test-fired an ICBM, triggering Washington to heighten sanctions against Pyongyang and against Chinese companies that do business with North Korea. It appears that the U.S. will keep up its efforts at imposing greater sanctions against the North and China. Still, there is a possibility that once Pyongyang's nuclear and missile development reaches its final stage, the Trump administration might steer away from its hardline, pro-sanction North Korea policy toward a pro-dialogue one. If North Korea crosses a so-called "red line," Washington's imposition of sanctions against Pyongyang and Beijing will prove to be ineffective. If that is the case, the Trump administration will likely have to find an alternative North Korea policy.

It is forecast that the Moon administration will take a gradual, comprehensive approach for the denuclearization of North Korea. This means that Moon will adopt a carrot-and-stick policy to end Pyongyang's nuclear ambitions. In this light, Seoul is expected to adhere to the idea that it will not participate in inter-Korean dialogue unless all proposed conditions are met. Compared with the policy line pursued by past progressive administrations, Moon's North Korea policy seems to reflect better the heightened threats emanating from Pyongyang's enhanced nuclear capabilities. The Moon administration seems intent on signing an inter-Korean peace agreement on the condition that North Korea proceeds with a phase of dismantlement. As noted, however, the Moon administration's inter-Korean reconciliation efforts at the government level—resuming tourism operations at Mt. Kumgang and reopening the Kaesong Industrial Complex—will come only when the North freezes its nuclear weapons program.

Due to Pyongyang's recent test firing of an ICBM, Washington and Seoul are pointing in the same direction in their pursuit of North Korea policies. Both governments share hardline views on Pyongyang's nuclear missile provocations. Moreover, the Moon administration's North Korea policy is likely to be in sync with Trump's North Korea policy, allowing much room for cooperation. U.S. North Korea policy during the Bush era was constructed around the neo-cons' hawkish idea that North Korea belonged to an axis of evil. Considering Trump's background as an entrepreneur, Washington's North Korea policy is unlikely to be shaped by a particular ideology. Rather, it is likely to be formulated in a flexible way, contingent on how situations develop.

Additionally, the Moon administration vows to achieve a gradual reunification of the Korean Peninsula through inter-Korean economic integration. The goal of inter-Korean economic integration is to break away from the trend of one-sided financial aid to the North. It also aims to build a new economic belt encompassing the east and west coasts of the Peninsula penetrating into the middle regions based upon the progress made in resolving the North Korean nuclear problem. The administration envisions the signing of a new Inter-Korean Basic Agreement and institutionalizing efforts at advancing inter-Korean relations in the most constructive way possible. Furthermore, it will pursue strategies to improve human rights in North Korea, reunite families separated during the Korean War, and urge the return of South Korean prisoners of war and abductees. In an attempt to catalyze inter-Korean cross-border interactions, the Moon administration also proposes to invigorate media exchanges and people-to-people exchanges across social, cultural, and sports sectors between the two Koreas. In order for such efforts to bear fruit, Washington's stance and response matter. If the mood for a U.S.-DPRK dialogue is created in the year ahead, Seoul and Washington should make concerted efforts to resolve the North Korean nuclear problem, improve inter-Korean relations, and pave the way for a peaceful reunification of the Peninsula based on the ROK-U.S. alliance.

### **Detailed Security Agendas**

It is expected that Trump will urge Seoul to increase its defense burden-sharing. Trump has mentioned that South Korea is not paying its fair share in maintaining the ROK-U.S. alliance given its global standing as one of the most industrialized, wealthy countries. Trump also stressed that various agreements that compromise American interests should be renegotiated, saying the security treaty between the U.S. and Japan will be no exception.<sup>2</sup> In the same vein, Trump argues that U.S. allies, including South Korea, must pay all of the cost for the U.S. military presence in each of their countries. And Trump has remarked that if the allies do not increase their defense spending, they will have to come up with self-protective measures such as nuclear armament to ensure their national security. However, the ROK is already spending 2.5 percent of its GDP on military expenditure, with the Moon administration vowing to increase this up to 3 percent. The ROK is currently paying for 54 percent of the U.S. military presence on its soil, which indicates that Seoul's burden-sharing is above that of NATO member states. In addition, it is anticipated that Seoul and Washington will negotiate and finalize the scope of ROK's future defense burden-sharing in negotiations specific to this topic starting in 2018.

Under these circumstances, key U.S. allies including South Korea and Japan are questioning both the credibility of U.S. deterrence capabilities and its commitment to providing allies with security. In fact, even before Trump's election victory, Japan was entrapped by security angst. For instance, many Japanese are concerned about whether the U.S. will back the Japanese government to reclaim the Senkaku Islands if China dashes to occupy the disputed islands. Moreover, many doubt whether Washington will launch a nuclear counterattack against North Korea in the event of Pyongyang's nuclear missile attack on the Japanese homeland. It also remains unresolved to what extent the U.S. will alleviate security concerns harbored and voiced by Seoul and Tokyo.

### *Defense Burden-Sharing Issue between ROK and the U.S.*

With his interest-based, entrepreneurial standpoint, Trump has argued that U.S. allies should increase their share of the defense burden. Therefore, the U.S. is likely to aggressively safeguard American interests while negotiating the Special Measures Agreement (SMA) scheduled for 2018. Regarding the THAAD deployment issue in South Korea, Trump argues that the THAAD installation on the Peninsula is needed to curb Pyongyang's missile provocations. Although it was decided during the summit that the U.S. will cover the cost of the THAAD deployment, Washington is expected to ask Seoul to provide partial contributions for additional strategic assets during the SMA negotiation in 2018.

### *Wartime OPCON Transfer*

South Korea's President Moon is expected to press ahead with the ROK-U.S. OPCON transfer as promised during his campaign. Considering President Trump vowed to quit the U.S.'s role as the world's policeman during his era, no serious friction is anticipated in the process of the transfer. Another factor worth noting is that the U.S. government has always supported the ROK's decisions regarding the transfer of peacetime and wartime operational control. Therefore, Washington is also unlikely to oppose Seoul's request for another delay of the transfer of wartime operational control.

Of course, the ROK-U.S. OPCON transfer seems to be in line with Washington's pursuit of American national interests. In 1994, the ROK and the United States agreed to transfer peacetime control to the ROK military. The decision was, in part, attributable to the Peninsula's declining strategic importance as perceived by Washington in the post-Cold War period. Furthermore, since the 9/11 attacks, the U.S. has highlighted strategic flexibility, striving to boost the flexibility and mobility of U.S. forces in various regions and host countries. In this context, USFK has been intent on transferring operational command to the ROK military to better mobilize its forces. When the Obama administration began the rebalancing to Asia policy, Washington started to give more weight to the role its Asian allies can play in the region. That is, the U.S. accepted the ROK's proposal for an approach to wartime control of allied forces as part of the pursuit of its rebalancing strategy. And back in 2005 when the return of wartime operational control was agreed upon, the U.S. considered deploying the forces under the United Nations Command (UNC) on the Peninsula in an attempt to fill a security vacuum created by the transfer.

Regarding wartime OPCON transfer, the following points are worth consideration. In order to effectively tackle North Korea's provocations, the two allies should maintain a combined forces command system, as is already agreed upon by the two sides. And, with an aim to streamline communication between the ROK's Defense Ministry and the U.S. Armed Forces in Korea (USAFIK), that command system should be based in Seoul.

### *Building Extended Deterrence and ROK-U.S. Combined Deterrence Capabilities*

Over the past years, the ROK and U.S. governments have made strenuous efforts to strengthen U.S. nuclear and extended deterrence and the ROK-U.S. combined deterrence capabilities. During the annual Security Consultative Meetings (SCMs) held at the Pentagon, the U.S. and South Korea agreed to strengthen combined response capabilities to prepare for a wide range of situations on the Korean Peninsula. During the 44th SCM, both governments decided to develop a bilateral strategy for tailored deterrence against North Korean WMD threats. The decision was to lay out various types of the means for North Korean WMD delivery and devise countermeasures for each type, thereby developing strike capabilities against Pyongyang's WMD provocations.

Additionally, the ROK and U.S. agreed to construct a kill chain for defense against the North Korean ballistic missile threats as quickly as possible. For reference, the kill chain system consists of target identification, force dispatch to target, decision and order to attack the target, and finally the destruction of the target. Drawing upon lessons learned from a series of North Korean aggressions, including the sinking of Naval Corvette Cheonan and shelling of border islands Yeongpyeong, the ROK and the U.S. agreed to establish a "combined operational plan" against North Korea's localized provocations. In the 46th SCM, Seoul and Washington reaffirmed that the two allies' combined defense posture remains strong. They also agreed to form the 2ID /ROK-U.S. Combined Division in wartime and U.S. Military Advisory Group to the Republic of Korea (KMAG) during peacetime.

Furthermore, the two allies agreed to enhance the conditions conducive to wartime OPCON transfer, agreeing to adopt a "conditions-based approach" in proceeding with the transfer. A memorandum of understanding (MOU), signed by a U.S. defense secretary and South Korean defense minister, spelled out the three conditions for OPCON transfer. According to the deal, the eventual transfer will come once the security environment in the region allows for a stable transition—when the ROK military is equipped with the core military capabilities, complemented with and sustained by the aid of the U.S. military, to take the lead in the ROK-U.S. combined defense. The ROK military should be ready to counter North Korean nuclear and missile threats at an early stage in the event of local provocations or all-out armed confrontation based upon its core response capabilities (i.e. the provision and operation of U.S. extended deterrence and strategic capabilities). Additionally, the two allies agreed to integrate the Extended Deterrence Policy Committee (EDPC) and the Counter-missile Capability Committee (CMCC) into the new Deterrence Strategy Committee. Moreover, after Pyongyang test-fired an ICBM, the South Korean government announced that it will proceed with the THAAD deployment.

Despite the joint efforts noted above, a growing number of Koreans started to question the credibility of U.S. extended deterrence capabilities after Pyongyang conducted its 4th and 5th nuclear tests. Due to North Korea's enhanced nuclear and missile capabilities, the nuclear divide between the two Koreas has begun to gradually widen. There have been calls for the redeployment of U.S. tactical nuclear weapons to the ROK and Seoul's nuclear armament. During the 48th SCM, Seoul and Washington agreed to establish an "Extended Deterrence Strategy and Consultation Group" (EDSCG), and to identify additional measures to strengthen U.S. extended deterrence to address such concerns. And during their summit, Presidents Moon and Trump agreed to regularize the EDSCG.

North Korea is striding towards nuclear missile technology, and successful development of long-range nuclear missiles appears to be within its reach. In the face of intensifying North Korean nuclear threats, strengthening ROK-U.S. combined deterrence is critical to dealing with a nuclear-armed North Korea.

## Policy Consideration

It still remains uncertain how the Trump administration's foreign policy, including its strategy toward Asia, will be crafted. As this is especially the case in terms of its policy toward the Korean Peninsula, this section aims to propose policy options needed to bolster the ROK-U.S. alliance in the years to come.

First, the Trump administration should perceive the ROK-U.S. alliance based on the alliance's values and history. Unfortunately, however, Washington under Trump has been looking at the ROK-U.S. alliance based on a perspective centric to American interests. In other words, if Trump does not view Seoul as an indispensable partner, or considers that Seoul makes little contribution to serving American interests, the alliance will drastically lose its momentum during the Moon and Trump years. Therefore, joint efforts of the two allies should be made to prevent the existing basis of the ROK-U.S. alliance—trust, history, and shared values—from eroding due to the pursuit of national interests.

Second, Seoul and Washington should make certain that they are the key players in formulating and implementing their policies toward North Korea. Over the last years, Beijing has endeavored to compromise the integrity of the ROK-U.S. alliance. If Beijing's maneuver succeeds, it will work with Washington to craft a policy toward North Korea solely based on their interests without reflecting Seoul's stance. This will likely result in debilitating the ROK-U.S. alliance. Therefore, in order to sustain the solidarity of the ROK-U.S. alliance, the two allies should step up joint efforts to tackle the North Korean problems on the basis of the ROK-U.S. alliance.

Third, Seoul should protect the solidarity of the ROK-U.S. alliance from being compromised by the conflicting domestic views on the ongoing THAAD installation. Both sides should work together to come up with measures to deal with Beijing's retaliatory economic sanctions against Seoul. That is, it is imperative that the two allies prevent the THAAD deployment issue from shaking the foundation of the ROK-U.S. alliance.

Last but not least, Seoul and Washington should take a flexible approach in formulating policy toward North Korea. If Pyongyang succeeds in developing full-fledged nuclear capabilities and ICBMs, U.S. sanctions against the North will be rendered meaningless, necessitating an alternative approach to the issue. In this sense, Seoul and Washington are standing at a critical juncture. Both should make concerted efforts at devising more creative policy ideas in dealing with Pyongyang's provocations based upon the trust and confidence between the ROK and U.S.

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# Strong, but Worrying: The U.S.-Japan Alliance in the Trump Era

*By Mataka Kamiya*

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## Introduction

**T**he U.S.-Japan alliance is currently in a somewhat odd situation. From the standpoint of its physical strength, the alliance today is in excellent shape. Many foreign and security experts on both sides of the Pacific, however, are uneasy about the future of the alliance.

In recent years, three major developments have paved the way for the two allies to make substantial progress toward deeper security cooperation: 1) Japan's reinterpretation of its constitution in July 2014 to allow the limited exercise of the right of collective self-defense; 2) the revision of the "Guidelines for U.S.-Japan Defense Cooperation" in April 2015 for the first time since 1997, which was intended to "transform the U.S.-Japan alliance, expanding opportunities for the U.S. armed forces and the Japan Self-Defense Forces to cooperate seamlessly"<sup>1</sup>; and 3) the enactment of Japan's new security legislation in March 2016, which made it possible for Japan to implement the items listed in the new bilateral defense guidelines.

Despite his repeated criticism of U.S.-Japan security relations as unfairly advantageous to Japan, Donald J. Trump as U.S. president has turned out to be a strong supporter of the bilateral alliance. During the first seven months of his administration, President Trump and Japan's Prime Minister Shinzo Abe, as well as their respective cabinet ministers, have vowed at every occasion to keep the bilateral alliance strong and to further strengthen security cooperation between the two countries. In the face of increasing provocations by North Korea that have escalated exponentially—such as the intercontinental ballistic missile launches on July 4 and 28 (local time, the same will apply hereinafter), the shooting of a missile over Japan's northernmost main island of Hokkaido on August 29, the sixth nuclear test on September 3, and another shooting of a missile over Hokkaido on September 15—the two allies have repeatedly expressed their determination to bolster their alliance capabilities to deter and respond to North Korea's challenges to the security of their countries as well as to the wider international society. In the Joint Statement of the U.S.-Japan Security Consultative Committee (2+2), issued after the meeting of the Japanese Foreign and Defense Ministers and the U.S. Secretaries of State and Defense held in Washington, D.C. on August 17, 2017, the four ministers reaffirmed their shared recognition that the U.S.-Japan alliance represents "the cornerstone of the Asia-Pacific region's peace, prosperity, and freedom," and reconfirmed "their shared intent to develop specific measures and actions to further strengthen the U.S.-Japan alliance, including through reviewing roles, missions, and capabilities, to ensure seamless alliance responses across a full spectrum of situations amid an increasingly challenging regional security environment."<sup>2</sup> Another piece of good news is that the U.S.-Japan alliance enjoys a high level of public support in both societies. In a public opinion poll conducted between March 15 and April 24, 2017 by Japan's national daily *Asahi Shimbun*, 80 percent of the respondents expressed support for the maintenance of the U.S.-Japan Security Treaty in the future.<sup>3</sup> In an article published in February 2017, a researcher at the Chicago Council on Global Affairs analyzed decades of their polling and concluded that the U.S.-Japan alliance has "deep roots of public support" in the United States as well.<sup>4</sup>

Despite all of these encouraging facts, many foreign policy and security policy thinkers and practitioners in both Japan and the United States still remain wary of the future of the U.S.-Japan alliance in the Trump era. For example, in an article published in May 2017 titled, “Where Will the U.S.-Japan Alliance Be Headed to?: Although the Bilateral Summit Soothed Japanese Concern, Lingering Distrust and Cooped-up Feeling Remain,” Professor Toshihiro Nakayama of Keio University cautioned that “it still remains to be seen what the Trump administration will mean for Japan,” suggesting that the day may come when Japan can no longer base its security policy on the U.S.-Japan alliance, though this question depends on Trump’s future policy positions.<sup>5</sup> In a major public symposium titled “The Trump administration and the Asia Pacific” held in Tokyo on July 14, 2017 Professor Fumiaki Kubo of the University of Tokyo expressed his remaining concern over U.S. foreign policy under the leadership of President Trump. Kubo pointed out that Japan and other U.S. allies in the Asia-Pacific region are still anxious about Trump’s external policy, although those countries are “tentatively relieved” to observe President Trump change his approach to foreign policy since taking office, shifting somewhat from the isolationist-oriented “America First” approach to a more traditional approach of “international peace by American power.”<sup>6</sup> Similar views are expressed by alliance-handlers in the United States. While welcoming the fact that so far Trump’s attitude toward the U.S.-Japan alliance is almost where the Obama administration left it—in the sense that Trump, together with Abe, has declared, “[t]he unshakable U.S.-Japan alliance is the cornerstone of peace, prosperity, and freedom in the Asia-Pacific region”<sup>7</sup>—many American experts say that they cannot be naively optimistic about the future of the bilateral alliance.

