



## **US-China-Japan Trilateral Dialogue Report: Avenues of Cooperation Amidst Continuing Tensions**

**By Andrew L. Oros  
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On May 21, 2019, the Forum on Asia-Pacific Security (FAPS) of the National Committee on American Foreign Policy (NCAFP) conducted a trilateral dialogue in New York City involving scholars and former officials from the United States, China, and Japan, all acting in their personal capacities. Participants discussed the prospects for trilateral and broader multilateral cooperation in addressing Northeast Asian security challenges. The discussion, organized by three broad topics outlined in this report, was held under the Chatham House Rule.

The conference session began with a note that 2019 marks the 40<sup>th</sup> anniversary of the re-establishment of diplomatic relations between the US and the PRC. As Chinese State Councilor Yang Jiechi stated in a press conference in Washington, DC last year: “History and reality prove that cooperation is the only right choice for both countries and win-win can lead to a better life.” No one state can manage the global challenges it faces today. Indeed, one of the main reasons for the great successes of the US, China, and Japan in the late 20<sup>th</sup> century was a willingness to cooperate with one another. This cooperative spirit was urged to frame the day’s discussions of the numerous challenges ahead. And central areas of discussion focused on how to construct a stable balance of power in Asia and how to establish rules within a competitive environment.

It was also noted from the outset that although the focus of the day was on trilateral cooperation, in reality there are three bilateral relationships to consider. Relations between the US and China have grown increasingly tense over the past year, with a focus on trade talks and tariff threats as well as a number of military and security-related issues. By contrast, the relationship between Japan and China has recently improved, although numerous tensions remain. The costs of these tensions to citizens in all three states are expected to become more visible as these tensions simmer and even escalate. While some felt US-Japan relations could be characterized as the best they have ever been, others argued that tensions existed below the surface, particularly over coordination of North Korea policy and trade talks but also on broader concerns about President Trump’s transactional approach to US alliances.

Several participants noted that it is encouraging to see at least some degree of warming in relations between China and Japan. From the US side of the Pacific, Prime Minister Shinzo Abe and Foreign Minister Taro Kono visits to China were promising, as is the plan for President Xi Jinping to visit Japan in June for the G20, his first trip to Japan since coming to power. It is also encouraging that there is talk of a second visit by Xi to Japan in the autumn. But limits remain on how far and fast to push Sino-Japanese cooperation in a period of Sino-American tensions; a recent news story described Toyota Motor Company's series of new investments in China as purposefully "under the radar" so as not to anger President Trump.

There was general agreement among the participants from all three countries of the need to cooperate on global challenges, but also general consensus that it would be difficult to craft trilateral cooperation directly. Instead, cooperation is best promoted indirectly through the three bilateral relationships or through regional or international organizations such as the Asian Development Bank (ADB) and the Asian Infrastructure and Investment Bank (AIIB).

### **Perspectives on Trilateral Relations: The Backdrop of Strategic Competition**

Presenters in the opening session all indicated that trilateral US-China-Japan cooperation was waning, as was broader cooperation on maintaining the liberal international order. Different views were presented on the root cause of this decline in cooperation. A consistent US view was that this decline was in "reaction to Chinese policies over the past five to ten years" or even earlier, including unfulfilled promises China made when it joined the World Trade Organization in 2001. According to this view, the main challenge is that China is not willing to engage in self-reflection on what it has done to escalate tensions—for example, the building and militarization of artificial islands in the South China Sea, disinviting France from PLAN 70<sup>th</sup> anniversary celebration due to its sailing through international waters of the Taiwan Strait, or the numerous trade-related issues that are the core of the current China-US talks. Another key challenge is how to manage the differences between China's closed, state-controlled system versus the US, Japan, and other "open societies."

Other participants from China, and some from Japan, argued that it was the US that was undermining the international order. In particular, President Trump's policy of "comprehensive confrontation"—including actions such as tariffs and continued freedom of navigation operations (FONOPS)—was a major challenge. This challenge was more neutrally described as one of a "power shift" between existing powers on the one hand and China and other rising states on the other.

