New Thinking on Persistent Security Challenges in the Asia Pacific

An NCAFP Edited Volume

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New Thinking on Persistent Security Challenges in the Asia Pacific

By Susan A. Thornton

The year 2020 was as tumultuous for the world as it was for the United States and the Asia Pacific, and it remains unclear if 2021 will right the course toward global peace and prosperity. Though a new Democratic US administration has taken office and is busy trying to wipe the world’s collective memory of Trumpism, it is obviously plagued by Trump’s legacy. The detritus of the last four years hangs over the new Biden team, who are rushing to keep the doubt sown about US commitments, strength and staying power in the region from rooting and spreading. At the same time, the US government is newly resource constrained by domestic obligations, fighting to stem the pandemic and plagued by political and societal divisions, even as it has no shortage of domestic and global ambition.

Much has changed though since 2016. Despite President Trump’s “America First” policies, the world has continued to integrate economically and deepen people-to-people communications. States, enabled by the process of globalization, have “weaponized interdependence” to use economic leverage in pursuit of political and security interests. And a confrontational US approach to China has not resulted in strategic gains for the US or its partners and allies; rather, China has responded in kind with its own military, economic and political pressure, raising tensions to a near boiling point on cross-Taiwan Strait relations, US-China people-to-people exchanges, and maritime disputes in the East and South China Seas.

Writing in these same pages ten years ago, Ambassador Stapleton Roy assessed that “there will be enormous benefits for the region if China and the United States both rely on diplomacy to support the adjustments in East Asia that inevitably must accompany China’s rise to great-power status and to promote a stable and mutually beneficial regional and global balance.” This remains true today, but with mutual recriminations dominating the headlines and diplomacy, progress continues to be elusive.

Furthermore, the COVID-19 pandemic has laid bare the costs of non-traditional security shocks, particularly in the breakdown of global cooperation over the origins, spread and treatment for this public health crisis. The failure of international institutions to lead the way out of the pandemic continues to erode faith in their strength and utility to address other long-term transnational problems.

Amid these strategic concerns, the NCAFP assembled nine prominent security scholars to write essays on a variety of topics that deserve reexamination at this critical juncture: the future of the Korean Peninsula, regional arms control, US alliance policy, international institutional reform, cross-Taiwan Strait relations, and the strategic utility of regional institutions such as ASEAN and APEC in maintaining peace and stability in the era of great power competition.
Cho Byung-jae writes that the globalization’s increasing integration is irreversible, and therefore the need to strengthen international institutions and global governance is critical to achieving US policy goals. He recommends that the Biden administration repair the damage caused by the Trump administration’s unilateralist policies by recommitting to alliances, institutions and to providing public goods.

Oba Mie outlines the importance of multilateral cooperation to the ongoing process of globalization and discusses the drawbacks of a great power competition framework to global peace and prosperity. She proposes expansion and amendment of the Indo-Pacific’s two major free trade agreements, CPTPP and RCEP, to include more regional stakeholders and to support an emphasis on sustainable development.

James P. Zumwalt makes the case for the US to double-down on engagement in APEC to push for voluntary, ad-hoc and issues-based multilateral cooperation. APEC brings together the US with all the major regional economic players, including Taiwan, and thus provides an opportunity outside of regional free trade agreements for the US to foster cooperation and share best practices on 21st century challenges.

Richard J. Heydarian argues that reform would allow ASEAN to make functional its centrality to resolving disputes in the Indo-Pacific region. He traces the path of ASEAN reform amid the realities of today’s shifting balance of power and impetus for great power competition to suggest greater utilization of ASEAN-minus formulas that allow for consensus without unanimity.

Jimbo Ken frames the Indo-Pacific security environment in terms of gradational changes in balance of power, noting the rising challenge of ‘grey-zone’ activities and offering an appraisal of how the US could respond through its extensive network of alliances and partnerships by updating key defense concepts, and by increasing interoperability and capacity building for smaller countries.

Zhang Tuosheng summarizes five challenges in regional arms control affected by the deterioration in US-China relations. He counsels bilateral crisis management mechanisms and military-to-military discussions on a wide range of issues and concludes that the US and China must actively work to preemptively forestall a regional arms race.