Why can’t we just be relaxed about the future of the U.S.-Japan alliance, when the bilateral alliance is arguably “the strongest it has ever been”?<sup>8</sup> To answer this question, it is necessary to examine not only the “hard power” aspect but also the “soft power aspect” of the U.S.-Japan alliance.<sup>9</sup>

### **Hard Power, Soft Power and the U.S.-Japan Alliance**

As a group of Japanese and American security experts led by myself argued in 2015, the nature of the power that an alliance should exert is becoming increasingly complicated in today’s world.<sup>10</sup> Traditionally, an alliance has been understood as a mechanism that seeks to promote the military security of its member states by mobilizing their hard power, especially military power. Over the last several decades, the centrality of military force as a tool for statecraft has declined considerably. This is because the utility and effectiveness of hard power, which has been described as a “carrot and stick” approach to others, have become increasingly restricted, particularly with regard to military power. Meanwhile, soft power, or the ability to set the international agenda and shape the international situation so that others come to define their interests and preferences in ways desirable to you and come to do what you want them to do, is gaining increasingly greater importance. Consequently, in today’s world, alliance cooperation that is solely based on hard power is becoming increasingly insufficient.

Up to the present, the U.S.-Japan alliance has exercised a significant influence in the Asia-Pacific region and globally as an alliance with the largest amount of hard power in the world. The “collective hard power”<sup>11</sup> of the U.S.-Japan alliance has been overwhelming, particularly in the Asia Pacific, both in military and in economic power. Despite the Lehman Shock and the prolonged difficulties in Iraq and Afghanistan, the U.S. still possesses the largest hard power force in the world. Surpassed by China in the size of the gross GDP, Japan still accounts for more than 6 percent of world GDP. In the face of the rise of newly emerging powers, the size of the collective hard power of the U.S.-Japan alliance is still the second-largest in the world (only second to NATO).

In today's world, however, the utility and effectiveness of an alliance rests not only on its collective hard power, but also on its "collective soft power," i.e., the collective ability of an alliance to attract other countries and non-state actors to its side. It is particularly so for the U.S.-Japan alliance because in recent years the existing liberal, open and rules-based international order in the Asia-Pacific and beyond has been under growing strain due mainly to the rise of an increasingly assertive China. This order has been formed and maintained throughout the post-World War II period by the collective efforts of developed democratic countries that share liberal values and principles, including Japan, under the consistent leadership of the United States. While Japan and the United States have been the largest beneficiaries of this order, other countries have also reaped significant benefits from the liberal, open, and rules-based nature of this order. Today, in the face of the increasing assertiveness of China, it is essential for the interests of the United States and Japan, as well as of the entire international community, to preserve the basic elements of the current international order, i.e., its liberal, open, and rules-based character. That cannot be achieved, particularly in the Asia-Pacific, unless the United States and Japan as allies play leading roles in cooperation. And the two allies cannot exercise necessary leadership in a sufficient manner unless they succeed in attracting other states and non-state actors outside of the U.S.-Japan alliance to their side, rather than to the side of China. Without this force of attraction, or collective soft power, it would be difficult for the United States and Japan to attain the goal of protecting the existing order that is liberal, open and rules based, especially in the Asia-Pacific region.

At the beginning of this paper, I argued that the U.S.-Japan alliance today is in excellent shape from the standpoint of its physical strength. In other words, the U.S.-Japan alliance is going strong with regard to its collective hard power. Few foreign and security policy experts in Japan or the United States harbor doubts about that. It is mainly about the soft power aspect of the alliance that worry persists on the both sides of the Pacific.

### **The Hard Power Aspect of the U.S.-Japan Alliance: "Has Never Been Stronger"**

"Today, the U.S.-Japan alliance is as strong as it has been at any time during its existence," the Commission on the Future of the Alliance, a bilateral commission comprised of eminent scholars and policy makers from Japan and the United States, declared at the beginning of their final report, published at the end of February 2016.<sup>12</sup> During his last visit to Tokyo as U.S. secretary of defense in the Obama administration, Ash Carter referred to the U.S.-Japan alliance as "our strong alliance which has never been stronger."<sup>13</sup> As these remarks demonstrated, before the Trump administration came to power, the vast majority of officials, policy makers, as well as scholars in both Japan and the United States agreed that the health of the alliance had never been better. In fact, these people are still confident about the strength of the hard power aspect of the bilateral alliance, mainly due to the three developments in recent years which were listed at the beginning of this paper: Japan's reinterpretation of its constitution in July 2014, the revision of the Guidelines for U.S.-Japan Defense Cooperation in April 2015, and the enactment of Japan's new security legislation in March 2016.

Of particular importance for the strengthening of the alliance was the revision of the Guidelines for U.S.-Japan Defense Cooperation.<sup>14</sup> In the opening sentence of the new guidelines, the purpose of U.S.-Japan defense cooperation is defined as to "ensure Japan's peace and security under any circumstances, from peacetime to contingencies, and to promote a stable, peaceful, and prosperous Asia-Pacific region and beyond." Here, what is meant by the "Asia-Pacific region and beyond" is the entire world.

With regard to cooperation on protecting the security of Japan, “seamless” cooperation in peacetime and contingencies is spelled out in this section. Matters concerning U.S.-Japan cooperation are divided into four sections—“Cooperative Measures from Peacetime”; “Responses to Emerging Threats to Japan’s Peace and Security” (responses to “situations that will have an important influence on Japan’s peace and security”); “Actions in Response to an Armed Attack Against Japan”; and “Actions in Response to an Armed Attack Against a Country Other Than Japan”—with details elaborated under each section. Within these, it is specified that “peacetime” includes “situations when an armed attack against Japan is not involved.” This kind of situation is referred to as a “gray zone situation,” where Japan is not subject to an armed attack, but where its territory or sovereignty has been infringed upon by a foreign country and the matter cannot be handled with police and coast guard authorities alone. Specifically, this envisages cases such as if an armed group of foreign individuals illegally lands on a remote island such as the Senkaku Islands. In the previous guidelines, no actions had been laid out concerning U.S.-Japan cooperation in the event of such circumstances.

In addition, “situations that will have an important influence on Japan’s peace and security” refer to situations which, if left unattended, could threaten the security of Japan. It is noted that such situations “cannot be defined geographically.” For example, since roughly eighty percent of Japan’s total crude oil imports are transported through the Strait of Hormuz, a blockade of the Strait with underwater mines would have a serious impact on the peace and security of Japan. Under the previous guidelines, except for cooperation in peacetime and cooperation in cases where Japan were attacked, only cooperation in the event of situations in “areas surrounding Japan” was set forth. In contrast, the new guidelines establish that Japan and the United States shall cooperate in the event of situations that threaten Japan’s security wherever in the world such situations occur, although “Japan will conduct actions and activities in accordance with its basic positions, such as the maintenance of its exclusively national defense-oriented policy and its three non-nuclear principles.” This means that Japan will not take part in combat operations. Cooperation provided to the United States by Japan would primarily involve activities such as logistic support.

As for cooperation in the event Japan were subject to an armed attack, the new guidelines stipulate that when the United States conducts “operations involving the use of strike power,” then “the Self-Defense Forces may provide support, as necessary.” While Japan must rely on the United States for strike power under its exclusive defense-oriented policy, this indicates that in the future, Japan may be involved in some capacity with the United States’ exercising of strike power.

Continuing from the above, the new guidelines also establish the cooperation Japan and the United States would undertake to deal with “an armed attack against the United States or a third country.” A particularly important passage is:

“The Self-Defense Forces will conduct appropriate operations involving the use of force to respond to situations where an armed attack against a foreign country that is in a close relationship with Japan occurs and as a result, threatens Japan’s survival and poses a clear danger to overturn fundamentally its people’s right to life, liberty, and pursuit of happiness, to ensure Japan’s survival, and to protect its people.”

This shows that based on the revised interpretation of the Japanese constitution employed by the Abe administration since July 1, 2014, Japan will exercise the right of collective self-defense on a limited basis in the future. Specific examples would include cooperation with regard to minesweeping to defend sea lanes when international straits such as the Strait of Hormuz are blocked using underwater mines, and cooperation in the form of missile intercepts whereby Japan would shoot down flying ballistic missiles headed for the United States.

In addition to cooperation to protect Japan's security, the new guidelines also set forth matters regarding "Cooperation for Regional and Global Peace and Security" and "Space and Cyberspace Cooperation." "Cooperation for Regional and Global Peace and Security" includes things such as Japan-U.S. cooperation when taking part in United Nations peacekeeping activities, cooperation in international humanitarian assistance/disaster relief activities, and capacity-building in partner nations such as Southeast Asian countries. The two allies thereby broaden the scope of functional cooperation between them.

The items described above serve as a summary of the new guidelines for U.S.-Japan defense cooperation. At a joint press conference after the 2+2 meeting to approve and release the new guidelines, then U.S. Secretary of State John Kerry maintained that "[t]his is an historic meeting, it's an historic transition in the defense relationship between countries," implying that the new guidelines will significantly change the nature of U.S.-Japan cooperation.<sup>15</sup> But there should be many who are wondering precisely what about these changes makes them "historic." The allies envision various eventualities up to and including one of the allies being attacked, and will engage in military cooperation in such an event. Wherever in the world such a situation occurs, if the development seriously impacts the security of an allied member, all of the allied nations are expected to cooperate to resolve the situation. Allied nations similarly join forces in international peacekeeping efforts, humanitarian support and disaster relief activities. When conducting these kinds of activities, should there be a need to exercise the right of collective self-defense as recognized in international law, allied members will exercise those rights. Are not such actions entirely expected of a member nation on account of their being an ally? Just what, if anything, is new and historic about Japan and the United States doing so?

In order to answer these questions, it is necessary to understand the idiosyncratic influence of Japan's postwar pacifism on U.S.-Japan security cooperation. In fact, for almost a quarter of a century since its formation in 1952, the U.S.-Japan alliance lacked any joint planning aspects due to the postwar Japanese population's strong sense of caution towards the military. The 1976 edition of Japan's Defense White Paper admitted that "to date Japan and the United States have not engaged in any discussions with respect to defense cooperation in contingencies, nor was there any organization tasked with discussing operational cooperation during such eventualities." When the first guidelines on U.S.-Japan defense cooperation were established in 1978, Japan and the United States finally began joint research into elements such as joint operational planning in the event of contingencies. However, at the time Japan and the United States did not yet have any actual joint operations plans. Moreover, the consultation and discussion between the two countries went no further than research into joint operations in the event Japan were attacked; cases where regional (external to Japan) peace would be threatened were hardly discussed. This was because the Japanese public continued to be cautious about the military and therefore wary of military cooperation with the United States.

Following the Cold War, with the North Korean nuclear and missile problems becoming increasingly serious, Japan and the United States started to become concerned that it had still not been clearly established in what capacity Japan would be able to cooperate with the United States in the event the United States engaged in a regional conflict in areas surrounding Japan. In light of the 1996 redefinition of the U.S.-Japan alliance which positioned the alliance as a means to stabilize order in the Asia-Pacific region, the 1997 guidelines presented a framework for U.S.-Japan cooperation concerning "Cooperation Under Normal Circumstances," "Actions in Response to an Armed Attack Against Japan" and "Cooperation in Situations in Areas Surrounding Japan That Will Have an Important Influence on Japan's Peace and Security." Japan and the United States also started developing joint operational plans for such eventualities. However, the geographic range over which Japan and the United States would engage in defense cooperation would still be limited to "areas surrounding Japan." Furthermore, as Japan was unable to exercise the right of collective self-defense under its constitution, Japan was unable to perform many of the activities member nations would naturally carry out under a regular alliance.

For instance, Japan would not be able to shoot down a ballistic missile bound for the United States or conduct joint operations against an underwater mine blockage of an international strait, as these actions would constitute the exercising of the right of collective self-defense.

The 2015 guidelines eliminated these peculiarities of the U.S.-Japan alliance to a considerable degree, reflecting the willingness of the alliance to play a more active role in international security without geographic limitations. In this sense, the changes are historic and hold groundbreaking significance for the strengthening of the alliance. In September 2015, after a long and harsh debate, the Japanese Diet passed new security legislation which removed various self-imposed restrictions on Japanese Self-Defense Forces that had precluded Japan from assuming international security roles commensurate with its capabilities and interests. The enactment of the new law in March 2016 has made it possible for Japan to implement the new U.S.-Japan defense cooperation guidelines. Consequently, the hard power aspect of the U.S.-Japan alliance has literally become stronger than ever.

Despite the radical changes taking place in the domestic politics of the United States since this January 20, 2017, the strength of the U.S.-Japan alliance remains unchanged. As both Trump and Abe have expressed their respective intention to increase the defense budgets of their respective countries, there is a good chance that the U.S.-Japan alliance will be bolstered even further. And unlike his attitude toward NATO, Trump's attitude toward the U.S.-Japan alliance has been reassuring since the first Trump-Abe summit of February 10, 2017 in Washington, D.C. Trump's top administration officials, including Secretary of State Rex Tillerson and Secretary of Defense James Mattis, have made every effort to alleviate Japan concerns regarding the future of the bilateral alliance. After North Korea shot a missile over Hokkaido on August 29, Trump had three telephone conversations with Abe in the six days until September 3 (Japan time). When North Korea conducted the sixth nuclear test on September 3, Trump and Abe talked by telephone again. It was quite extraordinary that the leaders of the two allied nations held telephone sessions twice in the same day. Showing "its [sic] strong commitment to Japan's defense, with the view that the U.S. is 100% with its ally, Japan,"<sup>16</sup> President Trump agreed with Prime Minister Abe, in their conversation on August 29, to increase pressure on North Korea—another reassuring move for Japan, as well as for alliance-handlers on the both sides of the Pacific. So why can't they just be relaxed about the future of the U.S.-Japan alliance, then?

### **The Soft Power Aspect of the U.S.-Japan Alliance: Source of Anxiety**

The answer lies in Trump's subjective perceptions. What makes those in Japan and the United States anxious about the future of their alliance is the president's perception of the U.S.-Japan alliance and his worldview that supports this perception.

Most significantly, Trump's view of the alliance is old-fashioned, or anachronistic. Trump sees U.S. alliances, including the U.S.-Japan alliance, simply as mechanisms through which the United States provides protection to its allies. On August 5, 2016, in his speech at a presidential campaign rally in Des Moines, Iowa, Trump harshly criticized the U.S.-Japan alliance as an unfair framework disadvantageous for the United States. "You know we have a treaty with Japan where if Japan is attacked, we have to use the full force and might of the United States... If we're attacked, Japan doesn't have to do anything. They can sit home and watch Sony television, OK?" Trump said.<sup>17</sup> Of course, he was wrong. As was explained above, by the spring of 2016, Japan had made clear its willingness to do something when "the United States or a third country" is attacked, by reinterpreting its constitution, concluding the new defense cooperation guidelines with the United States, and enacting the new security law. It is encouraging that President Trump seems to have realized these facts soon after he came into office. He has stopped categorizing the alliance as "unfair." It is however unclear at best whether his perception of the basic structure, goals and functions of the U.S.-Japan alliance has changed at all.

It is of course true that the allies of the United States, including Japan, have been protected by their relationship with the United States. Japan, in particular, has considerably relied on the alliance with the United States for its security under its postwar pacifist constitution and the consequent military posture of an “exclusively defense-oriented defense.” Today, despite significant changes in Japan’s defense policy as described above, Japan is still relying on the protection provided by the United States. However, Trump ignores the fact that the U.S.-Japan alliance today is much more than a simple mechanism through which the United States protects Japan. U.S. alliances today, and the U.S.-Japan alliance in particular, serve as key mechanisms for the United States and its allies to protect the existing international order.

In recent years, the liberal, open, rules-based international order, which has been the foundation of the peace and prosperity in the Asia-Pacific and globally over the last seven decades, has been increasingly challenged. International commitment to this postwar order is being tested in the Asia Pacific by China, particularly in the East and South China Seas. In Europe, the order is also being tested by Russia, particularly in Crimea and Ukraine. A shared commitment to maintaining the liberal, open, rules-based order needs to be reaffirmed, and commitments by the United States and Japan—the two largest liberal democracies in the world—are of particular importance.

Before President Trump came into office, Japan and the United States shared a determination that the two countries have to take leadership roles to protect this existing international order. The two countries shared a clear recognition that they have to utilize the U.S.-Japan alliance for that purpose. In the last years of the Obama administration, the two allies shared a perception of the basic structure of the U.S.-Japan alliance today: the United States maintains its commitment to peace, stability, and order in the Asia-Pacific region and globally, under the policy of “rebalance to Asia”; Japan increases its support to the U.S. leadership in the region and globally, by expanding its security role under the policy of “proactive contribution to peace.” The opening paragraph of the joint statement issued on an occasion of President Barack Obama’s visit to Tokyo in April 2014 declared that U.S.-Japan relations are based on “a common vision for a rules-based international order.” It went on to say “[t]he U.S. rebalance to the Asia Pacific and Japan’s policy of ‘Proactive Contribution to Peace’ based on the principle of international cooperation both contribute to the alliance playing a leading role in ensuring a peaceful and prosperous Asia-Pacific.”<sup>18</sup> One month later, Prime Minister Abe, in the keynote address at the Shangri-La Dialogue in Singapore on May 30, 2014, spoke of the fundamental importance of the rules-based order for Japan and the region and of Japan’s willingness to play a leading role in bolstering this order together with the United States.<sup>19</sup> The Obama-Abe joint declaration and Abe’s Shangri-La address were welcomed by the majority of the international community, particularly by many Asian countries.

The U.S.-Japan alliance becomes an attractive entity to other countries when this alliance provides international public goods that are beneficial not only for the two allies but also for others. In fact, the U.S.-Japan alliance has provided one significant public good, i.e., support for the liberal, open, and rules-based international order. The majority of the international community, and particularly many Asian countries, obviously desire to see the two allies keep making efforts to maintain this order in the face of increasing pressure from China and other revisionist countries, rather than see the revisionists transform the basic character of the existing order. In this sense, the U.S.-Japan alliance in the Obama-Abe years attracted many other countries in the Asia Pacific and beyond to their side, rather than the side of the revisionists such as China.

