



## **NCAFP Trip to Taipei, Beijing, Seoul and Tokyo November 27 – December 11, 2018**

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### **Introduction**

The National Committee on Foreign Policy (NCAFP) made its annual fact-finding trip to Taipei, Beijing, Seoul and Tokyo from November 27-December 11, 2018. The delegation was led by NCAFP President Ambassador Susan Elliott and included: Daniel Russel, Vice President, Asia Society Policy Institute and former Assistant Secretary of State for East Asian and Pacific Affairs (EAP); Susan Thornton, Senior Fellow, Yale Law School's Paul Tsai China Center and former Acting Assistant Secretary of State for EAP; Raymond Burghardt, President, Pacific Century Institute and former Chairman of the American Institute in Taiwan; Evans Revere, former Principal Deputy Assistant Secretary of State for EAP; Ryan Hass, David M. Rubenstein Fellow in Foreign Policy, Brookings Institution and former NSC Director for China, Taiwan and Mongolia; Stephen Del Rosso, Carnegie Corporation; and Rorry Daniels, NCAFP.

### **Overview**

The NCAFP fact-finding trip took place while world leaders gathered in Buenos Aires for the 2018 G-20 Meeting. The summit there between Presidents Trump and Xi was being closely followed throughout the world as we arrived in Beijing. The two leaders' agreement to a 90-day pause to negotiate a solution to the US-China trade conflict was greeted in Asia with a mix of relief and skepticism.

Three days before our arrival in Taiwan, voters delivered a surprisingly strong victory for the opposition Kuomintang (KMT) in elections for city and county leaders. The outcome inspired debate in both Taiwan and Mainland China about the role of cross-Strait issues in Taiwan's domestic politics.

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\* This report reflects the views of the author with input from the delegation. It is not a consensus report.

During our fact-finding trip last year, the Northeast Asian region was on edge over Pyongyang's recent ICBM launch and talk in Washington about a "preventative war" or "bloody nose strike" on Pyongyang. The atmosphere has dramatically changed in the past 12 months, following the Trump-Kim meeting in Singapore and three meetings between the leaders of North and South Korea. On this trip we found throughout Northeast Asia a mood of relief that the war clouds had passed, accompanied by the concern of many that North Korea's is no closer to denuclearization.

Despite the momentary calm in both the Sino-US trade war and the North Korea issue, we found Asia's foreign and security policy leaders and experts had deep concerns about long-term trends: the rise of China's power, the effects of increased tension in Sino-US relations, and what was perceived as decreased American engagement in Asia.

We met with a broad range of senior leaders and foreign policy officials, current and former diplomats, military leaders, politicians and business leaders, scholars and experts. Our goal was to understand the current security environment and how the policies and actions of the US, China, and other countries might shape that environment in the year ahead. This report summarizes recommendations from our group's visit to Taiwan, the PRC, the Republic of Korea and Japan.

## **Taipei**

### *The 2018 Local Elections*

Our delegation arrived in Taipei three days after the "nine-in-one" elections for city mayors, county magistrates and local-level legislators. The consensus from politicians and analysts across the political spectrum was that the Kuomintang's (KMT) sweeping victory (15 out of 22 mayor/magistrate positions) was less a vote of support for the opposition party than it was an expression of disappointment with President Tsai Ing-wen's Democratic Progressive Party (DPP). More than one DPP leader said, "We defeated ourselves." The DPP received 2 million fewer votes than when Tsai was elected president in 2016. KMT leaders acknowledged their party still needs to gain the people's confidence to win more than a protest vote.

The consensus in Taiwan was that the election was largely about domestic issues. In addition to a necessary but unpopular pension reform, the DPP government pursued a labor law which restricted work hours and an accelerated phase-out of nuclear energy, all measures that advanced the party's ideological principles, but as one DPP leader acknowledged, did not connect with people's lives. Some measures such as accelerating the removal from the roads of aging motorbikes and trucks and raising the cigarette tax simply antagonized the DPP's working class base. And some of the most progressive DPP supporters and smaller political parties felt that that the party failed to sufficiently support ballot referenda dealing with marriage equality and LBGTQ education for fear of losing socially conservative voters.