Kim Jina discusses North Korea’s calculations on when and how to return to negotiations, noting that North Korea is interested in exploiting the gap between the interests of the various stakeholders in regional peace and stability, but only at the lowest strategic and economic costs. She recommends that the allies pursue trust-building mechanisms while maintaining a strong deterrence posture to curb the DPRK’s appetite to escalate tensions.
Keith Luse lays out principles that should guide the US approach to the DPRK nuclear issue, drawing on lessons from the failures of past administrations and his extensive diplomatic experience with DPRK negotiators. He advocates for a self-reflective US posture that incorporates Congress into the bargaining process at early stages to ensure the long-term viability of any deal; and offers the suggestion of an outside panel trusted by both US and DPRK negotiators to evaluate any ongoing processes.

Xin Qiang asks whether and how positive-sum dynamics can develop in triangular relations between Washington, Taipei and Beijing. Noting that neither Taipei nor Beijing are likely to compromise on their bottom lines, he offers suggestions for the Biden administration to reassure both sides of continuity in its Taiwan policy and to build opportunities for trilateral Track II dialogue.

These pieces tie together thoughtful, reflective analyses of the past and present with future-oriented visions for managing the most intractable, long-term challenges to regional peace and prosperity in the Asia Pacific. As the weight of the region in the global political economy grows, so too will the opportunities and challenges shaping policy choices. It is our hope that these essays will spark discussions and catalyze action toward frank dialogue and cooperation as the world settles into the new normal of the post-COVID-19 era.
Strengthening Multilateralism and Global Governance in the Coming Years

By Cho Byung-jae

Over the past 70 years, multilateralism has been a powerful driver in strengthening global governance for world peace, prosperity and integration through institutions such as the United Nations, General Agreement on Tariffs and Trade (GATT), World Trade Organization (WTO), North Atlantic Treaty Organization (NATO), European Union and Association of Southeast Asian Nations (ASEAN). The United States emerged as the global hegemon in the post-World War II era and ultimately promoted the spread of multilateralism. Therefore, it is ironic that over the past several years, the US has stood at the forefront of challenging multilateralism and global governance.

Skepticism about multilateralism surfaced in the US after the 2007-2008 financial crisis, when the Tea Party emerged within the Republican Party. Upon gradual expansion, the movement peaked under President Donald Trump’s “America First” campaign, which was openly hostile toward multilateralism.

As such, it is interesting how the COVID-19 pandemic broke out during the last year of Trump’s presidency and left a polarizing impact on multilateralism and global governance. On the one hand, the national response shown in the early days of COVID-19 by individual governments, such as border blockades and city closures, reaffirmed the notion that sovereign states are still the main players in the international community. It also showed that the existing multilateral institutions, such as the World Health Organization (WHO), are incapable of managing such crises on their own. On the other hand, COVID-19 has served as a reminder that the global community is deeply interconnected and that problems are shared by humanity globally, making international cooperation necessary. To this end, multilateralism must be embraced and global governance further strengthened.

Background on the Decline of Multilateralism

There are at least three challenges facing multilateralism and global governance.
Globalization of the post-Cold War period had its own economic rationale, which was to give everyone a better life. “A rising tide lifts all boats” was its underlying message. In this spirit, efforts were made to maximize efficiency and economies of scale while minimizing transaction costs. Additionally, a wide range of trade facilitation and liberalization measures were established to enable the free trade of goods and services, lowering or even eliminating physical and institutional barriers across borders.

However, the highly anticipated neoliberal economy had its side effects. The global GDP grew, but the resulting benefits were not distributed equitably. As technological innovations took place, capital became the main factor of production, significantly outperforming labor in creating value added. The gap between countries that had capital and those that did not, as well as the income gap among individuals, widened, resulting in greater inequality between and within states. The Asian financial crisis in the late 1990’s and the global financial crisis, which culminated in the bankruptcy of Lehman Brothers, demonstrated the negative consequences of liberalized capital.

Deepening economic inequality and the dismantling of barriers led to a rise in large-scale immigration. Immigrants, legal and illegal, arrived in EU countries and North America, prompting a marked increase in sociocultural frictions. Resistance to globalization and antipathy against elites and the establishment began to take hold. In Europe, right-wing political parties, such as the National Rally (formerly known as National Front) of France, Lega Nord and the Five Star Movement of Italy, and the Freedom Party of Austria, gained momentum with their Euroscepticism, populism, and opposition to immigration and globalization. In the US, the Tea Party within the Republican Party advocated small-government principles and enacted anti-immigration laws. They were also critical of any US involvement overseas.

The Rise of China

When economic inequality was emerging as a serious political and social problem in the US and Europe, China was acting fast to build a “xiaokang” society in which all of its citizens would enjoy a “moderately prosperous” standard of living.