Beyond trilateral cooperation, the decaying of the broader liberal order was identified as a key challenge to all three countries. However, there was disagreement about why it was decaying. Is the liberal international order decaying by itself, and is Chinese behavior taking advantage of this decay? There were also calls for Japan to step up to contribute to global governance. An example of Japan “stepping up” is the upcoming G20 summit in Osaka, which will focus on updating the WTO. Moreover, Japan’s role within the US-Japan alliance was discussed as both a provider of important public goods in East Asia as well as a hedge against the prospect of head-to-head competition with China.

Several participants indicated that there was a challenge in the very nature of US-China-Japan trilateralism because it pitted “two against one”—raising the question, is there any way to make it “all for one”?

Participants from each of the three countries argued that there is no alternative to the struggle for preeminence in the region—“it’s happening, and will continue to happen for decades.” There is a great challenge of competing nationalisms, competing forms of capitalism, and different stages of development. There is also a need to accept competition, but this does not make war inevitable or preclude cooperation. Several questioned what “preeminence” means in a 21<sup>st</sup> century context, arguing that it will certainly look different today than in the 20<sup>th</sup> century.

The need for sustained leadership emerged as a recurring theme. It did not seem realistic that there would be sustained regional cooperation without US or Chinese leadership, and there was little optimism that either would step up.

There was a fear that because it is easy to caricature President Trump and some of his administration’s policies and missteps, there is also a mistaken view of a US decline or a lack of commitment to the Asia Pacific and the world order. It was acknowledged that the US is presently facing domestic governance challenges, but that a historical US strength is managing differences both domestically and internationally. For example, President Nixon successfully managed great differences with Mao Zedong all while facing serious domestic political challenges.

By contrast, numerous participants expressed the view that there may be an exaggeration of China’s capacity to be a future world power. Although China has experienced sustained economic growth for decades and has begun a broader series of initiatives in global diplomacy, it lacks some of the key strengths of the US, such as a network of allies and partners around the world and economic competitiveness based on the rule of law.

Another central theme was over how to set up rules for interaction and boundaries for strategic competition. There was widespread concern that the few rules we have are disappearing. At the same time, participants, especially from China but also from the US and Japan, argued that we should not idealize the past liberal international order. During the Cold War, there was a lot of US support for non-liberal states and much open conflict, including two major wars in East Asia. That system was undergirded by US power and hegemony. Similarly, in the 21<sup>st</sup> century it was noted that a rules-based order does not necessarily need to be a liberal one.

Overall, there was concern that while China seems increasingly willing to set some new rules (often by revising old rules), China still seems to act on an *ad hoc* basis, or to exempt itself from some rules. Chinese participants noted in response that China successfully hosted the annual G20 meeting in Hangzhou in 2016, providing a good pathway to future planning and cooperative discussion. Beyond the G20 meeting, other positive interactions with international institutions included Hu Jintao joining the last G8 meeting and China's cooperation with ASEAN in code of conduct negotiations.

India was also identified as central to the expanded notion of the Indo-Pacific. Both the US and Japan have deepened cooperation with India in the military and economic realms. For Japan, Prime Ministers Modi and Abe have upgraded the relationship between their two countries to one of a "special strategic partnership." Modi visited China twice last year and met with Xi. With Modi having secured another term as prime minister in recent elections, it seems that the path of strategic deepening across numerous Asian states will proceed.

The idea of a "concert of powers" model for 21<sup>st</sup> century governance—harking back to Europe's past—was discussed at some length, with a consensus that today's concert would need to be a more "complex system" and different from Europe's past. Some Chinese participants linked this discussion to Xi's call for a "shared future" in the Asia Pacific, of sharing the "big Pacific Ocean." To some Japanese participants, this notion reminded them of a "G2" between just the US and China.

#### *Debate over the Definition and the Reality of "Decoupling"*

The potential move to "decouple" the deep linkages between China and the US generated diverse opinions, from the view that such a move would be "both undesirable and dangerous" to a view that over time this process is inevitable and already underway. Examples of China-initiated decoupling include Chinese policies to create their own systems for using the internet and for digital payments. The dramatic decline in American and Japanese FDI in China was also noted, though others argued that this was more a response to Chinese restrictive regulations, growing labor costs in China, and new corporate moves to scale down the complexity of supply chains. This alternative view was linked to the possible wind-down of globalization, or "Globalization 2.0".