Beijing's state media portrayed the DPP's defeat as a repudiation of Tsai Ing-wen's "pro-independence" positions. We heard little support for that assessment in Taiwan, but our interlocutors, including senior DPP figures, acknowledged that the economic consequences of the breakdown in cross-Strait relations since Tsai took office probably did swing some voters. Since Tsai's inauguration in May 2016 and her refusal to accept the "92 Consensus" one-China formula, the annual number of tourists from Mainland China has dropped 1-2 million and the PRC has significantly cut its importation of Taiwan agricultural products. These punitive measures especially hurt tourism industry workers and farmers in southern Taiwan; although overall tourist numbers remain strong due to increases from South Korea and Southeast Asia, these tourists are less likely to venture outside of Taipei and its immediate environs. Han Kuo-yu, the charismatic KMT mayoral candidate in Kaohsiung, pledged to improve relations with Mainland China and thereby help the city's sluggish economy. Han's success in becoming the port city's first KMT mayor in 30 years is widely viewed as the election's most significant victory.

A major election issue was the extent of Beijing's interference through disinformation and alleged funding of opposition candidates. DPP-leaning analysts described a proliferation of Facebook pages that looked like news but echoed Beijing's views, often carrying false information to put the Tsai government in a bad light. In the past few months, the Taiwan government has made some progress in countering this disinformation campaign, including developing considerable skill at identifying the origin of the attacks, better coordination between agencies, and information sharing with other governments.

Tsai Ing-wen resigned from her position as DPP chair immediately after the election. Her political position clearly has weakened, with even a challenge for the DPP presidential nomination possible. Fourteen months before the next presidential election, Premier Lai Ching-te is generally seen as Tsai's most likely challenger within the party. Therefore, there is pressure on Tsai to make a major achievement in the next six months or so to prove she still has enough momentum to win a nationwide election.

In the KMT, there is no clear frontrunner. The shining success of the previously unknown Han Kuo-yu has excited popular interest but the party's old guard does not seem ready to leave the stage. One experienced political figure observed that the KMT's 2018 success was "not final" and the DPP's loss was "not fatal." Many in Taiwan commented that Taipei Mayor Ko Wen-je, an independent political amateur who narrowly won reelection, could play an important role in 2020. Some thought Ko's support would be critical for Tsai's success as a candidate and others thought Ko might run as an independent presidential candidate.

In the November 24 election, voters also decided on 10 referendum items. The complexity of these proposals and the higher than expected voter turnout slowed the election process, with voters standing in line for up to three hours. Particularly significant was the defeat by nine percentage points of an initiative to change Taiwan's name in the Olympic games from "Chinese Taipei" to "Taiwan." A well-funded campaign against this measure warned that the name change could result in Taiwanese teams being banned from Olympic competition. Many in Taiwan (and on the Mainland) saw this referendum's defeat as evidence of Taiwan voters' pragmatism.

### *Cross-Strait Relations*

Formal cross-Strait relations remain frozen. Taiwan's Straits Exchange Foundation (SEF) and the Mainland's Association for Relations Across the Strait (ARATS) have not met for over two years. Communication is at best one-way. SEF informs ARATS of incidents, accidents and disasters that involve Mainland visitors and helps Mainland travelers who need documents. ARATS makes no response, but it regularly acts on the messages it receives and sometimes issues press statements that SEF takes as implicit responses.

The Tsai administration assesses Beijing's strategy as ignoring the current "Taiwan authorities" while luring away as many of Taiwan's diplomatic partners as possible (five so far), conducting aggressive air and naval exercises, and infiltrating Taiwan's society through social media. The soft side of Beijing's strategy is seen in the "31 Measures" to attract students and recent graduates to study and work on the Mainland. PRC provinces have "adopted" Taiwan counties. A wide variety of groups are offered free trips to the Mainland. In September, Beijing began issuing "residency" cards to Taiwanese that facilitate purchase of rail and plane tickets and ease other aspects of daily life. Polls indicate that these measures have had some impact. Tsai administration officials told us that while 51 percent of Taiwanese saw Mainland China as "not friendly" two years ago, that figure has now fallen to 43 percent. Most of the shift has come from young and low-income people.