In the late 1970’s, China chose market economics as its strategy for national development, and in 2000 joined the WTO. In some respects, China gradually became a student best adapted to the multilateral economic order established by the US. Before China, there were other emerging Asian economies, such as the Republic of Korea, Taiwan, and Singapore. However, the sheer size of China’s economy put the country in a different category. In 2010, China overtook Japan to become the world’s second largest economy. In 2014, according to the International Monetary Fund (IMF), China’s GDP surpassed that of the US in terms of purchasing power parity (PPP). Today, it would be fair to say that China has become the factory of the world, given its critical place in the global supply chain.
Meanwhile, in the American and European economies, structural changes have taken place against the backdrop of a struggling manufacturing sector and a rising service sector. In the US, steel and automobile industries in the Midwest have declined, while the financial industry in the Northeast and IT industry in Silicon Valley have risen to dominance. In a socio-political context, these changes reflect a shrinking middle class, whose livelihoods are closely tied to the manufacturing sector.

Structural changes in the global economy and the subsequent opposition to liberal internationalism imply that strengthening multilateralism and global governance is a complex process that requires a systemic approach and a long-term perspective.

Given the rise and decline of global governance, it is also worth noting that many have steadily argued for reforms in the multilateral system to reflect the global political and economic developments of the past decades, especially those concerning emerging powers such as China and India. However, due to the political rigidity inherent in multilateral institutions such as the UN, IMF, World Bank, and WTO, necessary reforms have not been carried out in a timely fashion.

Nevertheless, this has not dissuaded China from making rigorous efforts to strengthen its position in the international community. It has found ways to expand its influence within the existing multilateral system. For example, when the Hong Kong security law was being discussed at the UN Human Rights Council in July 2020, a resolution in favor of China was supported by 53 countries, whereas the resolution critical of China only gained traction among 27 countries. Moreover, Chinese nationals currently head four UN specialized agencies, including the International Civil Aviation Organization (ICAO), the International Telecommunication Union (ITU), the Food and Agriculture Organization (FAO) and the United Nations Industrial Development Organization (UNIDO). Even outside of the existing governance regimes, China has worked hard to expand its influence. The Conference on Interaction and Confidence-Building Measures in Asia (1999), Shanghai Cooperation Organization (2001), Boao Forum for Asia (2001), BRICS (2009), New Development Bank (headquartered in Shanghai), Asian Infrastructure Investment Bank (headquartered in Beijing), and Belt and Road Initiative are all examples of multilateral initiatives that China has founded or led.

With the emergence of other centers of global power, such as China, Russia and India, it has become harder for the US to push its own agenda and seek joint actions with other countries.

Reversal of US Policy

The election of President Trump in the US, in addition to the decision of the United Kingdom to withdraw from the EU, symbolized the emergence of anti-globalization forces on both sides of the Atlantic.
During his campaign, Trump was able to capitalize on the political and economic dissatisfaction of those left behind in the process of globalization, and many attribute his election victory to being able to appeal to this part of the population. However, it is unclear how successful Trump was in changing the political and economic order in the US. He managed to prop up stock markets during his tenure, but he does not appear to have successfully addressed the root of the problem of economic inequality. Some argue that his policies, including the corporate tax cut from 35 percent to 21 percent and reductions in individual income tax rates, gave more benefits to large corporations and the wealthy than to the poor. In this regard, it could be said that former President Trump focused more on identity politics rather than resolving economic inequality. He was able to expose and fan antipathy against the elite and the establishment, which was brewing among the middle- and low-income classes, pushing American politics to become more divided than ever before.

The Trump administration’s shift in policy direction was even more drastic in the area of foreign affairs. A major underlying assumption of multilateralism is that the leading nations are willing to show restraint in exercising power. On the contrary, Trump did not hesitate to exercise US power. In fact, his actions endorsed unilateralism. Trump withdrew the US from the Paris Climate Accord, the Trans-Pacific Partnership (TPP), and the International Criminal Court (ICC), and paralyzed the WTO’s dispute settlement function. In Asia, Trump only made scant appearances at the East Asia Summit, which has symbolized multilateralism in the region since its inception. Moreover, under his leadership, the US rejected cooperation in vaccine development and withdrew from the WHO during the COVID-19 pandemic, exemplifying a complete retreat of multilateralism.