However, Trump seems to have little understanding of the significance of the existing liberal, open, rules-based international order for the peace and prosperity of the Asia Pacific and beyond. He does not seem to understand that significant benefits accrue to those who define the “playing field” and the “rules of the game” whether in sumo wrestling, baseball or international politics and economics. That is the fundamental reason why he withdrew so hastily and easily from the TPP and the Paris Agreement. In the bilateral summit meeting held in April 2014, Obama and Abe were in complete agreement on their recognition that the TPP was strategically important as it would create one economic zone for the Asia-Pacific region, a center for world growth, and because it would create a new set of rules for countries that share the basic values of freedom, democracy and the rule of law.<sup>20</sup> Both leaders understood that although the TPP is an economic agreement, its significance is not limited to its economic values, but also to its strategic value in a sense that the TPP will serve as a mechanism to promote a U.S.-led rules-based international order in the Asia Pacific, where this principle of the regional order is seriously challenged by China. Trump, however, has little understanding of such a strategic meaning of the TPP. Nor does he understand how damaging a unilateral withdrawal of the United States from highly acclaimed international agreements such as the TPP and the Paris Agreement could be for its ability to attract others and build partnerships based on shared interests.

To put it in other words, Trump does not understand the importance of soft power for the national interest of the United States. He does not recognize how the maintenance of the attractiveness of the United States as a credible leader in international affairs is essential for inducing cooperation from other countries. In particular, he does not appreciate how beneficial it is for the United States to maintain the U.S.-led international order and play various international games within that order. If the United States weakens its soft power, that will have detrimental effect for the soft power of the U.S.-Japan alliance. If the United States loses interest in the protection of the rules-based international order, that will undermine the comfortable international playing field with which Japan has been familiar for many years.

Therefore, the future course of the U.S.-Japan alliance in the Trump era is still a cause of concern on the both sides of the Pacific, particularly in Japan. A strong U.S.-Japan alliance will surely serve Trump’s goal of making America great. However, in order to make the U.S.-Japan alliance function really strongly and effectively, he needs to realize that he has to pay attention to not only its hard power aspect but also its soft power aspect. He needs to realize that the United States, in cooperation with Japan, has to play a leadership role in protecting the existing liberal, open and rules-based international order, not only for altruistic reasons, but to protect its own prosperity and security. It, however, remains to be seen whether Trump’s thinking on these issues will change. It remains to be seen how the Trump era will unfold for the U.S.-Japan alliance.

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# The Abe-Trump Alliance

*By Sheila A. Smith*

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**T**he transition to the Trump administration has created deep uncertainty over U.S. foreign policy. As a candidate in the 2016 presidential campaign, Donald J. Trump seemed to suggest U.S. alliances in Asia were a thing of the past and that trade deficits with Asian states were a cause of U.S. economic demise. But since taking office, President Trump has had close relations with Japan's Prime Minister Shinzo Abe, and in many ways the U.S.-Japan alliance has emerged as one of the president's best diplomatic partnerships.

Several factors have positioned the U.S.-Japan alliance at the center of an evolving Asia policy. First, Prime Minister Abe took the initiative to reach out to President-elect Trump, creating a personal connection that would continue through the first year of the Trump administration. Second, the thin ranks of political appointees to critical bureaucracies such as the Departments of Defense and State have opened the way for the Japanese prime minister and his staff to play a larger advisory role than might normally be the case. Finally, the North Korea crisis focused the president's attention on Asia, and with Abe at his side or on the phone, Trump put the U.S.-Japan alliance response front and center in his calculations over how the United States should respond.

For the next three years of this administration, the U.S.-Japan alliance should continue to do well. However, there are several trouble spots ahead that could temper the current enthusiasm for alliance cooperation. First, a North Korean crisis—or worse yet, conflict—could undermine Japanese confidence in U.S. management of their security. Second, Abe may come under political pressure at home, and his leadership could weaken or end. Third, the economic ties between the United States and Japan could be sorely tested should the Trump administration insist on negotiating a bilateral trade agreement that would leave Japan far worse off than the Trans-Pacific Partnership that Abe and many others in Japan worked so hard to complete. Finally, the complexities of Asian geopolitics could translate into a more difficult relationship between Washington and Tokyo. The United States could lose its way in Asia, China might test the alliance, or internal U.S. domestic divisions could leave Japan on its own to deal with its security.

## **Abe's Personal Touch**

The U.S. presidential campaign of 2016 unsettled many in the U.S. and abroad. As Trump's candidacy seemed more and more possible, his positions on the U.S. role in the world suggested a radical departure from many of the core assumptions about the goals of U.S. foreign policy. Of particular concern to Japanese audiences was Trump's critique of the economic relationship with Japan, at times seemingly putting Japan in the same basket as China in terms of his criticism of trade practices. Trump seemed locked into a view of Japan better suited to the 1980s, when Tokyo's economic superpower status dominated the headlines. Even worse, he seemed ready to abandon U.S. allies to a nuclear North Korea, suggesting in a well-publicized interview in the *New York Times* that Tokyo and Seoul would "inevitably" have to fend for themselves and develop nuclear weapons.<sup>1</sup> Trump's commitment to upending U.S. trade agreements—renegotiating NAFTA and withdrawing from the recently negotiated Trans-Pacific Partnership (TPP)—signaled a sharp departure, and for many Japanese, it seemed incredible that trade agreements which largely favored American interests would be abandoned so easily.

When Trump won the election in November, and became president-elect of the United States, Prime Minister Abe was quick off the mark in reaching out to him, making an unprecedented visit to Trump Tower on November 17, 2016, for a private discussion.<sup>2</sup> Abe's political instincts to befriend the new and unpredictable American president have paid off for Japan as the new administration struggles to define its foreign policy priorities and in particular tries to cope with the complexity of managing China and an ever-more belligerent North Korea. Yet this did not prevent the newly-elected president from following through with his campaign promise to withdraw from one of Abe's most important priorities, the TPP. On January 23, newly-inaugurated President Trump announced the United States would not participate in the 12-nation multilateral trade agreement, which sought to write the rules for trade liberalization in the Asia Pacific.<sup>3</sup>

Nonetheless, Japan remained high on the new U.S. president's priority list. Prime Minister Abe was one of the first foreign leaders to visit President Trump, and much credit for the early stability in the alliance can be given to the personal overtures of Japan's prime minister to the newly-elected American leader. The worrisome rhetoric of the Trump campaign gave way rapidly to a series of reassurances that the U.S. commitment to its Asian alliances was unscathed. The joint statement issued by the president and prime minister on February 10 was all that Tokyo could have wished for, as it included one of the most sensitive issues for the Abe cabinet, a U.S. commitment to deter aggression against the Senkaku Islands.<sup>4</sup>

North Korean belligerence also helped. With Pyongyang's missile launches punctuating the early months of the U.S. presidential transition, including one launched during Abe's trip to Trump's Florida retreat at Mar-A-Lago, both the secretary of defense and the secretary of state traveled to Tokyo and Seoul to deliver the message that the United States could still be relied upon to defend its allies. In a press conference hastily arranged by the Japanese prime minister, Trump appeared to stand beside Abe. While Abe reassured his citizens that the alliance would ensure their security, Trump delivered a short but clear message: America stands behind Japan "100 percent."<sup>5</sup>

On the economic front, Trump's withdrawal from TPP was a blow to Japan and to Abe in particular. While it must have pained Abe to see all of his hard work with President Barack Obama fall by the wayside, Japan's prime minister continued to advocate to Trump the benefits of TPP for the region, and more importantly, for the United States. Nonetheless, at the summit meeting, the two leaders agreed to establish an economic dialogue between Vice President Mike Pence and Deputy Foreign Minister Taro Aso. Abe suggested the leaders consider a broad economic agenda, one that included trade, investment, and the prospective infrastructure plan that Trump had championed.<sup>6</sup>

Alliance management under the new U.S. administration was thus divided into two tracks: the established 2+2 mechanism for managing security and diplomatic cooperation, and this new Pence-Aso dialogue for the politically sensitive topic of trade. Visits to the region by members of the Trump cabinet, first Secretary Mattis and then Secretary Tillerson, provided ample initial contact to restore confidence, and Tokyo hoped to solidify these gains with the new U.S. administration in a formal 2+2 meeting by late spring. But the Trump administration was unprepared, and scheduling the principals became difficult. In Tokyo, the defense minister, Tomomi Inada, was under fire for her mishandling of the Self-Defense Force dispatch to South Sudan, and for months, she seemed perilously close to losing her job. She stepped down, along with the Ministry of Defense's senior uniformed and civilian officials involved, and thus it was not until August that a formal alliance meeting took place. By then, Abe had reshuffled his cabinet and a new minister of foreign affairs, Taro Kono, and a minister of defense, Itsunori Onodera, came to Washington. The United States and Japan used the 2+2 meeting to condemn North Korea for its recent provocations, to pledge to broaden defense and intelligence coordination, and to reaffirm the two countries' commitment to 2015 Guidelines for U.S.-Japan Defense Cooperation.<sup>7</sup>

### **An Early Agenda: North Korea and Trade**

These two issues, North Korea and trade, focused the Trump administration's discussions with Japan in its early months.

#### *North Korea*

North Korea's provocations and the growing technological improvements in its missile arsenal dominated the spring and summer months for the United States and Japan. Moreover, North Korea's decision to launch a missile in the direction of Japan during Abe's visit to Mar-A-Lago put the Japanese prime minister front and center in U.S. thinking about how to respond to the challenge from Pyongyang. Normally, the United States and Republic of Korea lead the conversation on North Korea's behavior, but in the early months of the Trump administration, Seoul was in the hands of a caretaker government awaiting the outcome of the May 9 election called in the wake of President Park Geun-hye's impeachment. The U.S.-Japan alliance thus responded first, and Abe became the allied leader Trump turned to first as the months of deliberations on how to deal with Kim Jong Un passed.

For Japan, of course, the missile threat from North Korea fundamentally alters threat perception, especially as Kim Jong Un seeks to decouple U.S. regional allies from its extended deterrent. But missiles more than nuclear weapons have worried Tokyo for some time. The Pyongyang Declaration, concluded when Prime Minister Koizumi Junichiro met with Kim Jong-Il in 2002, included a moratorium on missile testing by the DPRK. More than a decade later, the acquisition of sophisticated ballistic missiles has increased the direct threat to Japan. Kim Jong Un's willingness to use a forbidden nerve agent to assassinate his half-brother prompted Prime Minister Abe to point out in the Japanese Diet in April that even before Kim Jong Un acquired nuclear warheads, he could still threaten Japan with other weapons of mass destruction such as chemical and biological weapons.<sup>8</sup>

In 2017, North Korean missiles increasingly flew in the direction of Japan, intensifying yet again Tokyo's sense that its vulnerability to missiles calls for even greater defense efforts. In June, the National Defense Division of the LDP's Policy Research Council released its report on Japan's evolving defense needs, and improving missile defenses was high on the priority list.<sup>9</sup> Moreover, this report also highlighted the question of whether the time had come for Japan to introduce a conventional strike option, allowing Tokyo to retaliate in case of a missile attack. The logic, according to Itsunori Onodera, the former defense minister who chaired the missile defense subgroup, was that this would enhance deterrence. Onodera returned to the position of defense minister when Abe reshuffled his cabinet in August 2017.

Close coordination with the United States is indispensable to coping with North Korea. The conversation begun at Mar-A-Lago has continued throughout the year. The 2+2 meeting in August provided an opportunity to formalize the discussion on enhancing Japanese military capabilities, including the possibility of introducing the Aegis Ashore system. By early September, Abe had spoken with Trump thirteen times as North Korea continued to test the range and accuracy of its ballistic missiles. In the wake of Pyongyang's nuclear test on September 3, Japan's prime minister, like the U.S. president, repeatedly called on China to take a larger role in sanctioning North Korea.<sup>10</sup> In the past, Tokyo and Washington have not always seen eye to eye on how to manage the North Korea problem, but in 2017, as Pyongyang threatens to acquire an intercontinental ballistic missile (ICBM) capable of reaching the United States that could carry nuclear weapons, the two countries are completely aligned in their diplomatic and military efforts to preclude Kim Jong Un's aim of weakening allied defenses. Unlike in South Korea, however, there are virtually no Japanese advocates for an independent nuclear option. The U.S.-Japan alliance remains the preferred option for both defense and deterrence.

### *Trade*

Japan was not immune to Trump's campaign promise to renegotiate America's trade agreements. After withdrawing from TPP, the new U.S. administration made clear it wanted a bilateral trade agreement with Japan. It hopes to use the Pence-Aso dialogue as a means to begin discussing this trade deal, but the first meeting of the dialogue in April produced only a single page statement with vague pledges for economic cooperation and rule-setting.<sup>11</sup> Following the meeting, Secretary Ross said, "It's a little bit early to say just what forms things will take, but we are certainly eager to increase our trade relationships with Japan and to do so in the form of an agreement."<sup>12</sup> U.S. Trade Representative Robert Lighthizer has been more reluctant to speak of a trade agreement, but he has reiterated the administration's concern with the bilateral trade balance and, in an August meeting with Foreign Minister Kono, called for accelerating trade discussions.<sup>13</sup> Progress will be difficult, as April's economic dialogue showed that Japan still has a firmly multilateral preference for trade, while the U.S. administration is fixated on narrower bilateral deals.<sup>14</sup>

Yet the economic relationship with Japan is far broader and more complex than the new administration's focus on the trade deficit would suggest. Japanese foreign direct investment (FDI) in the United States, registering \$420 million in 2016,<sup>15</sup> included manufacturers who were very concerned about Trump's policies, such as the administration's initial proposal of a border adjustment tax and the renegotiation of NAFTA. Some Japanese companies were singled out for criticism, such as automaker Toyota, and some for praise, such as billionaire investor Masayoshi Son's Softbank. Both drew Trump's attention and were highlighted on Twitter. President Akio Toyota announced his \$10 billion investment plan on January 9,<sup>16</sup> and Softbank CEO Son visited Trump to talk about his investment plans, undoubtedly linked to the stalled effort to buy T-Mobile.<sup>17</sup> Softbank's attempt to merge Sprint and T-Mobile was blocked in 2014, but it hopes that regulators appointed by Trump may prove to be more flexible.<sup>18</sup>

The \$68.8 billion U.S. trade deficit with Japan drew the administration's ire, just as the deficit with China and South Korea did.<sup>19</sup> Yet it was unclear that a FTA would change this balance. Moreover, the loss of trade from TPP was given short shrift by new U.S. officials. Prime Minister Abe wasted no time, however, in thinking through Japan's options in the wake of President Trump's decision. On July 6, the eve of the G-20 meeting, Japan and the European Union announced a new trade deal, one that would include 39 percent of the world's export trade once completed.<sup>20</sup> Dubbed the "cars for cheese" agreement, this was a major breakthrough for both sides, which had struggled to find their way to an agreement in the past. Clearly the arrival of the Trump administration in the United States changed the incentives for Tokyo and Brussels.

In addition to securing an agreement with the EU, Abe reluctantly but determinedly turned his attention to the TPP-11, working alongside Australia and other Asia-Pacific leaders to consider how to bring TPP to fruition without the United States. The remaining eleven economies have met many times throughout 2017, and although there are remaining questions about intellectual property law and how to modify the pact to allow for ratification without the United States, they appear willing to cut their losses and move forward with a deal.<sup>21</sup>

### **Challenges Ahead for Trump and Abe**

The current highly personalized management of the U.S.-Japan alliance is unusual and carries both opportunity and risk. The opportunity is obvious: high-level conversation between the president and the prime minister on the goals of the alliance offers Tokyo an unprecedented opportunity to shape the agenda during a moment of military crisis. President Trump has repeatedly sought Prime Minister Abe's advice and support for a diplomatic response to the North Koreans; Abe has urged Trump to maintain a strong stance against Kim Jong Un's missile threat.<sup>22</sup> But with this close dialogue comes a risk that the relationship between the United States and Japan is increasingly linked to the fate of the two leaders. With a skeletal staff available in the U.S. government for the day-to-day consultations associated with alliance management, much depends on the Japanese government to ensure policy implementation. Moreover, Japan's fate now resides in the hands of a U.S. president that many see as erratic and overly combative at a time when the risk of military conflict on the Korean Peninsula is escalating.

Whether the Abe-Trump relationship will spare Japan from the pressures that other U.S. allies are facing remains to be seen. The Trump administration has been ambivalent about alliances, at times willing to embrace their strategic value while at other times challenging their economic impact on the United States. The president refused to reassert the U.S. commitment to Article Five protections during the NATO summit in May and has openly challenged treaty allies on their defense spending and on their trade surpluses with the United States.<sup>23</sup> Trump accused Germany of free riding in Europe, and he criticized the KORUS trade agreement even as the United States and South Korea stepped up their coordinated military response to North Korea's belligerence. This new U.S. approach of linking security protections to trade practices has not yet publicly affected the U.S.-Japan alliance, but there is considerable speculation in Japan that it is only a matter of time before Tokyo comes under this kind of pressure from the Trump administration.

The Abe cabinet has also continued to stress the importance of international cooperation, while Trump has stepped back from multilateralism to embrace bilateralism. Not only has the United States withdrawn from TPP, but also it has withdrawn from the Paris Agreement on climate change, a global accord that Japan supports. The G20 meeting in July was an awkward venue for the Trump team's new "America First" policy, yet the forum is very important for Prime Minister Abe's diplomacy. On the eve of the meeting, Japan and the European Union announced they had reached agreement on a free trade deal and during the meeting, Abe used the occasion to lobby other global leaders on the importance of a unified stance towards North Korea. Interestingly, the Trump administration has embraced the collective security purpose of the United Nations in its response to the North Korean crisis,<sup>24</sup> and Tokyo has been a reliable partner in pushing for renewed and stronger UN sanctions against Pyongyang's missile and nuclear tests.

In Asia too, Abe's efforts to work with the United States could be complicated by China. Despite all of the discussions between Japan's prime minister and President Trump, many in Tokyo continue to worry that the United States and China will reach some accord that diminishes support for the U.S.-Japan alliance. Chinese President Xi Jinping's visit to Mar-A-Lago, coming as it did on the heels of Abe's visit there, suggested the possibility that Trump might be tempted to strike a deal with China's leader.<sup>25</sup> Tokyo has consistently urged Beijing to take a stronger role in sanctioning North Korean behavior, while President Trump allows that Xi is trying to make a difference even as he criticizes China for not doing enough. The U.S. president's penchant for personalizing diplomacy could extend to other leaders beyond Japan, and this too could prove difficult for Tokyo to manage.