Most of the newly elected KMT mayors and magistrates have publicly expressed their desire to promote cross-Strait trade and tourism. Beijing has responded with open arms. The Tsai administration officially objects to "political conditions" for cross-Strait exchanges but has been careful not to oppose or block these developments.

The general expectation in Taiwan is that Beijing's pressure on the Tsai administration will continue in the months after the election. PLA circumnavigation of Taiwan and other shows of force, which paused for a few months before the election, probably will resume. But Taiwan experts predict that the PRC, believing that its current strategy is producing good results, will be cautious, avoiding actions that could make Tsai Ing-wen look like a victim. Everyone expects that Beijing will increase its disinformation and other activities to influence the 2020 election.

### *US-Taiwan Relations*

Tsai administration officials hope that in the next few months they can show the people of Taiwan some concrete progress in relations with the US, Japan, ASEAN and other friendly countries. Top officials are interested in negotiating a bilateral trade agreement with the US, fully recognizing that they would need to deal with the long-standing pork issue. Some political leaders, including in the DPP, are skeptical that the Tsai government has the political strength to negotiate such a difficult agreement so soon after its drubbing in the recent election.

Our NCAFP delegation last year observed concern in Taiwan about continued American leadership and commitment to Asia and about China's efforts to "fill the void." The level of concern seems somewhat reduced as Taiwan's political elite sees that the Trump administration has backed off from its transactional approach to Taiwan and appointed several officials who have previously expressed strong support for Taiwan. A new theme we heard was some worry that President Trump's apparent indifference about democratic values undermines confidence in America's commitment to Taiwan. A mainstay of that commitment for 30 years has been our "shared values."

## **Beijing**

### *On Taiwan*

Officials and scholars in Beijing were predictably pleased with the outcome of the Taiwan election. At one or two of our meetings we heard echoes of Beijing's propaganda line that Taiwan's voters had rejected "splitism." But most of our interlocutors had a similar assessment to those we had heard in Taipei: voters were dissatisfied with the Tsai government's domestic policies and reform initiatives. This was more of a DPP defeat than a KMT victory. Taiwan experts on the Mainland noted with interest the success of unconventional candidates, with Han Kuo-yu's victory in Kaohsiung seen as the most striking development of the election. They were pleased that Han and other new KMT mayors openly express support for the '92 Consensus and promised economic benefits from improved local-level relations with the Mainland.

Beijing continues to see Tsai as seeking gradual independence, acting cautiously but relentlessly in a direction that inevitably creates confrontation with Beijing. But we sensed that Chinese officials and experts now feel confident about the Taiwan situation, certain that their government can deal with any pro-independence activities and that no urgent policy response is needed before the 2020 election. This confidence is accompanied by some condescension. Mainland Chinese told us they are no longer impressed, as they were 15 years ago, by Taiwan's economic acumen and pop culture. They now see Taiwan as unappreciative of what Beijing has done for them and therefore less deserving of sympathy or tolerance.

We raised with Taiwan experts in Beijing concerns we had heard from both DPP and KMT political figures that Beijing seems to have tightened its definition of the '92 consensus, effectively rejecting the insistence in Taiwan that "one China" is subject to "different interpretations" on each side of the Strait. The response we received in Beijing, while asserting that nothing has changed, did seem to treat the prevailing Taiwan view in a more dismissive manner than in earlier years. One important Beijing expert observed that the KMT is free to mention "respective interpretations" on Taiwan, but should not say it anywhere else.

Beijing clearly has no interest in any negotiation or even official contact with the Tsai administration in the 14 months before the next Taiwan election. The closest anyone came to an olive branch was a suggestion by one analyst that if Tsai could take specific positive measures (e.g. unblock the cross-Strait service trade agreement to allow legislative approval or persuade the DPP to freeze the independence plank in its party charter) that would be seen in Beijing as an important sign of goodwill. Questions about what Tsai might expect in return for these signs of goodwill were not answered.

We asked what would be the content of negotiations if talks were resumed with Tsai or with a future KMT administration. The answers we received were very general, suggesting this was not the subject of a great deal of current analysis: fill out the Economic Cooperation Framework Agreement (ECFA) with more tariff-free items; finish the service trade agreement.