Throughout his tenure, Trump blamed China as the source of US problems. This was not a difficult task given Beijing’s controversial actions related to strengthening authoritarianism, expanding surveillance and control over its population, cracking down on human rights in Hong Kong and Xinjiang, making unfair trade practices, and building artificial islands in the South China Sea.

Nevertheless, it is difficult to ascertain that Trump’s approach toward China was a successful one. Recent reports argue that the “Phase 1 Trade Deal,” which Trump hailed as a “momentous step,” was a failure as China has fallen short on meeting its commitments to purchase more US goods covered by the deal. If anything, the deal has undermined the free trade system by setting a precedent for managed trade. Despite US attempts to decouple from China in the technology sector, there has not been an exodus of US and foreign companies from China. Instead, such attempts may have bolstered China’s determination to become more independent in the technology sector.

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When the US began to pursue unilateralism, China stepped in and began to fill the political vacuum left by the US. Chinese President Xi Jinping, who attended the Davos Forum in January 2017, declared China the champion of multilateralism by saying “We should adhere to multilateralism to uphold the authority and efficacy of multilateral institutions.” Since then, China has continued to narrow the room for US maneuvering by signing a Regional Comprehensive Economic Partnership (RCEP) in Asia and an EU-China Comprehensive Agreement on Investment. In contrast, in the same month President Xi defended globalization in Davos, President Trump quoted Abraham Lincoln in his inaugural address: “The abandonment of the protective policy by the American government will produce want and ruin among our people.”

The Launch of the Biden Administration and Multilateralism

Nonetheless, the damage done to multilateralism is reparable, and the Biden administration is showing that it is determined to forge a new path. On the day of his inauguration, President Biden signed several executive orders announcing the US return to multilateralism. He rejoined the Paris Climate Accord, halted the process to withdraw from the WHO, stopped the construction of the border wall between Mexico and the US, and reversed the travel ban against Muslim countries.

However, in order to return to multilateralism and global governance, signing a few executive orders will not suffice. For Biden to rebuild US leadership, domestic support is essential. This is why President Biden and his staff are emphasizing “diplomacy for the middle class.” The middle class in this context is the victim of globalization. It comprises a significant portion of the population that supported Trump in the presidential elections. Considering the fact that mid-term elections are coming up in two years and the presidential elections in four years, any foreign policy designed and promoted by Biden should sound persuasive to this “middle class.” Unless he can convince the American people that globalization or free trade serves their interests, he will have a hard time returning to multilateral trading regimes such as the TPP (now the CPTPP or TPP-11). This explains Biden’s recent signing of the executive order to “Buy American,” a directive that does not align with the rest of his foreign policy agenda.

For the same reason, Biden’s team will not change the frame of US-China competition anytime soon. Secretary of State Antony Blinken said in his confirmation hearing in January that President Trump was right in taking a tougher approach toward China. A few days later, the White House press secretary Jen Psaki said, “Strategic competition with China is a defining feature of the 21st

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In a similar vein, President Biden, who visited the State Department in February, declared that his administration will face “the growing ambitions of China to rival the United States.” For President Biden, foreign policy is domestic policy, and domestic policy is economic policy. He cannot avoid walking the difficult tightrope between domestic politics and foreign policy.

Nevertheless, Biden’s foreign policy clearly shows signs of departure from that of his predecessor. What is most notable is the less frequent reference to US hegemony made by US diplomats and President Biden. There are even glimpses of recognition that the US capabilities are not unlimited. Jake Sullivan, now National Security Adviser to the President, and Kurt Campbell, currently the Indo-Pacific Coordinator at the White House National Security Council, explored the question of “How America Can Both Challenge and Coexist With China” in a 2019 *Foreign Affairs* article. Similarly, William Burns, the CIA Director, argued in the same magazine last December that US diplomacy “has to apply greater restraint and discipline; it must develop a greater awareness of the United States’ position and more humility about the wilting power of the American example.”

Such recognition of limited power leads to an emphasis on the importance of alliances, and brings diplomacy back to the forefront of foreign policy. Hence, it was a symbolic occasion when President Biden and Vice President Kamala Harris visited the State Department on February 4 and declared, “Diplomacy is back at the center of our foreign policy.”

### Policy Recommendations for the Biden Administration to Foster Multilateralism and Global Governance

Over the past 70 years, multilateralism has contributed, directly and indirectly, to maintaining US hegemony and serving US national interests. It has also contributed to achieving the common peace and prosperity of the entire world in an environment of increasing interdependence. From this point of view, four years of Trump’s presidency not only caused the greatest crisis for global governance, but also harmed US national interests.