Yet it is the lack of an overarching Asia-Pacific strategy that might in the end be the most difficult challenge for Japan. The Abe-Trump partnership may not be enough to produce a shared vision on the future of the region. Japan needs the United States to continue to advocate a rules-based order in Asia, and to continue to hold China accountable for its coercive approach in the maritime domain. This fall, as the annual East Asia Summit and APEC leader's meeting approach in November, it is not clear that President Trump will embrace this role for the United States in Asia. In fact, the president has so far refused to commit to attending either meeting. Philosophically, this U.S. administration has not sought to define U.S. interests in terms of international norms nor has it seen collective action on maritime issues as a U.S. priority. This could leave Japan and other U.S. allies, such as Australia, and partners, such as India, holding the bag on the push for regional cooperation against an increasingly competitive China. Without TPP and indifferent to APEC, the United States' influence over the economic relations of Asia could diminish significantly.

While the North Korea crisis is shaping the U.S. response to Asia's security challenges at present, there are longer-term strategic questions to consider. The Trump administration's approach to Asia remains ill-defined and reactive. For the remainder of 2017, with the 19<sup>th</sup> Party Congress looming in October, President Xi will continue to focus his attention on domestic politics, but the United States and Japan could find China far more challenging in the years to come. How the Trump administration ultimately decides to cope with China will of course have great impact on the U.S.-Japan alliance. Any trade conflict with Beijing would harm Japanese economic interests, especially if it expands to a beggar-thy-neighbor dynamic of competitive protectionism. U.S. military strategy towards China also matters deeply to Tokyo, as it depends heavily on the sea lanes for its economic well-being. Should China begin to encroach upon or limit access to Asia-Pacific sea lanes, Japan would not be well positioned to respond in the absence of a strong U.S. military presence. To date, however, it does not seem likely that the Trump administration will cut back on its Pacific military posture.

Abe too has to contend with domestic political pressures of his own. 2017 proved to be a challenging year for the Japanese prime minister. Reports of his government's preferential treatment for a personal friend mushroomed into a significant scandal this summer, and his Liberal Democrat Party's (LDP) loss of a crucial local election in Tokyo proved a serious setback in public support for the prime minister. A cabinet reshuffle brought in some of Abe's critics from within his party in an effort to restore public confidence, a strategy that was somewhat successful in raising his approval ratings. North Korea, of course, also helps Abe politically, as Japanese seek assurances that their government will ensure their security. Japan's next five-year defense plan must be approved by the end of 2018, and in the debate over what it should include, the prime minister will have to consider how to strengthen missile defenses and perhaps negotiate with Washington over the acquisition of a conventional strike capability to deter Pyongyang from using force against Japan.

Now in September, Abe has called a snap election, designed to once more give him a mandate for leadership. The wrench in this plan, however, could be the emergence of the Tokyo Governor, Koike Yuriko, on the national political stage. Her ability to challenge the LDP's grip on Tokyo politics has stunned Abe's party and revealed its complacency. Opposition parties, however, are weak and disorganized. Thus Koike's decision to ally with several other legislators to build a new party, the Party of Hope, may give Abe a bit more of a run for his money in the Lower House election on October 22.<sup>26</sup> At the very least, Japanese voters seem less enthusiastic about Abe now than they have since he returned to office in 2012. Abe faces an LDP leadership election in September 2018, and some thorny issues, such as raising the consumption tax and his ambition for constitutional revision, will require strong political support if he is to weather them unscathed.

### **Looking Ahead to 2020**

For all of the upheaval of the U.S. presidential transition, the U.S.-Japan alliance has emerged relatively unscathed, largely because of the personal connection between the president and the prime minister. For the next four years, the Trump administration will be the steward of U.S. Asia policy, and the alliance with Japan will remain a centerpiece of U.S. foreign policy. The personal ties between Abe and Trump have been a godsend for Japanese policymakers, opening the way for unprecedented collaboration on North Korea and offering some protection from the criticisms directed at other allies for their trade surplus with the United States.

The years ahead will be difficult for Tokyo, however. Japan's economy has shown signs of a return to sustained economic growth, but it is very slow. The North Korean crisis has revealed some critical shortfalls in Japan's defenses, and the region remains wary of China's ambitions in light of what seems to be a declining U.S. interest in regional leadership. Finally, Japanese politics remain weakened by an anemic set of alternatives to the prime minister's party. Yet it remains unclear whether the prime minister can continue to win the favor of Japanese voters. He will be the longest serving prime minister of the postwar if he can hang on through the 2020 Olympics, but this no longer seems certain.

Domestically, the Trump administration too faces its share of challenges. The president continues to confront political setbacks, and the FBI examination of Russian interference in 2016 U.S. elections continues to cast a shadow over the Trump White House. However, the administration is expected to end 2017 with a better-staffed foreign policy team; Secretary of Defense James Mattis will have an assistant secretary for East Asia, and Secretary of State Rex Tillerson likewise should be supported by an experienced set of Asia hands from his department. In Northeast Asia, ambassadors with firsthand knowledge of their assigned countries should all be in place. This will ensure that the day-to-day management of the U.S.-Japan alliance is on firmer ground.

But the U.S.-Japan partnership will need to adapt. Four areas of policy require particular attention. First, and most conspicuous, this U.S. administration will preside over the showdown with Pyongyang on its nuclear and missile ambitions. This puts new strain on an alliance that to date has focused less on war-fighting and more on deterrence. Both will require some important decisions.

Second, the trade relationship with Tokyo will not be immune from the Trump administration's effort to reduce the U.S. deficit. A new trade agreement remains high on the priority list, despite the reluctance in Tokyo. Abe's effort to couch bilateral trade within a broader economic framework that includes FDI and infrastructure investment is wise, but it may not be feasible politically. Much will depend on how the Trump administration's economic agenda unfolds. The outcome of NAFTA negotiations, as well as talks with Seoul and London, will reveal the contours of this administration's trade objectives.

There is no guarantee that the United States and Japan would be well served by a bilateral trade agreement. Bilateral agreements may be the preference in Washington at the moment, but the implications of what these agreements mean for the U.S. economy is unclear. Without more concrete evidence that this approach will in fact lower the U.S. trade deficit, it is hard to predict what the U.S. negotiators can achieve through a U.S.-Japan bilateral agreement. If past bilateral trade negotiations are any indicator, the political costs of such an approach would not be insignificant. Of course, it is also possible that there will be no agreement forged on trade between Tokyo and Washington. It may be optimistic to suggest a U.S. return to TPP under President Trump, but many in Japan may want to hold out until the politics of trade in the United States return to a more traditional equilibrium.

Japanese FDI in the United States is likely to continue or even increase, depending on the outcome of the Trump administration's tax reform effort. To be sure, those industries already heavily invested in production in the United States are likely to continue to invest. New investments in energy and other sectors are also expected from Japan. But here too the outcome of the NAFTA agreement and other policies will affect the way Japanese investors see the U.S. market. If the Trump administration begins to shut down exports through Mexico, for example, it will be a setback for Japanese automakers as much as it will be for U.S. automakers. Abe's hope that the president's infrastructure plan can include Japanese investment and technology is unlikely to change, but the Trump administration has yet to outline its infrastructure goals, let alone get Congress to buy in.

Finally, Tokyo and Washington will need to work at crafting a shared approach to the rapidly changing military and diplomatic balance in the Asia Pacific. Without a doubt, how Washington manages the North Korea crisis will shape Northeast Asia for generations to come. Prime Minister Abe has backed the president's hardline stance vis-à-vis Kim Jong Un, claiming the conditions for negotiation have yet to be met. Abe has also consistently urged China to implement the September 12 UN sanctions to curb North Korea's textile exports and oil imports.<sup>27</sup> Needless to say, a military conflict on the Korean Peninsula would define the future of Northeast Asia and would pose considerable strain on the Japanese. Now within reach of Kim Jong Un's missiles, it is likely that Japan would be targeted by Pyongyang. This would be the first time Japan is involved in a war since World War II, and it would transform Japanese thinking about their military and the U.S.-Japan alliance. It is too difficult to predict the outcome of that transformation—whether it is in the direction of abandoning postwar military self-restraint or of deepening the commitment to the constitution's war-renouncing Article Nine, but it would be a crossroads for the alliance. Japanese would keenly judge how the United States performs as its strategic protector. And a second Korean War could recast far more than the U.S.-Japan alliance; like all military conflicts, it would transform the region and usher in new strategic arrangements to replace the ceasefire that has divided the Peninsula since 1952.

No matter how the North Korean crisis unfolds, Asia's military balance is already changing and the Trump administration's agenda for reordering U.S. priorities has created considerable concern about what its "America First" strategy means for Washington's Asian allies. A growing debate across the region questions the reliability of the United States in managing these difficult currents of geostrategic change, and some allies, such as South Korea, have reopened questions about possessing a nuclear option. Few in Japan are interested in going that far, and only a handful of defense experts have raised the idea that the United States should introduce tactical nuclear weapons to enhance deterrence. Nonetheless, Tokyo remains highly sensitive to Beijing's military and its growing maritime presence in Asia.

Deterrence not only requires consideration of a nuclear North Korea but also of a far more assertive China. The Trump administration's quick statement of support for Tokyo over the Senkaku Islands reassured Abe that the East China Sea continues to be at the top of the U.S.-Japan alliance agenda. Moreover, the U.S. and Japanese militaries have been operating together frequently in and around the Senkaku Islands. But should push come to shove in the South China Sea, or should a crisis with North Korea leave the East China Sea open to opportunism, the U.S.-Japan alliance could be equally tested by a crisis with China.

The Abe-Trump partnership has put the U.S.-Japan alliance on far stronger footing than any other U.S. alliance since President Trump took office. It may be the glue that holds Tokyo and Washington together, even through an escalating crisis on the Korean Peninsula or a difficult bilateral discussion on trade. However, it may not be enough to rely on this personal relationship to ensure all aspects of alliance coordination. Better staffing on the U.S. government side, and a deeper sense of the Trump administration's overall foreign policy strategy, especially in Asia, would embed the U.S.-Japan alliance in Washington's regional and global goals. Equally important, Japan's advocacy for the regional and global commitments it sees as critical for its future could work as an anchor for the United States at a significant moment of transition in U.S. foreign policy.

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# U.S.-Australia Relations and Alliance Management: Challenges in the Time of Trump

*By Rory Medcalf*

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Australia has long been considered among America's most reliable and substantial allies in warfare, intelligence and diplomacy. Yet even this ally is asking itself new questions about how to manage the alliance in an era of uncertainty, partly, but not solely, defined by the presidency of Donald Trump. As the global rules-based order comes under intense strain, as China asserts itself in Australia's Asian or "Indo-Pacific" region, and as the risk horizon becomes more crowded with a wide range of security threats, Australia is going through a reality check about its security situation and the role and nature of the alliance.

## **Australia's Interests, Australians' Perceptions**

For a nation of only 24 million people, Australia has extensive security interests. It is an island continent with vast maritime zones of jurisdiction reaching into the Indian, Pacific and Southern Oceans. Australia's interests far outstrip its capabilities, even though it has the world's 12th largest economy and 13th largest defense budget. This fact, and that geography has positioned Australia far from its principal ally (first Britain then the United States), has resulted in a strategic culture that has typically been that of an anxious ally, fearing abandonment even more than entrapment.

Australia recognizes it cannot achieve its security objectives without strong international partnerships, most importantly through its alliance with the United States but increasingly to include a web of "softer" partnerships in Asia and beyond. The need to attract and sustain these partnerships motivates Canberra to demonstrate that it can be a secure, capable, reliable and active participant in the regional and global order.<sup>1</sup> But the principal partnership, by far, remains the alliance with the United States. This has long been an anchor of a peaceful and rules-based order in the Indo-Pacific. Although the alliance was established in the years after the Second World War, galvanized during the Cold War, and invigorated by the shared fight against terrorism and Islamist extremism, it has in recent years been refurbished for a new era.

Since at least 2011, the year the U.S. "rebalance" to Asia was unveiled by the Obama administration, Australia has been working to reaffirm and strengthen its alliance with the United States. Cooperation is already quite robust in such areas as intelligence sharing, access to defense technology, high-end and large-scale military exercises, and intimate cooperation in combat and other operations in Afghanistan, the Middle East, and against terrorism globally. More recently, it has evolved to include a rotation of U.S. Marines near Darwin in Australia's Northern Territory through a seasonal basing agreement, including new arrangements on enhanced air and naval access.<sup>2</sup>

In these times of growing uncertainty in the global and Asian strategic environments, the U.S.-Australian security alliance seems a pillar of stability. Even so, it requires a reality check if it is to stay resilient and durable in the difficult times ahead. This is particularly so given heightened debate within Australia—where President Donald Trump is unpopular—about how the alliance should be handled amid the uncertainties of a Trump presidency. Australians’ misgivings about the new administration were reinforced by revelations about the infamous phone call between President Trump and Australian Prime Minister Malcolm Turnbull, which needlessly damaged the deep trust that binds one of America’s closest alliances.

Australia is experiencing renewed public debates about the future of the alliance, with the minority Greens Party, left wing elements of the Labor Party, and an assortment of prominent former politicians and diplomats drawing on concerns about the Trump presidency to reopen broader questions about the necessity and value of the alliance itself.<sup>3</sup> While support for the U.S. alliance among Australians has remained high for decades, it should not be taken for granted. Trade and alliance networks are easy targets for populism, even though dismantling them makes our countries poorer and less secure.

Governments and security establishments in both countries would do well to guard against complacency. True, the Canberra-based security establishment works closely with the United States and other ‘five-eyes’ intelligence partners—the United Kingdom, Canada and New Zealand. The alliance enjoys strong support across the mainstream political spectrum and the broader public, and it has plenty of respected public champions among political and strategic elites.<sup>4</sup>

However, there are some troubling disconnects in attitudes on alliance and security issues that many American officials do not often perceive. Americans need to know that Australia is a complex and changing country.

Australian views toward the United States are frequently and uncritically assessed as positive. Yet Australian public opinion on the alliance merit a nuanced examination. In addition to more recent polling work conducted by the Lowy Institute for International Policy and the U.S. Studies Centre at Sydney University, the Australian National University’s multi-decade database of polling results suggests that, over the long term, Australian public support for the U.S. alliance is indeed strong and largely consistent.<sup>5</sup>

Lowy Institute surveys from 2011 through 2015 indicated that between 78 and 82 percent of Australians considered the alliance important or very important for their nation’s security. This figure dropped to 71 percent in 2016, rising again in the recently released 2017 poll to 77 percent.<sup>6</sup> The rise in support for the alliance in 2017 is somewhat surprising considering public anxiety over the election of President Trump. An early 2016 poll by the Lowy Institute showed 45 percent of respondents believed Australia “should distance itself from the United States if it elects a president like Donald Trump,” yet in 2017 when an almost identical question was asked, 65 percent thought Australia should remain close to the United States under President Trump.<sup>7</sup> This is despite 60 percent of Australians saying that Mr. Trump causes them to have an unfavorable opinion of the United States.

The data is supported by qualitative assessments of Australian public opinion. The advisory panel to the government’s 2016 Defence White Paper concluded from its public consultations that the alliance “continues to draw widespread community support as a pillar of Australia’s defence and security.”<sup>8</sup>

However, these headline sentiments mask uncertainties. The White Paper advisory panel also encountered widely-held reservations about the alliance, including concerns about its future direction and the need for better public education about the benefits of the alliance.<sup>9</sup>

A recent major international polling project by a network involving the U.S. Studies Centre and the Perth USAsia Centre reached the troubling conclusion that Australians “appear significantly less enthusiastic about U.S. influence in Asia and the ongoing role of the United States in stabilizing the region than U.S. allies South Korea and Japan.”<sup>10</sup> Other questions in Lowy Institute polls likewise point to a disjointed view of the United States. For example, the number of Australians who see the United States as Australia’s ‘best friend in the world’ has halved in the past few years.<sup>11</sup>

Polls and qualitative consultations also show that Australians harbor persistent concerns about the security implications of the rise of China. It can be assumed that support for the alliance is partly influenced by that context. One interpretation of the mixed data is that, while most Australians want the alliance as a bulwark of stability and deterrence in a changing Asia, many are also nervous about the potential for missteps in the regional strategic dynamics—by the United States and its allies, as well as by China. They want security, but they do not want trouble.

What no amount of opinion polling can reveal is how the Australian public would think—or how precisely their leaders would behave—in a real security crisis involving China. The alliance instrument, the 1951 ANZUS (Australia New Zealand United States) Treaty, commits each party to “act to meet the common danger”, in accordance with its constitutional processes, in the event of an armed attack on the other in the Pacific.<sup>12</sup> It also obliges parties to “consult together” in the event that the security of one is threatened. It has been activated only once, in circumstances far from the Pacific theater: a decision by Prime Minister John Howard to support the United States after the 9/11 terrorist attacks in 2001.

### **A Mutually Beneficial Alliance**

Alliance benefits have flowed both ways, both historically and as the relationship has deepened in recent years. This is not just about solidarity between democracies, even though Australia and the United States share liberal democratic values and a proud history of fighting alongside each other in their every major conflict since the First World War. Washington draws from Canberra not only moral and diplomatic support, but also a military and intelligence partner of substantial middle-power heft, reach and acuity.

Australia is an ally that is conscious of the need to pull its weight, or at least be seen to do so. Australian troops, albeit in small deployments, have operated with distinction in the Middle East and Afghanistan over the past 15 years. Most Australians recognize terrorism as a pressing threat. Still, some Australians also see such expeditionary commitments less as strategic operations in their own right and more as the payment of premiums on the insurance policy that is the alliance. This can be seen in Australia’s response to President Trump’s August 2017 Afghanistan strategy, in which the president called on America’s partners to add more troops to the fight. Immediately following the speech, Prime Minister Turnbull flagged the possibility of Australia sending more defense personnel to Afghanistan following consultations with Washington. Any additional Australian presence would, however, be small in number—more of a show of support for the alliance than a decisive military contribution.