US policy toward the Soviet Union during the Cold War was discussed as a kind of "decoupling" strategy. Even then, it allowed for cooperation in areas of shared interests. The US and USSR signed and respected numerous important treaties to limit weapons production and to reduce tensions through agreements such as military codes of conduct, even though the general policy between the two superpowers at the time was not one of broad engagement. Numerous participants were doubtful that this sort of Cold War scenario would typify future US-China-Japan trilateralism, but if it does, the restrictions on US-China-Japan cooperation would likely limit the economic and strategic space for each country.

Beyond the US-China relationship, numerous participants noted that many countries, including Japan, do not have the option to decouple from China, the number one trade partner for nearly all countries in East Asia. Thus, another drawback of this decoupling approach for the US would be the tension it would create between the US and its allies in the region.

Participants wondered how to square the circle of strategic mistrust. US and Japanese participants called for more clarity on how China would use its greatly enhanced military power in the region. In particular, one Japanese participant called on the group to distinguish between “anti-China” and “counter-China” approaches, with the argument that Japan is following the latter.

It was noted that strategic mistrust is not just about economic competition but is also a multi-layered challenge between two governments (US-China or Japan-China) and two types of societies (open-closed). The scarcity of high-level visits that involve genuine conversations was also noted in this context. Even the Chinese ambassador to US is largely shut out of high-level meetings in Washington. In addition, Chinese academics have concerns about being seen as spies—and they also face growing challenges to secure visas to travel to the US.

### *The Role of Public Opinion and Societal Relations*

Several participants stressed that trilateral cooperation was not just about security and economic cooperation among the three states but also about people-to-people exchanges and public perception. This could be described as the “ballast in the boat” to keep from capsizing in stormy seas, but positive attitudes can erode quickly under sustained stress. Several participants from the US and China expressed the view that there is a real danger that public attitudes will turn sour, providing less insulation against future problems. It is important to think carefully about how to protect societal ties through programs such as young leaders dialogues and increased people-to-people exchanges. On a more positive front, several Japanese and Chinese participants noted the growing positive attitudes between Japanese and Chinese citizens, including through visits to Japan, which have skyrocketed in recent years.

By contrast, several American participants observed a “shift to the right” in US public opinion. In particular, it was argued that there has been a big shift in opinion away from the view that China’s economic gain is good for the US. This shift will not change unless Chinese policies change, and there needs to be “intense pressure on China to change its forced technology transfer policy, theft of IP, etc.” Regardless of who wins the US 2020 presidential election, there will continue to be a push for a more “reciprocal” trade agenda. Beyond trade, there was a call for China’s decision makers to demonstrate more clearly to the US that its past trust in China was not misplaced. In particular, China’s militarization of its artificial islands in the South China Sea—despite multiple explicit promises from the top Chinese leadership that this would not happen—contributed greatly to a growing US view that China’s words cannot be trusted. Moreover, China’s promises to stop engaging in economic espionage also have not been kept.

By contrast, Chinese participants noted public concern about why the US “turned” on China so quickly, noting a sense of betrayal. American participants responded that the US has a history of being a “magnanimous benefactor” to lesser-developed countries until they reach middle-income status, and it is also a fierce competitor with countries that approach US economic standing. This was linked to another discussion thread about the perceived parallels between current US-China tensions and US-Japan tensions in the 1980s.

Several participants drew parallels between the anti-Japan views prevalent in the United States in the late 1980s and the growing anti-China views evident in Washington today. Yet, many others argued that the climate between the US and China today is fundamentally different. Japan was seeking to become an economic superpower within the context of the US-Japan alliance. Moreover, people who negotiated US-Japan trade tensions across the Pacific often had personal friendships and shared some overall goals, including through working together to build the more globalized world economy over the previous decades. In addition, Japan’s stated goal was to increase support of the existing international order, and not to explicitly challenge US global leadership.

By contrast, today’s tense formal talks between the US and China show a lack of shared objectives among negotiators who do not know each other personally. In addition, over the course of the negotiations between the US and Japan, Japan actually changed its behavior. For example, Japan changed from producing nearly all automobiles in Japan toward global production through instruments such as voluntary export restraints (VERs). The Plaza Accords of the mid-1980s also addressed the undervaluation of the yen as well as some of the ballooning trade deficit between the US and Japan. By contrast, China today frequently asserts its developing country status.