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In overcoming the COVID-19 pandemic and restoring US leadership, the Biden administration should take into consideration the following points:

- First, the global multilateral system should be based on the principle of serving the common interests of all participants. Since sovereign states continue to be the main players in today’s international society, any multilateral system must be organized to induce voluntary participation to the extent possible.

- Second, given today’s rapid development of information and communication technologies, the expansion of interdependence among countries is irreversible. Consequently, the potential danger of weaponized interdependence also increases. Participants of multilateralism should work together to mitigate such side effects of increased connectivity.

- Third, conscious efforts to alleviate US-China competition should be made in the process of strengthening multilateralism. It is neither desirable nor valid to view all global issues within the context of US-China relations. Universal problems facing humanity cannot be solved entirely by the US or China. Moreover, no country in the Indo-Pacific region or any other region of the world would want to be forced to choose between the two countries, or to oust China from the regional cooperation network. Given the recent developments in international politics, the US and China have no choice but to coexist while competing and cooperating all at the same time.

With the three points above in mind, key priorities of the Biden administration appear to be the following:

1. The US should renew its ideals and vision for the world. Multilateralism after World War II was a process by which the US molded the world according to its own vision. Even today, the US can strengthen the multilateral process and global governance. This is why President Biden’s statement that the US will lead “not merely by the example of [its] power but by the power of [its] example” comes across as reassuring.10

2. The US should reaffirm its security commitments to its allies. The foundation of the post-World War II multilateral system was the result of the US providing security as a public good with support from alliance networks across the Atlantic and the Pacific. Trump’s presidency has significantly damaged this network. The US needs to redeem and maintain the alliance system.

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3. The US should create a framework for multilateral economic cooperation in the Indo-Pacific region. The TPP was a high-level economic integration project that the US sought to build in Asia. However, since changing its mind and abandoning TPP, the US has not led or participated in any major comprehensive economic partnerships in the region.

4. The US should build groups of like-minded countries across multiple fields such as trade, finance, global health, non-proliferation, and environmental protection. In addition to the existing multilateral system, multilateralism among smaller groups can act as a buffer against escalating US-China rivalry by pressuring China to fully accommodate international norms and practices. This may also assist global powers in their search for ways to co-exist by providing new opportunities to cooperate.

In 1630, John Winthrop set forth his vision to a group of colonists embarking on the ship Arbella to found the Colony of Massachusetts Bay: “For we must consider that we shall be as a city upon a hill. The eyes of all people will be upon us.” After almost 400 years, this phrase has symbolized the ideal and vision of the US and has captured the hearts and minds of people around the world. Although the US has recently shown an inclination to withdraw from the rest of the world, the past four years may be seen as merely a passing episode in light of the four centuries of exceptional US history. With the US renewing its ideals and vision and recommitting itself to the “power of example,” as eloquently phrased by President Biden, one may expect a revival of multilateralism and global governance in a world of increasing interdependence.

Major Powers’ Multilateral Engagement to Support Globalization in East Asia

By Oba Mie

East Asia Under Reversing Globalization

East Asian countries have enjoyed considerable peace and prosperity under the post-Cold War liberal international rules-based order. Globalization has also advanced under relatively stable international circumstances. In riding this wave of globalization, several East Asian economies developed rapidly, expanding and deepening cross-border supply chains. This was done by adopting export-oriented industrialization, which was backed by foreign capital. East Asia’s development, in turn, further augmented globalization.

However, East Asia’s peace and prosperity today, which is based on globalization and a stable rules-based international order, is facing challenges. The global rise of protectionism since the 2010’s continues to threaten the globalization process. For example, the “America first” trade policy of the Trump administration penetrated the stable and rule-based regional order of East Asia. The American withdrawal from the Trans-Pacific Partnership (TPP) also shocked the other member countries, casting a dark shadow on the region’s liberal, rules-based economic order. Even after the Trump administration ended, American protectionism remains intact and continues to shape US trade policy. It is difficult for the Biden administration to return to what is now the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) because of deep-rooted US protectionism. In addition, India withdrew from the Regional Comprehensive Economic Partnership (RCEP) because of strong criticism by some domestic sectors to this economic scheme.