Australia is increasing its ability to defend itself and support allied efforts. Its recent 2016 Defence White Paper provides a roadmap to modernize its military with funding set to increase to two percent of GDP. This promises a largely maritime force structure deeply interoperable with U.S. forces, including the Joint Strike Fighter, Growler electronic warfare aircraft, Poseidon anti-submarine surveillance aircraft, Triton wide-area surveillance unmanned aerial vehicles, new surface combatants, and 12 regionally superior submarines with U.S. combat systems. The submarine decision has been particularly high profile—the largest defense project in Australian history. Australia is positioned to make substantial contributions to security and stability across the Indo-Pacific.<sup>13</sup>

Australia's diplomatic undertakings also advantage its more powerful ally. Canberra champions an active U.S. role in regional institutions, such as the East Asia Summit, and has frequently spoken out against China's assertive and affronting challenges to international rules in the South and East China Seas. In his speech to the Shangri-La Dialogue in June 2017, Prime Minister Turnbull warned against the prospect of a coercive China, calling on Beijing to not take "unilateral actions to seize or create territory or militarize disputed areas." Turnbull also, rather forcefully, called on China to intervene to limit North Korea's nuclear and missile program.<sup>14</sup> That Australia is willing stand at the forefront of calling out China over its behavior was acknowledged by Vice President Mike Pence when he visited Australia in 2017.<sup>15</sup>

As well as its defense capabilities and its diplomacy, Australia contributes to the alliance by virtue of its strategic location. Australia is positioned at the intersection of the Indian and Pacific Oceans, with an exceptional capacity and location to monitor the sea lanes of Southeast Asia. Australia thus enables both access to and surveillance of the maritime theater of the Indo-Pacific: some analysts call this the greatest alliance contribution Canberra can make, and it is notable that the 2016 Defence White Paper points to new investments in strategic anti-submarine warfare, communications, intelligence and other critical 'enablers.'<sup>16</sup>

Many of the most distinct benefits both sides obtain from the alliance preceded the "rebalance": in particular, the quiet work of the joint defense and intelligence facilities, notably at Pine Gap in the Australian outback. Australia is also the partner that the United States—and the international community—most depends upon to support development, governance and basic security in an often troubled neighborhood of the South Pacific, including East Timor, the Solomon Islands and Papua New Guinea.

For Australia, the alliance is intensely practical. Australia gains vital advantages of unparalleled access to cutting edge military technology, intelligence, training and interoperability, alongside the extended deterrence assurances (including presumably to the nuclear level) of a security treaty with the world's most powerful country. Simply put, the alliance is central to Australian defense policy—Australia would be unable to defend its extensive interests against a major power adversary without the support of the United States.

### **Between the United States and China**

Australian perceptions of the contemporary Australia-China relationship, and how that relationship interacts with the U.S. alliance, are complex and beset with unresolved tensions. The central tension is one between anxiety and opportunity; a more sophisticated rendering of "fear and greed." As one popular account puts it: "There are two Chinas in the Australian mind: the bottomless market and the menacing other."<sup>17</sup>

Canberra has traditionally sought to maintain strong economic relations with China, tempered with increased scrutiny (and sometimes rejection) of Chinese investments on security grounds. Australia has repeatedly proven willing to stand at the forefront of criticism of China over its assertiveness in the East and South China Seas, and to cope with some diplomatic fallout. At the same time, Australia has sought to avoid being gratuitously provocative toward China or to offend its national pride.

China is Australia's largest export market, its fastest-growing source of foreign investment, and its largest trading partner.

Bilateral trade with China reached A\$150 billion in 2016, accounting for 22.7 percent of Australia's total trade. (By comparison, Australia-U.S. trade reached A\$60 billion in 2016, for 10.5 percent of Australia's trade.) Australia generally runs large trade surpluses with China, with merchandise goods and services exports reaching A\$86 billion in 2016, compared to imports of A\$64 billion. Iron ore accounts for the largest share of Australian exports to China by far, worth A\$39 billion in 2016 (followed by coal at A\$5.6 billion).

However, the economic relationship has matured beyond trading Australian mineral exports for Chinese manufacturing imports: agriculture, tourism and education have also become important components. The economic relationship also has a growing societal component, with Chinese-Australians among the multicultural nation's largest and fastest-growing migrant communities. China continues to represent Australia's largest source of foreign students, which reached 136,000 in 2016.

It is a popular belief among Australians that the economic relationship with China has proven essential to their country's many years of uninterrupted economic growth, its mining boom of the 2000s, and its escape from the full impact of the 2008 global financial crisis. This has fed an outsized perception of China's power and importance among the Australian public, which overestimates the impact of an economic relationship dominated by trade rather than longer-term investment.

Australians also tend to underestimate America's continued economic and strategic weight in Australia, Asia, and globally. For example, the United States continues to be Australia's largest foreign investor by a large margin, with accumulated investments in Australia of A\$627 billion in 2016, as compared with A\$75 billion from China. In 2015 alone, the increase in U.S. investment in Australia was larger than the total stock of Chinese investment there. Moreover, in 2016 the United States overtook Japan as Australia's second largest trading partner.<sup>18</sup>

These inflated perceptions of China's importance among the Australian public are reflected in some rather striking recent opinion polls. For example, a 2016 poll found Australians (69 percent) were more likely than even Chinese respondents (56 percent) to identify China as the most influential country in Asia. In the same poll, only 22 percent of Australians believed the United States enjoyed the most influence in Asia, compared to 48 percent of respondents from Japan and 40 percent from China.<sup>19</sup> And polling conducted by the Lowy Institute in 2017, meanwhile, showed Australians were evenly split when asked which country, the United States or China, was most important to Australia.<sup>20</sup>

Yet, there are signs of an emerging maturity in Australian attitudes to the rise of China. Australian foreign and defense policy leaders are becoming acutely aware of the risks and difficulties involved in confronting China directly in the external strategic environment.

The net result has been a comprehensive reality check in the way Australia—its government, people, and business community—perceive the risks of China’s rise. The idea of a ‘China choice’—in which Australia supposedly has to choose between its largest trading partner (China) and its strategic ally (the United States)—has been rejected by policymakers, who instead recognize the need for a sophisticated set of policies to manage tensions emerging from China’s rise in a multipolar region.<sup>21</sup>

There are clear limits on the Australia-China partnership. A combination of developments and flashpoints, as well as Chinese policies and behavior, has affected the policy calculus in Canberra since Chinese assertiveness began to perceptibly rise around 2008. While Canberra has not openly sided with other claimant states in the region’s various territorial disputes, it has aligned with Japan and other U.S. allies and partners in rejecting Chinese regional unilateralism and coercion.<sup>22</sup> Australia has also repeatedly called on regional capitals to respect a rules-based global order and international law in relation to territorial disputes in the South and East China Seas, a clear repudiation of Chinese behavior.

Canberra’s stance on these issues has angered Beijing, and provided the impetus for some of China’s newfound assertiveness toward Australia. This has included, among other incidents, Chinese combat exercises close to Australia’s Indian Ocean territories in 2014 and 2017 and a Chinese intelligence vessel shadowing joint U.S.-Australia exercises in July 2017. Royal Australian Air Force aircraft operating in the South China Sea are being openly challenged by the Chinese military seeking to restrict their freedom of navigation, and articles in Chinese media have warned that Australia risked having its aircraft attacked.<sup>23</sup>

There is also growing concern in Australia regarding the increasingly apparent involvement of China in Australia’s domestic affairs. Forensic media investigations in mid-2017 revealed uncovered multi-faceted interference by the Chinese Communist Party in Australia. This includes propaganda and censorship in much of this nation’s Chinese language media as well as even more troubling channels of interference through political donations, intimidation of dissident voices and the establishment and mobilization of pro-Beijing organizations on Australian soil. Australia’s main political parties have received millions of dollars in donations from individuals and entities with credibly reported links to the Chinese Communist Party. This is in addition to a pervasive but predictable espionage effort including human and cyber intelligence. The reported Chinese Communist Party efforts to distort Australia’s sovereignty go beyond what is acceptable in an even vaguely rules-based global system. It breaches historic norms of states’ non-interference in each other’s affairs, which China’s leaders say they support. Moreover, it undermines the principles of trust and mutual respect that are meant to inform worthy efforts by both Australia and China to build a durable and comprehensive relationship.

The emerging perspective among the Australian security community appears to be that China’s rising assertiveness and influence risks coming at the expense of the interests of small and medium powers in the region, and particularly those like Australia that benefit from the U.S. presence and a rules-based regional order. This points to a dominant view in Australian policy circles that China seeks to be the pre-eminent power in Asia, is marshalling military, diplomatic, intelligence and economic capabilities to that end, and is willing to pressure or even coerce smaller powers to achieve it. Such Australian assessments are rarely articulated frankly in public—although the prime minister’s bold speech in Singapore in June 2017 might mark a new normal—but can be discerned from the balancing strategy set out in Australia’s 2016 Defence White Paper, as well as from efforts to tighten security internally, such as with regard to foreign investment in critical infrastructure.<sup>24</sup>

In the near future, Australia will likely keep building its engagement with China, but will proceed carefully, amid differences on strategic issues and concern about Chinese involvement in Australia's affairs. It will simultaneously seek to balance against the risks of Chinese assertiveness, continuing to invest in the U.S. alliance and to encourage the United States to play a leadership role in the Indo-Pacific.

### **Alliance Management**

Future U.S. international policy is, however, becoming more uncertain, with the unpredictability of President Trump and deep divisions in political and public opinion. At the same time, over the next few years security competitors will severely test American resolve and power, while Indo-Pacific states will seek to hedge against U.S. unpredictability and against Chinese aggressiveness.

In response, Australian strategic policy will need to be steady and interests-based, avoiding both complacency and panic. Canberra should intensify efforts—beyond usual diplomatic and defense channels—to influence U.S. political decisions on international security issues that matter to Australia. Canberra needs to keep increasing our traction within Congress, among business leaders, key U.S. agencies and a wide array of opinion shapers. Australia will remain well regarded in Washington, a point borne out by the response to the Trump-Turnbull phone call, with bewildered friends of Australia making their voices heard in Congress, business, the bureaucracy, media, and beyond. Australia will however will need to work hard to convert goodwill to influence with U.S. decision makers and power brokers.

Australia should also deepen and diversify its security and economic partnerships in the Indo-Pacific, building a strategic web to bind and complement U.S. alliances. By embedding the U.S.-Australia alliance in a more diverse set of balancing arrangements involving other powers, Australia can and should take a greater lead as a hub for regional “minilateral” cooperation among small, self-selecting coalitions of “middle players” such as Japan, India, and Indonesia.

This can serve to complement the U.S. alliance system in countering Chinese assertiveness, as well as act as a regional hedge against phases of unpredictability from the United States. Such initiatives could encourage sustained U.S. regional engagement by demonstrating mutual self-help among partners and allies, while also providing vehicles for them to convey common messages to Washington. The absence of U.S. participation, meanwhile, would reduce the scope for Beijing to pretend such an initiative was essentially an American-led containment or encirclement exercise.<sup>25</sup>

While efforts to strengthen and broaden the alliance with the U.S. should continue, this needs to be accompanied by a recognition there will be phases of difference, disagreement, and uncertainty. Australia is likely to become more “interests based,” as opposed to “values based,” in the way it defines and explains the alliance. The challenge for Washington and Canberra will be to develop a shared definition of their interests in a stable Indo-Pacific order and a shared strategy for advancing those interests in the face of China's growing power. To ensure ongoing support for this reimagined alliance from the Australian public, Canberra will need to devote more attention and resources to public diplomacy.

Domestically, Australian government and business leaders need to directly explain and champion the importance to Australia of our comprehensive ties to the United States, including in new priority domains like cybersecurity, as well as investment, intelligence and defense.

Those who recognize the enduring importance of the alliance to Australia need to explain and advocate for the alliance regardless of President Trump, to remind Australians at every turn that the alliance is more robust and lasting than any one administration. Australia's politicians, policymakers and opinion leaders need to do more to tell the public precisely why and how the U.S.-backed alliance system is in our interests. This will require engaging directly with the arguments of those who criticize the alliance and who understandably worry about President Trump. Often, what seems obvious to policymakers is surprising to the public, partly as a result of different access to information.

Australia should also continue to strengthen its own strategic capabilities so Canberra can make a larger contribution to protecting its own interests. This will involve a stronger defense force but also attention to less traditional defensive (and offensive) capabilities such as cyber. Canberra is also likely to focus more on improving national economic resilience against strategic shocks and possible coercion.

Australia's 2016 Defence White Paper confirmed Canberra is committed to long-term military modernization, particularly the acquisition of regionally-superior naval forces. Although this public document was diplomatic in not singling out any specific country, it was quite forthright in identifying the key reasons for Australia to acquire strategic weight.

In its defense of the alliance, the Australian government and commentators should be open about how much our security still depends on the United States, in terms of technology, intelligence, America's potential for renewed global leadership, and of course ultimately the deterrent of American firepower.

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- <sup>6</sup> The full suite of Lowy Institute polls can be accessed online at: <<https://www.lowyinstitute.org/about/programs-and-projects/polling>>
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<sup>24</sup> Turnbull, *Keynote Address: 16th IISS Asia Security Summit, Shangri-La Dialogue*, op. cit.

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## **United States-China-Japan-Republic of Korea Quadrilateral Conference**

**By Ralph A. Cossa  
June 2017**

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On June 6-7, 2017, the National Committee on American Foreign Policy (NCAFP) brought together a group of roughly 40 scholars, experts, and current and former government officials from China, Japan, the Republic of Korea, and the United States to discuss quadrilateral cooperation in Northeast Asia. All participated in their private capacities. Topics included an overview of the security situation in the Asia-Pacific, changing domestic politics and the impact of elections in the U.S. and ROK and upcoming Party Congress in the PRC, and the North Korean challenge and how to deal with it. The meeting concluded with a discussion of policy recommendations for all four countries. Conversation was candid but cordial and constructive.

### **Key Takeaways**

If one tried to sum up the two days of very rich discussion in one word, that word would be *uncertainty*.

The greatest uncertainty centered around the Trump Administration's future policy and commitment toward the Asia-Pacific region and its continued willingness to sustain Washington's traditional global leadership role in the wake of the U.S. withdrawal from the Trans-Pacific Partnership (TPP) and President Trump's failure (or refusal) to specifically endorse Article Five—an attack on one is an attack on all—at the recent NATO gathering, though he later confirmed this commitment.

The future policy direction of the new South Korean government and its impact on relations with the U.S., China, and Japan also added to the uncertainty, both in terms of developing a coordinated policy toward North Korea and regarding regional cooperation more generally.

There was also uncertainty regarding China's future direction once this fall's 19<sup>th</sup> Party Congress is finished and the extent to which China would promote and enforce a more hardline policy toward North Korea.

The only real certainty was that Pyongyang was determined to continue its nuclear weapons and missile development programs with a goal of developing a credible nuclear warhead-equipped ICBM capable of reaching the mainland U.S. Most agreed that this would be a “game changer” but it was not clear what the new game would entail.

All four countries represented at the meeting share a common objective of a denuclearized Korean Peninsula and a common desire for a peaceful solution. There was general agreement that both pressure and negotiations were necessary elements in achieving eventual denuclearization. Compelling Pyongyang to “make the right choice” between economic development and its nuclear weapons program was a widely-shared objective; the debate was over how to get there from here or if this was even possible. The devil, as always, was in the details.

The conference ended with an extensive list of policy recommendations. First among these was a call for all four countries to reach consensus on the preconditions for dialogue with the DPRK, the carrots that they are prepared to offer, and the potential consequences if Pyongyang reneges or walks away from the process.

### **An Overview of the Security Situation in the Asia-Pacific**

The U.S. presenter argued that the biggest question or uncertainty facing the four nations today was the future direction of U.S. policy, despite his belief that, with the exception of its withdrawal from the TPP, the Trump administration’s Asia policy displayed much more continuity than change from the Obama Administration: America’s alliances remained the foundation for U.S. security strategy in the region; our One China policy remains intact and the promised trade war has not (yet) materialized; and, while “all options are on the table,” increased pressure on Pyongyang and an (over)reliance on Beijing to use its leverage to sway Pyongyang remain the basic tenets of the Trump administration’s North Korea policy as well.

Continuing with the “biggest” theme, he identified North Korea as the biggest immediate threat to regional stability and to cohesion among the four nations represented at the conference. The stated U.S. goal was “to bring Kim Jong Un to his senses, not to his knees” but it was not clear you could accomplish the former absent the latter. Most agreed that possessing an operational nuclear-warhead equipped ICBM would represent a “game-changer” but it was not clear what the new game would be. The dilemma (for Washington and Pyongyang) was the North’s current policy direction could leave Washington with only two choices: accept the DPRK as a *de facto* nuclear weapon state or bring about regime change.

The biggest long-term challenge facing the U.S. in the Asia-Pacific was managing U.S.-China relations and that task now seemed contingent on successfully dealing with the North Korea nuclear crisis. Trump administration expectations of Chinese assistance are (unrealistically) very high; what happens when China fails to deliver?

The biggest non-event was the over-hyped U.S. Freedom of Navigation Operations (FONOPS) in the South China Sea which have taken on a life of their own. These were not initially designed to demonstrate U.S. commitment or reassurance but were merely aimed at stressing a legal point: the U.S. will sail (and fly) anywhere international law allows and low-tide elevations do not justify territorial seas. While relatively confident that conflict would not break out in the South China Sea, he opined that the biggest accident waiting to happen was the issue of overlapping territorial claims in the East China Sea between Japan and China, where nationalist sentiments on both sides ran high and neither could easily back down if an accident were to occur.