Our Beijing interlocutors stated that the Taiwan issue is currently low on the Sino-US agenda. But they noted that their government is uncomfortable with President Trump's unpredictable style. They worry he might take some unwelcome action on Taiwan before the 2020 US election. In this regard, we heard familiar complaints about the Taiwan Travel Act, the Taiwan Security Act and the prospect of Marine guards at the new AIT building.

### *US-China Relations*

The mood in Beijing was generally positive about the Trump-Xi meeting in Buenos Aires. Experts were glad the two leaders were directly engaged together with their key staff and glad that there is now a 90-day pause (even though Beijing has not publicly acknowledged the deadline). Some thought Beijing had made the most concessions. Some said US domestic politics was using China as a scapegoat. There also are officials and scholars in Beijing who clearly understand how deep and wide US disenchantment now is with the China relationship. As one respected scholar observed, no one in the US seems to be arguing for engagement.

Nearly all those we met had read or at least were aware of the recent Hoover Institution report on the risk posed by Chinese penetration of American universities and companies. In response, some of our interlocutors declared that China has neither the will nor the capacity to challenge America's place in the world and no intention to create a parallel international order. Others, more caustically, suggested that the issue is not one of China kicking the US out of the Asia-Pacific region, but rather whether the US wants to leave. Or, as another put it, does the US want to reform or replace the post-World War II order?

No one in Beijing seemed very confident that our key bilateral trade and investment issues could be resolved by March 2. Some expressed concern that failure to resolve the trade conflict would magnify our strategic differences. We heard considerable discussion about the relationship between the Sino-US dispute and the debate within China over how far and fast to go with economic reform. Somewhat surprisingly, we heard that advocates for reform are "rooting for Trump." Those on this side of the debate, for example in the Finance Ministry or People's Bank of China, acknowledge that some changes will have to be made in WTO procedures and that subsidies for state-owned enterprises (SOEs) will have to be ended. They welcome more market

reform and opening. Meanwhile, we were told, the SOEs and state-owned banks are pushing back. Some in that camp allegedly contend that reform has created a wealth gap while too much external engagement has given the US too much leverage. We heard that reformers have summarized the policy debate of the past forty years with a joke: “Two old guys forced China to open up: Deng Xiaoping and Donald Trump.”

The group was surprised when on at least two occasions, our Chinese interlocutors brought up the “reeducation camps” in Xinjiang without prompting or prior discussion on human rights or religious freedoms. The Chinese we spoke to seemed very sincere about acknowledging Western concerns about the camps, but some felt the issue was mischaracterized by foreign media. Still, there was recognition of a need for greater transparency about the conditions and activities in the camps (and in early January, foreign media were invited in to observe and report).

### *North Korea*

The view we heard in Beijing on how to deal with North Korea was quite consistent: The US should do something for the DPRK to keep them moving in a positive direction. To get Pyongyang to give up its nuclear weapons and missiles, they need to be offered a package of incentives. The US needs to enhance Pyongyang’s confidence. Chinese officials and scholars argue that the current situation offers a rare opportunity to resolve the issue: (1) Washington and Pyongyang are now communicating at the leadership level; (2) the DPRK has changed its approach. Kim Jong Un is serious about developing North Korea’s economy. These Chinese interlocutors stress the importance of the US and China maintaining strategic cooperation on the Korea issue. The trade quarrel must not affect cooperation on Korea.

We heard that Beijing is continuing to enforce UNSC sanctions against North Korea, with some enforcement lapses in ship-to-ship transfers of oil. Chinese tourism and investment continue to go into the DPRK but they are not covered by the sanctions.

One of the more original comments that we heard, from a well-connected scholar, was that since the new US National Security Strategy now lists China as America’s #1 security threat, with North Korea #2, that means: (1) the US and China can only have tactical cooperation, not strategic; (2) President Trump is now focused on China, especially the trade issue, and no longer is so interested in North Korea—or at a minimum, perhaps more concerned about ICBMs than nuclear weapons. We attempted to disabuse our friend of at least the second of his two conclusions.