### **Different Perspectives on the North Korean Nuclear Issue**

On the same morning as this trilateral meeting, there was news about a comment from the North Korean ambassador to United Nations condemning the US seizure of a North Korean ship for sanctions violations, and asking for the UN Secretary General to intervene. This call illustrated the challenges the US, China, and Japan face in discussing the North Korea nuclear issue after the two summits between the US and North Korea failed to deliver a framework for resolving the long-standing concerns about North Korea’s development of nuclear weapons.

Discussion on the North Korean nuclear issue included consideration for what premises the US, China, and Japan could agree on. Could they condemn North Korea for using nuclear and missile threats to destabilize the region? Could the three countries agree that North Korea seems to be shifting its focus from denuclearization to maintaining a freeze and accepting North Korea as a nuclear power? Could they agree that it would be a mistake to accept North Korea as a nuclear power, or that North Korean cyber capabilities pose the potential to become a sort of future weapon of mass destruction? Among the participants in the room, there seemed to be general agreement on these points, but not on how to act on them.

There was concern that North Korean leader Kim Jong Un believes that the only effective security guarantee is a nuclear deterrent. US participants further expressed concern that Kim has been able to manipulate recent summits to allow Russia and China to soften regime-crushing sanctions.

Some Japanese participants expressed concern about a third Trump-Kim summit, but also hope for a resolution of the nuclear issue before the August 2020 Olympics scheduled for Tokyo.

Several Chinese participants called for more dialogue between the US and North Korea, including simultaneous discussions of denuclearization and a peace treaty. Chinese participants argued that China was committed to maintaining sanctions on North Korea. They also applauded Japan's change of policy to pursue negotiations with North Korea without preconditions related to the issue of North Korea's abduction of Japanese citizens during the Cold War.

Numerous challenges to a successful resolution of this issue were discussed, underscoring the failures of negotiations to date. Such challenges include the lack of a shared definition of denuclearization, and the lack of good coordination between the US and China on North Korea. Several participants posed the rhetorical question of whether China was willing to take responsibility for North Korea if US diplomacy fails. They also asked why Xi reversed policy to meet with Kim Jong Un not once but three times, wondering if China was anxious of being left out of the process after the US and DPRK began formal talks. The observation underscored the nature of trilateral US-China-Japan cooperation on the North Korean nuclear issue, or the suspicion about how differing long-term strategic interests may affect the shape and scope of current negotiations.

There was much discussion on what the Trump administration was not doing that it should be, and what it was doing that it should not be. The Trump administration was criticized for accepting a "phony peace" of a freeze on testing, reinforced by President Trump's tweets. There was also criticism that the US has not kept up "maximum pressure" on other countries' enforcement of sanctions on North Korea, in particular vis-à-vis China, Vietnam, Russia, and India. It was noted that no country complained to the UN Security Council about the latest missile tests by North Korea despite the tests being an apparent violation of UN sanctions. It was feared that this lack of protest effectively raised the bar for North Korea to prohibit only an ICBM missile test. In another area, there was criticism of President Trump's "all or nothing approach"—asking for a complete dismantling and full accounting of nuclear weapons upfront. The administration was also criticized for promoting the idea via advocacy video that there was a "quick fix" to North Korea's pervasive economic and governance challenges.

One area of agreement over the North Korean denuclearization issue was that China and the US have different views about how to resolve the crisis. There were questions over what these phases were, and what the end game would be. For some, a step-by-step approach without a clear endgame of denuclearization was not acceptable. For others, a security guarantee for North Korea was most important, with limiting economic sanctions seen as a second step. That said, the challenge of the very idea of providing a security guarantee to a Leninist state—which views the international system as a capitalist tool—was noted.

Is it within the ability of the five major engaged powers (US-Japan-China-Russia-ROK) to give the DPRK what it wants: a security guarantee, political stability, and economic development? In terms of potential solutions, several participants from all three countries present at the dialogue expressed skepticism that an economic opening of North Korea would be seen as an attractive option for Kim, given that North Korea is a small state and such a course would threaten *juche* ideology and require transparency and the rule of law protections that may challenge the Kim dynasty's hold on power.