Finally the biggest disappointment from a U.S. perspective was continuing tensions between the Republic of Korea and Japan over history and territorial issues, rekindled during the South Korean election period by renewed disagreements over the comfort women issue. There were frequent references during this and subsequent sessions to ongoing tensions and suspicion between Korea and Japan and the negative impact this has both on regional cooperation and on coordinating North Korea policy. Japan recalling its ambassador to Korea during the ROK presidential campaign did not help. Nor did candidate Moon's complaints about the comfort women agreement negotiated between Seoul and Tokyo that was supposed to have "permanently settled" the issue. Fortunately, President Moon has not revisited this issue since his election, but suspicions remain and the issue could erupt again at any time.

A Japanese participant noted that there have also been some positive developments in the trilateral alliance relationship. Japan and the U.S. used to be worried about a suspected ROK "tilt" to China, but this has changed over the last year. The signing of a General Security of Military Information Agreement (GSOMIA) between Seoul and Tokyo was also a very positive development. Prime Minister Abe has had two good meetings with President Trump but new questions about U.S. reliability have emerged due to Washington's TPP and Paris Agreement withdrawal so a significant degree of anxiety still remains.

The Japanese presenter also noted that the security situation was becoming increasingly complex and difficult. While economic interdependence was deepening, mutual mistrust was also growing. A rising China is a serious challenge to Japan but the need to cooperate with one another is also growing. He argued that the U.S., Japan, and Korea all wanted to cooperate with China on North Korea but were concerned about China's rejection of a rules-based order.

The Japanese speaker further noted that a serious perception gap existed regarding the North Korean threat between the U.S., Korea, and Japan collectively and China. While North Korea was a major threat to Korea and Japan and a growing threat to the U.S., China does not see North Korea as a serious threat to China; Beijing's calls for "all parties" to show restraint antagonizes the three countries. China also seems to complain more about the basing of the U.S. Terminal High Altitude Air Defense (THAAD) missile system in the ROK than about the North Korea missile threat. ROK-China, ROK-Japan, and Japan-China relations all appear to be deteriorating, in part over THAAD but also due to many other issues. There has been an erosion of trust in all three countries.

The Chinese presenter described the overall situation in Northeast Asia as peaceful and stable but controversies and challenges remain. The Xi-Trump Mar-a-Lago Summit contributed to stabilized relations, and the atmosphere at the recently-concluded Shangri-La Dialogue in Singapore was a bit better this year than in previous years—an observation others disputed—but uncertainties remain, especially outside Asia. On North Korea, he thought China is “more serious than before” in taking measures to force North Korea to change including coming closer to the U.S. position on the application of sanctions, but is trying to find the right balance between a forced change and a North Korean collapse. Beijing’s decision in February to ban further imports of North Korean coal was an important decision which will limit Pyongyang’s foreign currency earnings.

The Chinese presenter further noted that new sanctions measures may be having an impact and that the May 3rd KCNA attack against China by name was unprecedented. However, THAAD is a complicating factor. He acknowledged that there were different judgements in China regarding THAAD; some (a minority) think it’s not a big threat to China but most see it as big problem. The U.S. and the ROK have been unsuccessful in convincing China that THAAD will not undermine China’s security. The South China Sea FONOPS by the USS Dewey shows how complex the situation can be. It’s an open question, he warned, if this will “weaken China’s determination to pressure North Korea.”

In general discussion, Chinese colleagues explained their concern about THAAD is its potential threat to China’s second strike capability given the small size of China’s nuclear force. Also, it would be part of a broader system providing sweeping coverage that would permit the U.S. to monitor all of China’s ballistic missile activity. Americans noted that China had declined technical briefings that could address its concerns. Beijing also seemed to negate the very real threat posed by North Korea in favor of the highly theoretical threat THAAD might pose to China’s second strike capability. Koreans noted that Chinese pressure had been counterproductive and insulting to ROK sovereignty, expressing the view that THAAD was a political issue, not a military issue, and that it was “time to get over it!”

The Korean presenter argued that there were two dimensions to the current security situation. Structurally the situation has remained essentially unchanged over the past 20 years: an ongoing Sino-U.S. rivalry featuring competition and cooperation, territorial disputes in the South China Sea, North Korean threats, etc. The policy situation is changing however, and it is not clear what’s going on. Koreans don’t know, but worry, about whether Trump and Xi reached a “secret agreement” regarding North Korea at Mar-a-Lago; they also don’t know if U.S. or ROK policy will change under new leadership in both countries.

Unpredictability is the order of the day; it’s particularly difficult to foresee what’s going to happen next. He believes there is a great opportunity to solve the North Korea problem since North Korea seems to now be a top priority for the Trump administration and a central feature in Sino-U.S. relations. Koreans are waiting to see what Xi does after the 19<sup>th</sup> Party Congress; will China exercise its influence over North Korea to bring it back to the table? He also opined that getting North Korea to the negotiating table will require both pressure and compensation, and

expressed concern and frustration over China's reaction to THAAD, which is aimed at defending the ROK and U.S. bases in Korea and Japan.

The Korean presenter said "insecurity" prevails: the U.S. is insecure about the rise of China and North Korea's emerging ICBM capability; China is insecure about the U.S. alliance network, which it fears is aimed at containing China; Japan is insecure regarding the rise of China and the growing North Korean threat; and the ROK is insecure due to the growing North Korea threat. Korea wants to see stabilized Sino-U.S. relations and a denuclearized North Korea.

On a positive note, he said the U.S. was still strong with power and influence in the region, China was changing (but slowly), and ROK-U.S. relations had deepened in recent years. Nonetheless, there are concerns about future relations between Presidents Moon and Trump and there is mistrust everywhere. The comfort women issue remains a complicating factor, and there is a sense of competition among all parties. On top of it all, North Korea's nuclear capability is growing day by day. That said, there is an opportunity to reset policy with new governments in Washington and Seoul and cause for some hopefulness.

There was considerable discussion about "Trump-induced anxiety" and questions about U.S. willingness to continue playing a leadership role regionally and globally. There were a number of references to concern about Trump's failure to specifically reaffirm America's Article Five commitments to NATO, demonstrating that Asian colleagues were watching developments far removed from the region in trying to assess the future direction of U.S. policy. The Trump Administration's tendency to dismiss values was also a concern. While Defense Secretary Mattis and Secretary of State Tillerson were saying all the right things, it was not clear that they were always speaking for the president or that a subsequent tweet would not undermine their message. Concerns were also raised about U.S. commitment to multilateralism, despite the White House announcement that President Trump would be attending the three big multilateral forums in Asia this fall: the East Asia Summit and U.S.-ASEAN Summit in the Philippines and the Asia-Pacific Economic Cooperation (APEC) Leaders Meeting in Vietnam.

There was also discussion as to whether Beijing considered North Korea to be a strategic asset or a strategic liability. Chinese interlocutors acknowledged that this question is being fiercely debated domestically and that there is a growing sense of frustration and anger toward Pyongyang's behavior and the negative affect it is having on China's security interests. There is still little evidence that Beijing is ready to "pull the plug" on North Korea, witness efforts by its UNSC representatives to tone down the latest round of proposed sanctions in response to Pyongyang's accelerated missile tests. Questions were also raised about what China's and America's role would be on the Peninsula post-reunification. This is a topic that warrants more in-depth discussion.

Finally, a Japanese colleague noted the irony that there was little or no reference to uncertainty regarding Japanese policy, a staple in past meetings. Prime Minister Abe has gone from being the biggest unknown to being the most stable and consistent actor.

## Luncheon Remarks

A luncheon discussion provided a broader overview of the security situation from an American perspective and focused on what we should (and shouldn't) be worried about. There is no reason to assume that the U.S. and China are inevitably facing a so-called Thucydides trap. That said, the confidence that such a clash between the U.S. and China is unlikely or exaggerated has eroded in recent months.

Nonetheless, there is a strong foundation of safeguards against a U.S.-China confrontation and a clear determination by both leaders to not fall into this trap. Both countries are deliberately and actively trying to find areas of cooperation and at the same time finding high-level channels of communication to deal with areas of significant differences. And, although China is unmistakably rising, the U.S. is not necessarily in decline. The world can continue to count on U.S. leadership and American dynamism and global engagement, with sustained U.S. investment in the global order, in strong institutions, and in the rule of law. Within this framework, the U.S. and others have been willing to create space for a rising China.

For many decades, the U.S. has been the stabilizing factor in the region. But today, there are many people who see reason to worry that the U.S. is at risk of becoming the wild card in Asian geopolitics. Any lack of predictability on the part of Washington and any significant departure from strong traditions of foreign policy combined with turbulent domestic politics can be destabilizing, especially when populism and nationalism are on the rise all around the world.

There are multiple risks and vectors of uncertainty of potential conflict, any one of which could propel the U.S. (and the region) into a crisis. At the top of this list is North Korea. There are territorial disputes in the South China Sea and concerns about the behavior of the biggest claimant, China. The U.S. does not want to see a situation develop where it is denied access to part of the international sea based on unclear or extralegal assertions of sovereignty.

Cross-Strait relations have returned as an area of concern, since there is real and growing tension between the impatience evident on the part of the PRC and the generational change that's visible in Taiwan, where many young people show disillusionment with the idea of a One China principle and disaffection toward the idea of reunification.

The East China Sea is a potential hotspot, not merely due to the difference of opinion in sovereignty and territory but due to the rapid increase of the pace of Chinese incursions in an area that is administered by Japan. Under the U.S.-Japan security treaty, these disputed islands are covered by U.S. defense commitments.

Also of concern have been unsafe intercepts of routine U.S. air and sea patrols. The push to assert extralegal territorial claims combined with an atmosphere of nationalism all around the region means that an EP3 type of incident—a collision between a U.S. surveillance plane and Chinese jet fighter—could today escalate more quickly than anyone expects in ways that really magnify the potential for miscalculation.

Other areas of concern include the growth of support throughout the region for violent extremism, which can be exploited by ISIS and others to recruit disillusioned youth, even in places like Australia. There are also growing mercantilist policies toward trade that increase the risk of trade wars. We are looking at the prospect of a set of confrontations that would put at risk not only the driver of the global economy but the glue, which has been the tremendous surge in growth and prosperity and the growing middle class in the region.

Finally, there have been significant setbacks to governance and to democratic institutions over the last few years, highlighted by the coup in Thailand, extrajudicial killings in the Philippines sanctioned by the top level of government combined with routine threats of martial law, and the anti-corruption case in Malaysia. In short, there's a lot to worry about in the Asia-Pacific region.

Despite the U.S. presenter's belief that there is significant continuity in U.S. policy toward the Asia-Pacific as evidenced by early trips by senior officials to the region, there is a profound disconnect between policy at the cabinet level and the signals and decisions that come from the president and the White House. The zig-zags are clearly unsettling to people who need and want consistency and predictability.

Meanwhile, dealing with North Korea has become an even greater problem. North Korean strategy rests on the assumption that at some point, it will be worth it to the U.S. and others to buy them off. But, no U.S. president can accept a North Korean ability to attack the U.S. Even if we believe the weapons are not for the purpose of war, they are a means to an end. The behavior of North Korea and its leader are not under our control, but our respective relations are, our concerted effort to enlist support of the UNSC is, and our defense establishments are; we have the ability to be patient, to be smart, and to act if it's in our judgment to do so.

Dealing with so many of the problems, beginning with North Korea, has a prerequisite: the need for each of the countries, bilaterally and on a collective basis, to work effectively together at maximum efficiency. We need to determine what kind of practical regional arrangements or regional architecture in East Asia would promote stability and help put a damper on the risk of strategic rivalry. Organizations like the East Asia Summit, with ASEAN at the center, bring the four countries together along with Russia, India, Australia, and New Zealand. The vehicle exists and the question is how to use, expand and improve it. If there is no framework to prevent the "us against them" dynamic, Asia can become a battleground where the U.S. and China contend over whose visions or policies are going to prevail. We would be better served by strengthening existing institutions instead of creating new ones.

## **Changing Domestic Politics: The Impact of Elections in the U.S. and ROK and the Upcoming Party Congress in the PRC**

The Chinese presenter highlighted the increased cooperation between the U.S. and China under the Trump Administration following the Mar-a-Lago Summit, specifically the 100-day economic cooperation plan and the decision to increase pressure on North Korea. China is becoming a more confident major power and is thus prepared to contribute more to global governance, as underscored by President Xi's Davos speech and China's active support of the Paris Agreement. The Chinese presenter asserted that China will not challenge the rules-based order since China is a beneficiary of this order. Rather, it will seek to "transform it from within."

The Chinese presenter argued that President Xi's foreign policy is more predictable and stable than President Trump's and that the biggest challenge is figuring out U.S. policy amidst the "DC drama," noting that China will have to adapt to changes in the U.S. After the 19<sup>th</sup> Party Congress, Xi will have more leeway. The Chinese presenter was not sure which direction Xi will go in, but believed he will still follow the above path.

The South Korean presenter noted that newly-elected President Moon Jae-in's foreign policy was still evolving and that his foreign policy team was still not in place. President Park's impeachment was a demonstration of a "people-led peaceful transition of power" but had resulted in a multiparty system with new factions in all parties.

South Korea's foreign policy is less ideological than before; there will be more realistic, pragmatic policies than under the previous Progressive government of Roh Moo-Hyun. North Korea policies and actions have changed and that has limited progressive options; the new government can't ignore nuclear developments and military provocations. The new government's North Korea policy was similar to Trump's in principle: pressure and dialogue. It was leaning toward a phased approach involving three phases: a nuclear test moratorium, preventing nuclear development (freezing), and ultimately a complete suspension of the North's nuclear program. While it was not clear what Moon's (or Trump's) preconditions are for starting dialogue, the minimum seems to be a moratorium on tests. The ultimate goal remains CVID, complete, verifiable, irreversible denuclearization.

While President Moon has postponed a final decision on THAAD, this will not affect the already-deployed THAAD units. Major U.S.-ROK issues were how to expand global cooperation, how to bolster reassurance and extended deterrence and how to finalize wartime OPCON transfer. President Moon also seeks a "more substantive partnership" with China and improved relations with Japan, although this will take time and is complicated by ROK domestic demands for a new comfort women agreement.

The Japanese presenter argued that Japanese politics have been very stable under Prime Minister Abe and that relations with China have been successfully managed since the Xi-Abe Summit. There is growing uncertainty regarding relations with the ROK under President Moon. There is a strong overlap between Tokyo and Seoul when it comes to the nature of the North Korean threat and the important role of the U.S. in preserving regional stability, but there is

“strategic divergence” in how each views the region, especially regarding China’s rise. Japanese colleagues think that Koreans look at China through the prism of North Korea policy and China’s leverage over North Korea and also worry about growing Korean (and regional) economic dependence on China, which could cause a “tilt” toward China. The ROK does not see China as a military threat the way Japan does, especially when it comes to maritime threats and conflicts over disputed territory. Japanese believe Koreans do not feel threatened by China but do appear to be more frustrated with Beijing than in the past, especially over Beijing’s response to THAAD. Tokyo hopes that Seoul’s growing disillusionment with China will help move Korea closer to Japan.

The substantial mistrust between Korea and Japan has been made worse by historical issues. He acknowledged that both share blame by provoking the other side for domestic political reasons but also noted that Japanese feel Koreans do not appreciate Japan’s efforts and Tokyo’s desire for a “more mature relationship.” Meanwhile, he recognizes ROK concerns about Japanese revisionism and continuing suspicion of Prime Minister Abe. He concluded that a two-track approach was needed, one that separates history matters from security matters.

The American presenter divided his discussion into two parts, first looking at U.S. policies and then anticipated ROK policies under new leadership in both countries. He reinforced and underscored the level of apprehension and uncertainty surrounding Trump’s policy toward Asia in general and North Korea in particular. Stepping back, he also pondered what the absence of American global leadership meant for the rest of the world, while lamenting the bureaucratic disconnect between the White House and the rest of the Administration. Complicating factors included the slow process of staffing, a seemingly limited ability to focus and sustain attention on specific issues, the gap in discourse between the administration and the general public, and other uncertainties.

Turning to South Korea, the American presenter noted that candidate Moon ran on the Roh template but now has to deal with the reality of changes since Roh was in power. The fact that there was no transition period adds to the challenge. Moon has tried to balance himself between two factions, the alliance faction and the autonomy faction, and it’s not clear which will be dominant. The relative prioritization of national versus international imperatives is still being played out, especially over THAAD (hopefully overlapping national interests will prevail). Underscoring what Korean colleagues had noted previously, he cautioned that “under review” does not mean a reversal of the THAAD decision. Nonetheless, it is not a good thing that THAAD will be on the Moon-Trump agenda when they meet later this month (especially given the earlier Trump tweet on the subject).

The U.S. presenter argued that a joint approach toward North Korea was still vital. He expressed concern about Japan-ROK relations, noting that Obama had been proactive in trying to facilitate cooperation between Washington’s two key allies; if Trump is less involved or interested, how does this change things? Will this provide incentive for the two to cooperate or will the reverse be true? And will China, after the change of government in the U.S., consider the North Korea issue separately from previous concerns about the U.S. ‘pivot’?

Trump's unpredictability, as well as a U.S. foreign policy that seemed to undervalue both values and the important role of alliances, were the subject of continued debate. Trump's transactional approach toward alliances was also troublesome; it could enhance or embolden the autonomy school in the ROK. Trump's commitment to the alliance was belated and mixed signals remain. One Korean participant was encouraged that Trump seems to view Asia as more important than other regions and attaches a high priority to dealing with North Korea. But, he cautioned, an "America first" approach raises concerns that Trump might settle for a freeze rather than pursuing CVID like his predecessors.

Discussions about a possible freeze were wide-ranging with some (mostly Chinese) enthusiastically behind President Xi's "freeze for freeze" proposal linking a halt in DPRK nuclear and missile testing to a halt in ROK-U.S. military exercises. Others (including most Americans and many Koreans) worried that the freeze would do little to reverse the North's nuclear development and could open the door for economic assistance that would relieve current pressure on the North to choose economic development over its continued pursuit of nuclear weapons and long-range delivery systems. While Presidents Park and Obama seemed in lock step regarding North Korea policy, there was considerable apprehension that the same would not be true of Trump and Moon. All eyes will nervously be on their upcoming summit.