## Seoul

A major topic of discussion in Seoul during early December was whether Kim Jong Un would accept President Moon's invitation to visit South Korea before December 31. At the time of our visit there had been no response from Pyongyang and we now know that the visit did not occur in 2018. We were told that Presidents Moon and Trump agreed in Buenos Aires that it would be acceptable if Kim visited Seoul before the second Trump-Kim summit. By the end of the year, it still was uncertain when either summit will be held or how such a summit would fit into the process of negotiation ostensibly occurring at the lower levels.

In Seoul there is a clear disagreement between President Moon's progressives and the opposition conservatives about strategy toward North Korea:

**The Progressive View:** The Moon administration is very focused on making progress in intra-Korean relations. The two leaders have met for a total of 17 hours during three summits. In these meetings, we were told, Kim Jong Un stated he had made a strategic decision to give up his nuclear weapons. In the assessment of the Moon administration, Kim's need to develop North Korea's economy is his key motivation for denuclearization. This motivation should be tested. Kim reportedly has said that he needs more than just suspension of joint US-ROK military exercises to persuade skeptics at home. The Moon government has some ideas of steps that could be taken to show goodwill without violating the core UN sanctions on North Korea's economy; generally people-to-people exchanges and allowing some exemptions for humanitarian aid. In the event of sufficient reciprocal action by the US, the next step that Chairman Kim has offered would be the dismantling of the Yongbyon complex, which ROK officials assess as representing 70-80 percent of the DPRK's nuclear and missile test site area.

While these denuclearization measures still await US-DPRK negotiation, the two Koreas are going ahead with a concrete program of military and civilian cooperation. Under their Comprehensive Military Agreement (CMA) the two Koreas have eliminated weapons in the Joint Security Area (JSA) of the DMZ, carried out extensive demining in the DMZ, excavated remains of Korean War dead, destroyed 11 DMZ guard posts and ended helicopter and drone flights in the DMZ. Civilian cooperation has included forestry work in the Kaesong area near the DMZ, carrying out pest control to reduce the risk of infections such as malaria that could affect the South. At the time of our visit the South had completed a survey of the DPRK's rail system on the west coast and was about to begin an east coast survey to support the establishment of North-South rail links if/when sanctions are lifted.

**The Conservatives' View:** Conservatives believe that the Moon administration's chief goal is to improve North-South relations, with the hope that this harmony can encourage the North to denuclearize. In this analysis, the war scare in early 2018 seriously worried people in South Korea. Then came the euphoria of the Olympics, followed by the image of Kim Jong Un and Moon Jae-in walking hand-in-hand across the DMZ. In Singapore, President Trump announced a premature victory, bringing complete relief from the war scare. In public discussion, the issue became framed as "Peace or Denuclearization." From the Winter Olympics until December there was no question that peace was the preference of most of South Korean's citizens.



Conservatives now see a possible tipping point in public opinion as doubt begins to rise in South Korea about the wisdom of large projects being planned to help the North without any sign of steps toward denuclearization. In the conservatives' view, the majority of South Koreans always have seen North Korea as a threat and their willingness to give the Moon government a chance to bring about real peace will now wane. This skepticism is especially strong among young people who are more cautious on North Korea than the middle-aged generation. Meanwhile, Moon's popularity has declined from 77 percent to the high 40s, though analysts roundly concluded that this trend was due less to policy toward North Korea than to a lack of progress in domestic economic reform promises.

In this view from the right, the disconnect between the US and ROK policy began on August 15, 2018 when President Moon said that intra-Korean peace could help bring about denuclearization. That put priority on intra-Korean peace. Moon saw this as a strategy to overcome domestic problems and improve his position for the 2020 National Assembly elections.

The above characterizations of the progressive and conservative positions are, of course, oversimplifications. There is a range of views within the Moon Administration. Key ROK officials are under no illusions that Kim Jong Un's ultimate goals are benign. They also stress that only the US and ROK can determine the future of their alliance. Among conservatives, many would recognize the value of some measures to reduce intra-Korean tension.