Discussions concluded with a rather pessimistic counter to the main purpose of the session's discussion by asking whether it was truly realistic to imagine that North Korea would ever denuclearize. Absent this, several asked, what are the realistic options? If the US were to give North Korea what it wants in terms of a security guarantee—ending extended deterrence and removing US troops from the ROK—then South Korea would be vulnerable. This concession would arguably result in the end of the US-ROK alliance and would more likely lead to South Korean nuclearization than North Korean denuclearization. Moreover, another possible effect of accepting North Korea as a *de facto* nuclear weapons state would be Japan's future nuclear weapons development, with a spiral effect that China would see such actions as destabilizing to regional security.

### **Potential for Trilateral Cooperation**

It was recognized that Asia's future will face increasing challenges. Japan, South Korea, and China all have experienced shrinking working-age populations and challenges to care for growing elderly populations, burdens that will only intensify in future decades. In addition, the consequences of climate change will present substantial future challenges. Toyota Motor Company recently signed a deal to share battery technology for city buses in China—a small but constructive sign of cooperation and approaches to address the causes the climate change. In both of these areas, sharing successful approaches and working together will be critical to enjoying a prosperous common future.

There are numerous examples of positive, cooperative relations in some areas of China's policies towards its neighbors in South and Southeast Asia, including the building of infrastructure and “win-win” development schemes through some aspects of the Belt and Road Initiative (BRI). The US and Japan have been expanding development cooperation in the Indo-Pacific. Japan also has begun to play a greater role in helping to build a cooperative maritime security infrastructure in the Indo-Pacific, which includes the South China Sea.

Face-to-face meetings between the three leaders at the June G20 meeting in Osaka—which brings together a large number of other stakeholders in cooperative relations among the world's three-largest economies—may help to set things on a more constructive path.

However, in the context of growing strategic competition, trilateral solutions to shared challenges were rather limited. On the other hand, a possibly positive aspect of this competition is that it can lead to greater opportunities for developing countries, allowing competition for development schemes put forth by the US, China, and Japan.

*Policy Recommendations:*

- Consider joint action on new ways of rules-making, including through multilateral summits like the G20 meeting. Such institutions could play an increased role in rules enforcement.
  - Refrain from framing this need for a “rules-based order” as synonymous with maintaining the liberal international order, which is a term that makes some uncomfortable.
  - Recognize that reform of the World Trade Organization in particular is necessary, not (just) because China is not playing the rules, but because the WTO needs to be updated for 21<sup>st</sup> century challenges and practices.
- Build on the promising trend of Asian Infrastructure Investment Bank (AIIB) cooperation with the Asian Development Bank and World Bank on infrastructure investment in the region.
  - China has substantial experience from its development process which may be useful to share in the context of regional development.
  - The US and Japan should work with China to improve the quality of the BRI, building on China’s experience on leadership in the G20 and the Shanghai Cooperation Organization.
- Recognize that there is presently a struggle for order in East Asia and globally, and that a stable equilibrium must be reached. The key question is how to establish rules of the game to manage this competition so that it is competition with minimum outright conflict.
- For the US and Japan: recognize that China’s policies are not as coordinated as often portrayed. China today is not the Soviet Union of the past, nor is it China of the past, nor is it Japan of the 1980s.
- For Japan: look for a role between the US and China, including working with other states caught between the two. TPP-11 is an example of such a role that Japan could and does play. Cooperation with China on infrastructure—bridging BRI and the Indo-Pacific Strategy—is another. An advantage of this conceptually would be that the Indo-Pacific Strategy would be less likely to be framed as a China containment strategy, which is anathema to states like Australia.

In sum, there is a case for both pessimism and optimism. Pessimism is warranted due to growing frustration in both the US and China, and in Japan, and due to the natural rivalry of rising power and established powers. Optimism is also merited by recognizing that global challenges require international cooperation and that a degree of economic integration benefits all three states (as well as others).

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

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**A U.S.-CHINA-JAPAN TRILATERAL CONFERENCE**

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