While Moon carries traditional Progressive values, his defense and security-related appointments thus far have been encouraging and he has made it clear that the U.S.-ROK alliance remains the main pillar of ROK security and North Korea denuclearization his first priority. He has also made clear that his approach toward North Korea will be closely coordinated with the U.S. and will be "practical and realistic;" it will begin with cooperation in areas like health, medical, and environmental issues which are outside the sanctions regime. Meanwhile the trend of public opinion inside South Korea will impose limits on how autonomous the new administration will or can be. Nonetheless, there were questions as to whether Moon's version of Kim Dae-jung's "Sunshine" policy would be dubbed "moonlight" (casting light on the darkness) or "moonshine" (intoxicating but potentially dangerous).

Finally, most participants agreed that between now and the 19<sup>th</sup> Party Congress, China would be internally focused and that no major changes were likely in policy toward North Korea unless they were forced by Pyongyang's actions. The Party Congress agenda would center on Xi's anti-corruption campaign. At least one Chinese participant cautioned that China cannot follow the "same old way" regarding this effort, which has been heavy on punishment but not on incentives. A second area of focus would be the environment, given the "terrible" pollution problems that still exist throughout China. More generally speaking, Chinese participants argued that China would continue to focus on preserving, not changing, the international order and that China under Xi had no desire to challenge or replace U.S. global leadership. Initiatives like AIIB and OBOR were examples of China working within the existing international order. After the 19<sup>th</sup> Party Congress, China should be expected to focus on opening and reform and economic outreach.

## The North Korean Challenge and How to Deal with it

A Japanese presenter stressed that the North Korean ballistic missile threat to Japan was real and growing and that the possibility of nuclear warheads cannot be ruled out. Continued international pressure leading to a serious dialogue aimed at CVID was essential; an action for action approach still appeared to be a useful way to deal with the problem. He cautioned that dialogue for dialogue sake was not good, a point reinforced by many others during the course of the meeting. It was essential that Pyongyang be compelled to abide by the various UNSC Resolutions banning its nuclear and ballistic missile programs. Japan was committed to working closely with all other relevant countries to increase the pressure on North Korea to give up its nuclear weapons program, noting that China's role was particularly important given the North's near-total reliance on China. North Korea seems convinced that nuclear weapons are essential for its survival; we need to disabuse them of this idea and persuade them that having nuclear weapons actually threatens the Kim regime's survival.

The Japanese presenter also highlighted the critical importance of close coordination and cooperation between the ROK and Japan, calling it "an essential element in deterrence." The GSOMIA agreement was important in this regard but more was needed. He also underscored the need for close U.S.-ROK-Japan trilateral cooperation and coordination. Japanese participants were encouraged by the Trump-Abe Mar-a-Lago Summit. Prime Minister Abe is prepared to do more to improve Japan's defensive capabilities by strengthening its missile defense system and expanding other defense programs. Some Japanese think that Japan needs a counter-strike capability to enhance deterrence. (Of note, at prior meetings, such a comment would have drawn a strong rebuttal by Korean and Chinese interlocutors. At this meeting, it went essentially unnoticed.)

The Chinese presenter described Pyongyang's tactics as two steps forward, one step back on two separate tracks: economic development and nuclear weapons. We must remember that Pyongyang wants and believes it needs both but seems to recognize it cannot move forward on both simultaneously. As a result, we should expect Kim Jong Un at some point to offer an olive branch regarding its nuclear program in order to get another two steps forward on economic development, but we should expect him to again reverse course once he has reaped the gains.

North Korea wants to be a real nuclear power, not just in name only. Pyongyang likely seeks to possess over 200 nuclear weapons. This will impact Chinese and Japanese security as well as Korea. It will be a real "game-changer," no matter what the game will be. All four countries represented at this meeting will have lots of challenges if North Korea becomes the nuclear power it wants to become.

Our four countries face a common dilemma: everyone wants to solve the problem peacefully but peaceful measures don't work. Meanwhile, the military option is too dangerous and is opposed by China and the ROK and thus can't be used. North Korea is taking advantage of this dilemma by forcing two options: either accept North Korea as a *de facto* nuclear weapons state or engage in an unacceptable war. But, if we accept a nuclear North Korea, that will be only the beginning of real problems.

Fortunately, Kim Jong Un also has a dilemma: he needs economic development as a solid base of the regime; he cannot be secure with nuclear weapons alone. Kim Jong Un set up 21 special economic zones (SEZs) before his nuclear/missile tests, but no one will invest there because of his weapons program. How, our Chinese presenter asked, do we exploit Kim Jong Un's dilemma? We need a joint effort to force North Korea to make the right choice between economic development and nuclear weapons.

Our Korean participant agreed that domestic policies and developments were an important factor driving North Korean behavior. He argued that defector reports indicated that Kim Jong Un was more popular than his father and was seen as representing change. He was also reintroducing economic and market reforms previously undertaken by his father, Kim Jong Il. His policies are giving hope to the North Korean people for a better life in the future.

The pattern under Kim Jong Un has been a continuing cycle of provocations, followed by sanctions, followed by provocations, followed by sanctions, etc. What can we do, he wondered, to incentivize a freeze? He believed that a pause in nuclear and missile testing by North Korea would be a sufficient condition to begin a comprehensive discussion on denuclearization.

The American presenter was more skeptical. He supported the majority view around the table that North Korea was absolutely determined to develop nuclear weapons and long-range missile delivery systems and that Pyongyang was not as susceptible to outside pressure as other nations (Iran, for example). While sanctions are an important element of strategy they are not a strategy by themselves. In addition, "all options" does not mean only military options; what sort of inducements or carrots are we prepared to put on the table to bring the North back to the table? He also reminded the group that the North Korean challenge was multi-dimensional: there were non-nuclear-related concerns, such as cyber warfare and human rights, which also needed to be addressed.

The discussion focused initially on the difference between a "pause" and a "freeze." A pause is easily verifiable. It simply means no ballistic missile launches or nuclear tests. A freeze is more complex and comprehensive and should include verification measures to ensure that the various nuclear and missile programs have in fact been halted. But, would a pause be sufficient to resume negotiations and provide sanctions relief or other incentives?

Skeptics cautioned that there was an important distinction between rewarding Pyongyang for good behavior—positive steps toward CVID—and rewarding the North merely for the absence of bad behavior (halting missile and nuclear tests already prohibited by UNSC sanctions). The latter "quid pro quo" approach, cautioned one Japanese participant, only plays into Pyongyang's "eat and then run away" behavior; "we can't reward North Korea just for talks about bad behavior." There was general consensus that a pause or freeze, if achieved, must be seen as only the first step toward eventual denuclearization and not as an end in itself.

Current U.S. and ROK policies are not to promote regime change, but to bring about a change in regime behavior. The stated U.S. objective was “to bring Kim Jong Un to his senses, not to his knees.” Some wondered, however, if any action short of bringing him to his knees would in fact bring him to his senses. If in fact the goal of military pressure is negotiation, then Washington needs to make it clear that negotiations are also on the table and that there is an exit ramp if Pyongyang wants to take it.

Regardless of which path is chosen, it is essential that our four countries reach consensus on the preconditions for dialogue, the carrots that we are prepared to offer, and the potential consequences if Pyongyang reneges or walks away from the process. While Trump may be seen as a deal-maker, Kim Jong Un has already proven himself to be a deal-breaker, so we must be prepared for the worst.

### **Policy Recommendations**

Our Korean presenter noted that the real key to dealing effectively with the North Korean challenge is not new ideas but the political will to implement them. Lots of ideas have been put forth: a North Korean freeze in return for the re-opening of Kungang and Kaesong; a lifting of UNSC sanctions in return for a verifiable freeze; nuclear arms control discussions; CVID in return for a Peace Treaty and normalization with the ROK, Japan, and U.S.; etc. What is needed is consensus on the roadmap and a genuine Chinese effort.

If overtures toward North Korea failed, then it will become necessary to explore leadership change options; Kim Jong Un will need to be replaced with someone who would swap nuclear weapons for peaceful coexistence. The ROK should be prepared to forego absorption of North Korea to gain Chinese support for regime change. A U.S. policy of “warm-hearted multilateralism” should be considered as an alternative to “cold-hearted bilateralism.” Meanwhile, China should not be linking cooperation on North Korea to the South China Sea or other issues. Concerns about China’s strategic overstretch would be lessened if China were to more genuinely cooperate on North Korea denuclearization; Beijing needs to make a departure from conventional thinking.

The U.S. presenter added his own list of policy recommendations. First and foremost, the new administration should not go back to a policy of “strategic patience.” This policy is not viable; it died after the fourth nuclear test and was buried after the fifth test. He feared the denuclearization window is almost fully closed; North Korea is trying to force the U.S. to accept it as a nuclear weapon state as the only alternative to war (assuming Washington will opt for the former).

The U.S. presenter cautioned that it was easy to slip back into old habits of tit-for-tat which the North played to its advantage. The challenge is to convince Kim Jong Un that nuclear weapons will undermine, not enhance, regime survival; he must be forced to make the choice between survival and nuclear weapons and this requires a significant increase in pressure, (economic, political, diplomatic, financial, and non-kinetic military), policy coordination, and management. Unfortunately, the Trump Administration currently is not adequately staffed to implement such a complex policy. And, while it appears that China is prepared to do more, it is not prepared to do

enough to put the stability of North Korea at risk. He noted that the U.S. can still take significant steps without China's full cooperation, including instituting secondary sanctions against Chinese firms that are assisting the North.

Successful implementation requires U.S. global leadership, which the Trump Administration does not appear to be willing to exercise. A number of events, most recently the decision to withdraw from the Paris Climate Agreement, undermine the credibility of the Administration's willingness to lead. The Trump Administration must rebuild trust and confidence in America's willingness to lead and any approach toward Pyongyang must start with the U.S. and ROK in sync. The same holds true for Seoul; ROK policy cannot be seen as undercutting U.S. policy. At the end of the day, all parties must be prepared for a North Korean refusal to denuclearize. What then? Regime change? If so, is there a non-kinetic way to do this? It is time to discuss alternative futures for the Korean Peninsula.

The Japanese presenter underscored the common goal of a denuclearized Korean Peninsula and supported the idea of a freeze or pause as a first step toward dismantling North Korea's nuclear weapons program. Looking to the future, it was important to manage differences in perceptions and concerns among the four actors and to take a proactive rather than reactive approach. He wondered whether a declared no first use policy on the Korean Peninsula would be helpful, while also underscoring the importance of conventional deterrence. The fact that Prime Minister Abe was reportedly thinking about joining the AIIB (although still not ready to do so) also opened the possibility of improved Sino-Japan relations. Increased cooperation in non-sensitive areas such as humanitarian relief was another way to build trust and confidence.

The Chinese presenter began by raising the question "who do we propose policy recommendations to and to what degree can they be implemented and enforced?" Noting that President Trump does not appear to listen to his policy advisors, he suggested the use of social media to influence top leaders.

Meanwhile, Trump is sending mixed messages regarding Kim Jong Un and North Korea policy. If exercising the military option was not a viable choice, why keep doing military drills that really scare the North Koreans (especially after the missile attacks on Syria)? He lamented that on the one hand, the U.S. seeks China's help but then does not pay serious enough attention to what China proposes (such as its freeze for freeze suggestion). There is "not too much space for China to change policy" toward North Korea since there are still many who cherish the friendship (not to mention the desire for a buffer zone).

There are still things Beijing can do to be more helpful. It could: issue more serious warnings from the *PLA Daily* as well as from the *People's Daily*; punish or expel North Korea companies and businesses currently operating in China; cancel contracts and stop using cheap North Korean labor; revoke its Friendship Treaty with Pyongyang or threaten to do so; openly signal its desire for a change in regime to provide stability; acknowledge the existence of contingency plans to deal with a collapse scenario; and get the Russians on board so they don't fill the vacuum when China reduces economic assistance.

The discussion built upon these policy recommendations. Some wondered how to persuade China to really bring North Korea to the brink of collapse in order to bring about denuclearization; others wondered whether it was possible to put sufficient pressure on Pyongyang without China's help. Currently Pyongyang seemed to believe that China would not let it fall; how can Pyongyang be disabused of this notion? Even when the new ROK government tried to wave an olive branch, the North rejected the offer. Instead, it met the new administration in Seoul with a new series of missile tests.

While sanctions alone are not sufficient, they are an essential element in bringing about a change in behavior or a change in regime. While everything is easier with full Chinese cooperation, there are other things that can be done without Beijing's active assistance: cyber actions can destabilize the North Korean leadership and economy; more assets can be seized; human rights prosecutions can be pursued; senior North Korean officials can be encouraged with incentives to defect; a government-in-exile can be established (perhaps centered around Kim Jong Nam's son); and other covert steps can be taken.

Making North Korea even more reliant on China could also prove to everyone's advantage if China were to use its leverage more effectively. As stressed by several participants throughout the meeting, after the Mar-a-Lago Summit, President Trump seems to have placed a lot of faith in President Xi's willingness and ability to help solve the North Korea problem. What happens when Trump gets disappointed? Expectations need to be managed.

Finally, to reinforce an earlier point, all four countries need to reach consensus on the preconditions for dialogue, the carrots that they are prepared to offer, and the potential consequences if Pyongyang reneges or walks away from the process. Is there a long-range desirable outcome that is acceptable to all four parties?

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THE NATIONAL COMMITTEE ON AMERICAN FOREIGN POLICY'S  
FORUM ON ASIA-PACIFIC SECURITY (FAPS)  
*PRESENTS*

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A U.S.-CHINA-JAPAN-REPUBLIC OF KOREA QUADRILATERAL  
CONFERENCE

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JUNE 6 & 7, 2017

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## **A United States-Republic of Korea-People's Republic of China Trilateral Meeting**

**June 2017**

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The National Committee on American Foreign Policy held a U.S.-ROK-PRC trilateral meeting at The Korea Society in New York City on June 8, 2017. At this one-day event, experts, scholars, and current and former government officials engaged in an intense discussion of the rising nuclear and missile threats from North Korea, exchanged views on the efficacy of current policy approaches dealing with this challenge, and discussed new ways to end North Korea's development of nuclear weapons and missiles. This conference and report preceded the late June 2017 summit meeting between Presidents Trump and Moon; as well as the release and untimely death of U.S. detainee Otto Warmbier.

Participants from the three countries agreed that the growing sophistication and size of North Korea's nuclear and missile arsenals, together with the likelihood that Pyongyang would eventually test a nuclear-tipped ICBM capable of hitting the United States, had created an unprecedented sense of urgency in all three countries. They concurred that the expansion and intensification of the threat could destabilize the Northeast Asia region. They also agreed that increased trilateral consultations among the three are indispensable as they contend with the rising North Korean threat.

There was agreement that dialogue and diplomacy represent the ideal way to deal with Pyongyang, but participants had little confidence that North Korea would respond to such an approach by giving up its nuclear and missile programs. Pessimism and concern were the dominant themes as this gathering of experts contemplated the options the three countries would face if Pyongyang continues its nuclear and missile development. All participants seemed to agree with the assessment of one American that the situation is "dire."

Several U.S. participants noted that Pyongyang's eventual development of a missile targeting the U.S. homeland did not fundamentally change the military balance—America's deterrent and missile defenses are strong and becoming more so. It is important, they stressed, not to overestimate what Pyongyang can do. Nevertheless, the U.S. is determined not to allow North Korea to increase its threat against U.S. allies or to threaten the United States itself. U.S. determination to prevent these developments is manifested in the Trump Administration's statement that all options, including military measures, are on the table.

Several U.S. participants urged that regime change should also be included on the menu of options, especially since neither sanctions or diplomacy are likely to be effective in ending Pyongyang's nuclear program. Regime change could be defined as a change in top leadership, rather than a wholesale change of the political system. But there is no assured method to achieve such a policy goal and other participants were wary of a regime change approach given the challenges in the Middle East over the last decade or so.

The official policy of the United States includes four principal elements: the U.S. will not accept the DPRK as a nuclear state; the situation needs a peaceful resolution; the U.S. does not seek regime change or collapse; the U.S. is open to meaningful dialogue when the DPRK is ready to abide by the UN Security Council resolutions and their past promises. The U.S. is actively coordinating a pressure campaign, with international friends and partners, which includes both economic efforts to fully implement sanctions and diplomatic efforts to isolate the DPRK by downgrading diplomatic relations and expelling DPRK guest workers who provide a vital cash flow to the regime. There is also military pressure shown by increased exercises and drills.

However, the policy of “maximum pressure and engagement” is intended to bring the DPRK back to the negotiating table—to “bring North Korea to its senses, not to its knees,” in the recent words of Admiral Harry Harris, Commander of U.S. Pacific Command. The U.S. understands that it will need China's help in this endeavor but it would be a mistake, in the words of one participant, to assume the U.S. is naively expecting China to ‘deliver’ North Korea. Instead, cooperation should focus on shared goals that arise from the national interests of each country to prevent further proliferation of the North Korean nuclear program.

A PRC expert said the increased sense of urgency in China about North Korea's nuclear and missile capabilities is a “new development” and a byproduct of Beijing's frustration over its inability to affect North Korean behavior. Chinese representatives reassured the gathering that Beijing is prepared to do more in the sanctions and pressure areas to deal with Pyongyang. They noted that North Korea's economic “opportunity costs” are rising as they boost their nuclear and missile programs, and China wants to raise these costs further through pressure. However, they acknowledged that how to deal with North Korea remains a divisive policy issue inside China.

Several American and South Korean participants expressed deep skepticism that Beijing would do enough to make a difference, especially since the PRC continues to prioritize stability in North Korea over denuclearization. They cited numerous examples of China's failure to implement current UN Security Council sanctions, including allowing DPRK firms to violate sanctions on Chinese soil. They stressed that expectations of China are high and Beijing is unlikely to live up to them. A Chinese participant urged the U.S. and ROK to provide Beijing with evidence of possible Chinese sanctions violations.