Brief notes on other subjects:

- US imposition of 25 percent tariffs on Korean autos would be a serious blow to the bilateral relationship.
- Negotiation in 2019 of the Special Measures Agreement (SMA)—aka ROK “burden sharing” for US forces in Korea—will be a painful process. The US has asked for an increase from \$800 million per year to at least \$1.2 billion and perhaps \$1.6 billion.
- ROK-Japanese relations, never very good, have been further embittered recently by Korean Supreme Court decisions in October and November that ordered major Japanese conglomerates to pay millions in compensation to Koreans who were forced to work in their factories during World War II.
- The ROK is sensitive to China's reactions to its policy actions regarding North Korea. China is the ROK's chief trading partner. Lotte is still suffering from China's punishment for providing the land for the THAAD installation.
- Scholars say President Moon doesn't want China too involved in the North Korea negotiation process. But there is general acceptance in South Korea that China would have to be part of any end of war declaration and final peace agreement.
- President Moon's total focus on intra-Korean relations was very obvious during his 2018 visit to Europe. EU officials were frustrated by their inability to engage Moon and his team in discussions on trade and other bilateral issues.

## Tokyo

### *US-Japan Relations*

Japanese officials and scholars had a positive impression of Prime Minister Abe's meeting with President Trump during the G-20 conference in Buenos Aires. While the bilateral meeting was largely symbolic, the atmosphere was good and there was some substantive discussion on Japanese purchase of high-tech defense items. This purchase is part of the new 5-year defense plan designed to develop a more muscular Navy and Air Force and to upgrade cyber security.

In Tokyo, as in Seoul, a major cloud hanging over our bilateral relationship is the Trump administration's threat to impose a 25 percent tariff on Japanese autos. Bilateral negotiations are scheduled for some time in January or February with a Commerce Department recommendation due by the end of February. Most observers in Japan do not expect a decision until summer 2019. If the tariffs do come into effect, they will cause serious pain to an already weak Japanese auto industry.

We heard repeatedly that maintaining a strong US-Japan relationship is central to Prime Minister Abe's international strategy. As one interlocutor put it, Japan cannot give up on the United States and Japan still believes in "American decency." Good relations with America, and the understanding of South Korea, Australia and other friendly countries, is essential to maintain balance with a rising China.

### *Japan-China Relations*

Japanese scholars and officials believe China will eventually change, but for the next 20 years will be Japan's greatest challenge. The late October Abe-Xi summit in Beijing restored normal diplomatic relations, allowing for tactical improvement of ties. The two sides agreed to work together on projects in developing countries, but there has been little follow up on this idea.

Despite the limited Sino-Japanese détente, the Japanese see no letup of Chinese pressure in the East China Sea. They describe Beijing's air and sea patrols around the Senkaku/Diaoyu islands as "permanent infringement of Japanese sovereignty." Japan has been encouraging Southeast Asian countries to speak up more about China's infringement of their sovereignty in the South China Sea.

While Tokyo is pleased with the Trump Administration's tough approach to China and liked Vice President Pence's speech, our interlocutors made clear that Japan must act more cautiously than the US. Japan plans to maintain engagement with China and has some worries about Sino-US decoupling. Japan and China's economies are entwined. Sino-US tensions could damage supply chains important for Japanese companies. Japanese universities will suffer if Chinese students stop coming.

## *North Korea*

While Tokyo sees China as its long-term threat, North Korea is the most immediate threat. Japan has been a hardliner on negotiations to remove the DPRK's nuclear and missile capability. The main popular concern in Japan is that North Korea must give up short and medium-range missiles that can hit Japan's main islands. Tokyo is anxious about the Moon administration's pursuit of friendly ties with Pyongyang particularly given the difficulties in Japan-ROK relations. The Trump administration's approach also causes some worry. Tokyo was surprised about the suspension of US-ROK military exercises. They hope these exercises will be resumed this spring. The Japanese also would not welcome an early end-of-war declaration or any deal that diminishes the US presence in Korea. These worries are amplified by the realization that Japan is not a key player on the North Korea issue, watching from the sidelines while trying unsuccessfully to engage Pyongyang on Japan's emotional issue of abductees brought to North Korea decades ago.