A Chinese participant worried that Pyongyang's May 14, 2017 medium-range missile test was intended to simulate the forces that a nuclear warhead would experience on reentry into the Earth's atmosphere as it headed toward the United States. He also shared his concern that the United States might carry out a large-scale “pre-emptive strike” or smaller-scale strike against the North's nuclear facilities. A South Korean scholar expressed similar concerns, adding that North

Korean fear of U.S. military action was strengthening the regime’s resolve to increase its nuclear and missile capabilities. Most ROK representatives, however, stressed the need for a strong deterrent, as well as the need to keep all options open to deal with the threat.

A South Korean expert estimated that North Korea could already have as many as 30 nuclear weapons. He said that easing or lifting sanctions under these circumstances or freezing the North’s program at the current level would be tantamount to accepting North Korea as a nuclear weapons state. He urged China to act strongly, including by cutting off fuel to North Korea and sending DPRK laborers home. He also shared a South Korean concern that U.S. efforts to exert “maximum pressure” on the North are flagging. He urged the application of overwhelming pressure—an approach strongly endorsed by some of the Americans.

A ROK expert opined that by developing the ability to strike the United States, Pyongyang hopes to compel the U.S. to choose between its own security and that of its allies. The wrong choice by the United States might compel the ROK and Japan to go nuclear. He wondered whether this might be enough to convince China to regard Pyongyang as a liability instead of an asset.

Another South Korean said ROK President Moon hopes to become the “inheritor” of the Sunshine policy developed by the late President Kim Dae-Jung. He thought Moon would pursue a two-track policy towards Pyongyang: simultaneously pressing for denuclearization while pursuing an “updated” engagement policy designed to increase the ROK’s economic leverage. Acknowledging U.S. concerns about Moon, he said Moon would consult closely with the United States, accept the deployment of THAAD, and focus engagement with Pyongyang in areas outside the scope of international sanction—such as health, medical and environmental cooperation.

An American participant questioned the United States’ capacity to handle the current crisis in light of the decline in the number of Korea experts in the U.S. government and the Trump administration’s slowness in filling important Executive Branch positions. He noted rising concerns among U.S. allies about the reliability of the U.S. defense commitment. In this regard, Secretary of Defense Mattis and Secretary of State Tillerson’s reassurances are helpful but not sufficient in light of President Trump’s emphasis on a nationalistic, America-first world view.

The Chinese expressed familiar concerns about the U.S. Terminal High-Altitude Area Defense (THAAD) anti-missile system being deployed in South Korea. A Chinese participant added that the main worry about THAAD is the system’s potential to enhance trilateral U.S.-ROK-Japan defense cooperation, not its technical capabilities against the PRC’s offensive nuclear forces.

The Chinese also pressed the United States and the ROK to consider seriously Beijing’s “freeze-for-freeze” proposal calling for a halt in Pyongyang’s nuclear and missile tests in exchange for a halt in U.S.-ROK military exercises. When the U.S. and ROK representatives strongly rejected this idea, the Chinese side urged Washington to come up with alternatives.

Looking to the future, participants agreed that Pyongyang is likely to launch a “peace offensive” for tactical reasons once it achieves its desired level of missile and nuclear capability. Once this happens, we will need a “plan B.” One approach would be to conclude a multi-stage agreement with Pyongyang that would begin with a “freeze” or “pause” in nuclear and missile programs and end with the elimination of those programs and conclusion of a peace treaty. Such an agreement may be impossible, however, in light of the DPRK’s determination to remain a nuclear power.

A U.S. participant listed the major uncertainties as we try to understand the threat posed by the North’s programs. We do not know how much fissile material the North has produced, and the likely development of additional uranium enrichment facilities and lack of on-the-ground verification have compounded this concern. We do not know the degree to which the North has weaponized its nuclear material, nor do we know how close the North is to an actual ICBM capability. Finally, we do not know the full extent of past nuclear cooperation with Pakistan, or more recent or ongoing cooperation with Iran, including in the development of solid-fuel missiles.

Participants agreed that if talks become possible, we would need to agree in advance what we should demand of Pyongyang in return for talks. What are we prepared to offer, for example, in return for a pause or freeze in nuclear and missile testing? We must have a clear understanding of the elements of a possible deal and what inducements are available to support one. A U.S. expert stressed that any inducements should be modest and easily reversible if, as he expects, the North reneges on its commitments. For a South Korean view, see the paper by Former Vice Foreign Minister Sung-han Kim which follows this report.

As it became clear that most participants saw little hope that Pyongyang would agree to denuclearization through dialogue, a ROK participant urged China to consider a “grand bargain” in which the United States and the ROK would offer Beijing assurances that a unified Korea would not be a threat to the PRC’s security, including by establishing a “buffer” on the Korea-China border. The Korean expert implied that the only way to achieve denuclearization might be to end the North Korean regime and reunify the Peninsula.

Chinese participants found the proposal intriguing, but reiterated the PRC’s official policy to support Korea’s peaceful reunification and to avoid supporting any specific reunification plan. Korea’s reunification is a matter for the Koreans, a Chinese expert said.

As the meeting concluded, a Chinese expert expressed his certainty that any new attempt to negotiate denuclearization will fail. He criticized the idea of reopening the Kaesong Industrial Complex as “putting money in the hands of North Korea.” Echoing a view held strongly by several Americans and Koreans, he said, “Only when Kim Jong Un realizes he can’t survive if he continues the nuclear program will he give it up. We need to convince him that only his destruction will result from his pursuit of nuclear weapons.” He expressed skepticism that the international community could do this, which is why “Pyongyang is laughing at us.” He suggested focusing on new sanctions and other measures and giving them time to work, as well as avoiding a rush to new talks or to a new “Sunshine” policy. “It is too late for carrots,” he said, “Kim Jong Un has no interest in them.”

In a comment that captured the mood of many in the room, an American expert said, “It may not be possible to bring Kim Jong Un to his senses without first bringing him to his knees.” Another American added, “We have to give North Korea a choice between nukes and survival.”

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**JUNE 8<sup>TH</sup>, 2017**

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## **Thinking of a New Strategic Mix for Resolving the North Korean Nuclear Problem\***

**By Sung-han Kim (Professor, Korea University)**

### **1. North Korea's Game Plan**

With a view to ensuring the long-term consolidation and survival of his regime, North Korean leader Kim Jong Un is pursuing the so-called *Byungjin* policy of simultaneously pursuing nuclear and economic development. His game plan is as follows:

North Korea 1) should accelerate the miniaturization of nuclear warheads and ICBMs capable of hitting the mainland of the United States; 2) may return to a “tactical” dialogue with the U.S. and South Korea when North Korea suffers from international pressure; 3) will resume nuclear and missile development when the pressure is eased; 4) will declare a moratorium on nuclear and missile tests right after the North has accomplished its strategic mission, or the possession of nuclear ICBMs; and 5) will come to the negotiating table and pretend to negotiate over denuclearization while consolidating the stability of the regime.

If North Korea develops capabilities to hit the United States, do extended deterrence calculations change? How might the regional players react in terms of developing their own capabilities? The impact will be higher than expected. The United States may be ready and have the will to defend regional allies, but its national survival is unlikely to be threatened by a conflict on the Korean peninsula. For North Korea and its neighbors, survival may well be on the line in a potential war. This apparent asymmetry of interests could expose the fundamental challenge for extended deterrence against a nuclear-armed North Korea. Not the United States itself but the U.S. alliance will be threatened. North Korea might think that by threatening a nuclear attack they can raise the potential costs of a conflict beyond what the United States is willing to accept so that the United States will agree on Pyongyang's terms.

If North Korea can target U.S. cities with nuclear weapons, as Shane Smith of the U.S. National Defense University pointed out, a “triangular decoupling” strategy would be made possible. First, by having South Korea suspect whether the U.S. would risk San Francisco and LA to defend Seoul or Busan, North Korea could decouple the ROK-U.S. alliance. In addition, North Korea might think that by threatening Japan with the mid-range Nodong nuclear missiles, the United States would be forced to choose between allies and that it would be reluctant to risk Japan over a fight on the Korean peninsula.

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When North Korea develops capabilities to hit the United States, the U.S. will try harder to assure its allies—South Korea and Japan—while reinforcing its deterrence and defense capabilities to North Korean nuclear missiles. In particular, the U.S. will try to establish Missile Defense (MD) integrating U.S.-Japan-Korea in order to neutralize North Korea’s triangular decoupling strategy.

In light of the rapidly deteriorating situation of the North Korean nuclear crisis, it is not a surprise for the South Korean media and opinion leaders to suspect the reliability of U.S. extended deterrence for South Korea. The South Korean government will strengthen its precision-guided munitions capability. e.g., the Joint Direct Attack Munition (JDAM) and the Joint Stand-Off Weapon (JSOW). It will accelerate the development of Kill Chain (a preemptive strike system) and Korea Air and Missile Defense (KAMD). The deployment of THAAD will become irreversible.

Former UK Defense Secretary Denis Healey said in his memoir that during the Cold War it took only 5 percent credibility of American retaliation to deter the Russians, but 95 percent to reassure the Europeans. If the South Korean people, particularly the conservatives, are not assured by the U.S. about its extended deterrence, they will demand the government to take one of three nuclear options: 1) completion of nuclear fuel cycle; 2) redeployment of U.S. tactical nuclear weapons; and 3) South Korea’s nuclear armament.

## **2. Explore the ZOPA**

In light of the fact that the North Korean nuclear problem still remains unresolved, even getting worse, for more than twenty years since the nuclear crisis broke out in 1993, the key is not whether we can come up with the brilliant new ideas, but whether we have the political will to resolve the problem. Nevertheless, we can think of a new mix of ideas or approaches to resolve or slow down the North Korean nuclear problem.

Against this backdrop, we can explore the ZOPA (Zone of Potential Agreement) between the concerned parties: (1) North Korea suspends its nuclear and missile tests while the United States suspends the implementation of its unilateral sanctions since North Korea’s first nuclear test; (2) The Six-Party Talks are resumed and the UN Security Council suspends implementing its resolutions against North Korea in return for North Korea’s promise on the “verifiable freeze” of the nuclear weapons development; (3) While the freeze is being verified, the five parties of SPT prepare a package of economic assistance for North Korea and start a “peace forum” where the two Koreas and the U.S. and China will discuss how to establish a peace regime on the Korean peninsula; and (4) North Korea will denuclearize itself in return for a peace treaty (between the two Koreas endorsed by the U.S. and China), U.S.-North Korea/U.S.-Japan diplomatic normalization, and a mini-Marshall Plan for North Korea.

It would not be easy for us to go into even the first stage. Once we roll the ball, however, we could quickly move to the second stage of the verifiable freeze that makes the freeze reliable and sustainable. In the first stage, the United States alone had better act in suspending its sanctions

because the UNSC and South Korea's involvement may make agreements delayed and complicated. The key is whether we (South Korea, U.S., China, Japan, and Russia) will reach a consensus on the roadmap and whether China will make its utmost effort to bring North Korea to the negotiating table.

Rewards for the freeze may include the lifting of UN and unilateral sanctions, which will be negotiable. As long as North Korea's nuclear freeze is verified, South Korea could lift the 2000 May 24 sanctions and resume the Kaesong industrial park and the Kungang Mountain tourism. Before the freeze is verified, inter-Korean contacts and exchanges should be confined to humanitarian activities.

In particular, we need to think about the Chinese proposal of moving denuclearization and a peace treaty in parallel. If North Korea agrees on a verifiable freeze at the second stage, we can discuss how to establish a permanent peace regime on the Korean peninsula. A peace regime, however, should be distinguished from a peace treaty in the sense that a peace regime refers to the broader concept which includes not just a peace treaty but also denuclearization, arms control, and diplomatic normalization. The main parties of the peace treaty should be the two Koreas while China and the United State may endorse the treaty when the two Korea agree on it. But, at the end of the day when a peace regime is to be firmly established, Japan and Russia should also be involved.

### **3. Appoint Ban Ki-moon as High-Level Special Representative**

Then, the next step is how to implement the roadmap based on the above ZOPA. The UN Secretary General, with the endorsement of the five parties of Six-Party Talks, may designate former UN Secretary General Ban Ki-moon as the high-level special representative of the United Nations for North Korean affairs with the mandate that he will meet and negotiate with Kim Jong Un with a view to bringing North Korea to the negotiating table. If the United Nations does not want to get involved, the five parties of SPT may directly ask him to play the important role. Mr. Ban appears to be the only person who will be rarely denied by those five parties, if not welcomed.

For this thing to happen, however, the "maximum pressure" strategy is the primary condition. Before Mr. Ban goes to Pyongyang, the five parties—the U.S, China, Japan, Russia, and South Korea—should implement the maximum pressure strategy on the condition that we will discuss whatever necessary at the negotiating table for ensuring the security of the North Korean regime. In light of the game plan mentioned above, North Korea would not accept Mr. Ban unless its regime security is seriously threatened. Maximum pressure may include the full implementation of UNSC resolutions and unilateral sanctions of individual countries, prohibition of commercial activities on the China-North Korea border area, the secondary boycott, etc.

### **4. Transform Tactical Dialogue into Strategic Dialogue**

At some point when the maximum pressure works, North Korea will come to the negotiating table for tactical purposes as enumerated by its game plan. Our mission is to transform the "tactical dialogue" into a "strategic dialogue" so that North Korea may not move to the next stages

of its game plan. To that end, we need to agree on what we can demand and what we can give to North Korea beforehand. That is why we need a common roadmap that will be imposed on or negotiated with North Korea when North Korea comes to the “tactical” dialogue to ease the maximum pressure against itself.

One caveat, however, is that we may agree on freeze, but we will have to accept it only when it is a “verifiable freeze.” We have purchased the same horse twice since the first nuclear crisis broke out in 1993. The first was when the U.S.-North Korea Geneva Agreed Framework was signed in October 1994, and the second was when we agreed on the September 19 Joint Statement in 2005. These efforts failed because we did not impose the verification of the freeze. When we are ready to purchase the horse for the third time, North Korea has to re-invite IAEA inspectors to Yongbyon and allow them to verify that all nuclear facilities are frozen. What about the other areas where North Korea is suspected to be hiding nuclear materials and warheads? It would be technically and politically impossible to expand the area of verification immediately to other areas. We may gradually expand the verification to other areas as our negotiation proceeds.

## **5. Implement Regime Transformation**

Our policy should be aimed at regime transformation. It is different from regime change and it refers to the promotion of change in the North Korean behavior. Regime security is a higher priority than national security in North Korea. Our North Korea policy should be focused on the regime transformation of North Korea which means changing the behavior of the North Korean regime by threatening the regime security of North Korea. Only when Kim Jong Un perceives the nuclear development as choking his own regime, will he accept denuclearization. So, we have to weaken his regime security to that extent, if not to regime change.

However, if our regime transformation policy does not show tangible results, we need to increase our pressure further by imposing low-level military actions such as a naval blockade, a no-fly zone, etc. against North Korea. Some Chinese security experts recently began to mention the so-called “leadership change.” That means the replacement of the current North Korean leader with a new leader who will give up nuclear weapons development while maintaining the current system. In this scenario, South Korea is not supposed to try to use the leadership change as an opportunity to realize Korean reunification. This would be an extremely dangerous option which needs to be avoided by all means, but things could move toward that direction when the key stakeholders, particularly the United States, are frustrated. If the United States stops at the stage of freeze, not denuclearization, it will have to see South Korea, Japan, and Taiwan going nuclear.

In order to avoid this dangerous scenario, the U.S.-China-ROK trilateral group should embark on a strategic dialogue among themselves at the Track I or Track 1.5 level. It can be aimed at coordinating our North Korea policy and assessing the effect of our actions. When our game plan is set, China should no longer raise the THAAD issue which has been hindering the tripartite cooperation since the THAAD will be withdrawn from South Korea when the North Korean nuclear problem is resolved.

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**SUNG-HAN KIM** is Dean and Professor at the Graduate School of International Studies (GSIS) and Director of Ilmin International Relations Institute, Korea University. He recently served as a Vice Minister of Foreign Affairs and Trade, Ministry of Foreign Affairs and Trade in 2012-2013. He was a professor from 1994 to 2007 at the Institute of Foreign Affairs and National Security (IFANS), Ministry of Foreign Affairs & Trade. Prior to that, he had worked as a research fellow at the Institute of Social Sciences and as expert advisor to the Prime Minister's Committee for Globalization (1992-1994).

In 2013-2014, Dr. Kim was the Chair of World Economic Forum's Global Agenda Council on WMD. He is now the Chair of the Korean National Committee of CSCAP (Council on Security Cooperation in the Asia Pacific) after having completed his service as a Vice President of the Korean Association of International Studies; President of Korean Association of American Politics (KAAP); and Chairman of the Vision Council for the ROK-U.S. Security Policy Initiative.

After the North Korean military attack to the *Cheonan* naval corvette in March 2010, he served as a member of the Presidential Commission for National Security Review (May–August 2010) and the Presidential Commission for Defense Reform (July–December 2010). He also advised the Foreign Relations Committee of the National Assembly, the Ministry of Unification, the Ministry of Defense, and the National Intelligence Service. From May 2008 to January 2012, he participated in the Presidential Advisory Council for Foreign Affairs and National Security, which consisted of ten security experts.

Dr. Kim specializes in U.S. foreign policy and international security with a Ph.D. from the University of Texas at Austin, U.S.A. in 1992. His recent contributed articles to scholarly journals include "The Day After: ROK-U.S. Cooperation for Korean Unification," "From Blood Alliance to Strategic Alliance," "The End of Humanitarian Intervention?" "North Korea: Between Survival and Glory," and "Exploring a Northeast Asian Peace and Security Mechanism." He is married and has one daughter. (Email: [ksunghan@korea.ac.kr](mailto:ksunghan@korea.ac.kr))

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