With little role to play on North Korea and little chance to carry out constitutional reform or other domestic initiatives, Prime Minister Abe is reportedly interested in negotiating with Russia on a resolution of the Northern Territories issue that for seven decades has prevented Tokyo and Moscow from signing a formal end to World War II. The Abe government has been careful not to criticize Moscow on actions that have received the opprobrium of other major countries. Scholars predict Abe will be unable to succeed in his Northern Territories goal since Moscow sees Beijing as a more valuable partner than Tokyo and will focus on strengthening Russia-China relations.

### Brief notes on other subjects:

- Kushiro port in Hokkaido is viewed by Japan, China and Russia as a possible way station for an Arctic maritime route. Chinese companies, some of which are state-owned, have been buying up land near Kushiro.
- Tokyo was disappointed with the election results in Taiwan. Abe has developed a good relationship with Tsai Ing-wen. Passage of the referendum banning imports from the Fukushima region will unfortunately complicate reaching a Japan-Taiwan trade agreement.
- Japan's private sector has been careful to keep manufacture of its highest level of technology at home, not in China. The companies are especially concerned about 5G competition with China. The week before our visit the Japanese government declared that there will be no government procurement from Huawei.
- Tokyo applauds US-Australian collaboration at the Manus Island base in Papua New Guinea. Although not involved in the base, Japan has helped the PNG military.
- Japan's intelligence chief has met twice with his DPRK counterpart in Mongolia, in June and October 2018, to discuss the abductee issue.
- Tokyo hopes President Trump will be the first head of state to meet Japan's new emperor.

## **Recommendation and Conclusions**

- Cross-Taiwan Strait relations remain fragile. All sides believe they are pursuing deterrence, but it is unclear if such deterrence strategies will be interpreted as defensive or benign by other parties. If Track 1 cross-Strait dialogue cannot be restarted during the Tsai administration, Track II must continue. As Beijing seems to be rejecting 'different interpretations' of one China, we can expect increased PRC pressure on the KMT, especially if it returns to power.
- Beijing's pressure on the Tsai Ing-wen government is expected to continue and even increase somewhat in the months ahead. Substantive but prudent signs of US support for Taiwan could help to maintain morale of the government and people in the face of Beijing's harassment. The Tsai government may now have the political will to resolve some long-standing US trade issues. This could be a good time to negotiate a bilateral trade agreement or, if that seems a bridge too far, something more limited such as a bilateral investment agreement. As for other measures of support, the US should use past precedent as a guide. Neither the US or Taiwan would want such measures to escalate into a crisis if Beijing feels compelled to respond (or over-respond).
- China should abandon its claim to developing country status. Not only does the designation ring false for anyone visiting China's first-tier cities or competing against Chinese conglomerates, it increases anxiety in the US about China's future national power potential when it lifts its remaining poor out of poverty.
- The US should equally be cautious about paying insufficient attention to the range of debate within China's policy circles on how to manage relations with the United States. There is still significant momentum in China for further reform and opening, but this momentum may fizzle if the US and China cannot find mutually compatible trade goals which outweigh the Trump and Xi administration's anxieties about each other's intentions.
- China has heard and is sincerely considering how to deal with backlash against some of its most ambitious policies, including the Belt and Road Initiative. The US should push for transparency and consistency in future BRI projects so that the initiative can meet its own goals of inclusivity and mutual benefit.
- The international community needs to probe the DPRK's commitment to economic reform and decide if such proposed or realized reform is sufficient evidence of a change in the DPRK's strategic direction toward trading its nuclear program for economic aid and investment. Reopening a multilateral forum for negotiations—even if running simultaneously with bilateral negotiations—will help to establish the seriousness of the DPRK's economic reform commitment and ensure buy-in for long-term solutions acceptable to all sides.

- All countries need to develop a strategy for digital literacy that diffuses the power of disinformation campaigns. Taiwan has done important work on this issue through its NGO network and by establishing a Minister without portfolio to work on cyber issues. Learning from Taiwan's 2018 experience could be instructive to the US in assessing likely tactics aimed at undermining the free and open elections of the US and other democracies.
- The US should complete and release an Indo-Pacific Strategy report, detailing the regional objectives of this administration and ways in which partners can cooperate on meeting those objectives.
- Similarly, it would be useful for this administration to clarify its views on the expectations and responsibilities of alliance partners in relation to the US vision of global peace and stability.