One reason for the rise of protectionism is that globalization itself has caused serious problems, including economic disparities, environmental disruption, and violation of labor rights. These problems bred antagonism against globalization and adversely impacted the rules-based international order. Rule-setting for sustainable development is, therefore, indispensable for reviving and fostering globalization.
The most serious and structural challenge to globalization is the escalation of the China–US strategic competition. However, in light of the current system of global economic interdependence, including between major powers such as the US and China, “decoupling” between nations is nearly impossible. In reality, all countries are intertwined with security, political, economic, and normative ties, and so, the depiction of the Sino–US confrontation as a “new Cold War” is an oversimplified view of a complex global reality. The escalation of this confrontation, however, will pose a serious threat to globalization because it undermines the stable international circumstances that are indispensable for cross-border economic activities, including trade and investment.

The COVID-19 pandemic has also caused serious damage to the world economy, thereby threatening global economic prosperity, which is based on ever-deepening international business equations. According to the latest World Economic Outlook Update published by the International Monetary Fund (IMF) in January 2021, the estimated growth rate of the world economy this year is -3.5 percent.⁠¹⁰ⁱ A World Bank report in October pointed out that the pandemic will have a long-lasting negative impact on global economic growth. The report also states that the pandemic has created public and private indebtedness, because of which public and private investments—the two engines of globalization—will be inhibited.² In order to contain the spread of SARS-CoV-2, almost all countries have placed restrictions on the movement of people across their respective borders, thereby severing crucial, globalization-sustaining people-to-people networks. The concern with the pandemic is forcing the global attitude to become inward-looking—this would, in due course, become a psychological obstacle to the restoration of globalization to its pre-pandemic glory. In addition, the pandemic exacerbated economic disparity and the standard of living of poor people.

This paper provides three recommendations in response to a crucial question: how should major global powers engage multilaterally to support globalization? First, there should be a vaccine partnership among the major powers to contain this pandemic. Second, they should encourage the use of regional trade agreements (RTAs) and the World Trade Organization (WTO) as rule-setting mechanisms to foster cross-border economic activities for the realization of fair and sustainable development. Third, major powers must commit to long-lasting efforts to create a new world order, while reducing their economic dependence on China.

The Need for Vaccine Partnership Among Major Powers

In order to restore globalization to its pre-pandemic level, containment of the spread of COVID-19 is crucial. Unfortunately, the international community has still not been able to fully contain it. According to a report published by the World Health Organization (WHO) on March 21, 2021, global COVID-19 confirmed cases continue to rise, especially in Southeast Asia, the Western Pacific, Europe, and East Mediterranean regions. The highest numbers of new cases are being

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reported from Brazil, the US, India, France, and Italy. In addition, the number of new deaths has also reportedly plateaued after a six-week decline. Furthermore, the emergence of three new virus strains exacerbates the existing threat to the global community.3

The international effort to control the pandemic is represented by the COVID-19 Vaccine Global Access Facility (COVAX), co-led by the Coalition for Epidemic Prepared Innovation (CEPI); Gavi, the Vaccine Alliance; and the WHO. It aims to distribute vaccines co-purchased by member states to mainly low- and middle-income countries with the goal to end the pandemic by the end of 2021. The first round of allocation includes the delivery of 237 million doses to 142 COVAX facility participants from February to March 2021.4 Although an ambitious international initiative, it is designed to cover only 20 per cent of citizens in participant countries by the end of 2021. This is insufficient to vaccinate the entire population of poor countries, which already lag in terms of access to proper medical facilities and services.

COVAX was initially envisaged as the single international scheme to supply vaccines to all countries—rich and poor. However, advanced and middle-income countries soon began securing vaccines for their own citizens through bilateral deals. Such vaccine nationalism constrains international schemes such as COVAX, which aims to distribute vaccines fairly and impartially. Furthermore, emerging countries such as China, Russia, and India began using self-developed vaccines as a diplomatic tool to expand their respective political influence, especially in the global South—including in Southeast Asia. Exclusive vaccine deals between suppliers and recipients marginalize COVAX as a vaccine-delivery scheme.

In light of the escalating Sino–US tensions, it is important to consider how China’s “vaccine diplomacy” in East Asia will affect regional strategic circumstances. China’s Sinopharm and Sinovac vaccines have already witnessed rapid success, with several countries accepting their provision from China. Southeast Asian countries—such as Indonesia, Singapore, Myanmar, Malaysia, the Philippines, and Thailand—have either agreed to receive the supply of Chinese vaccines or have already been supplied.5 However, Khairulanwar Zaini argues that the strategic gain of China’s vaccine diplomacy will be limited because of deep distrust against China among Southeast Asian nations, as well as its lack of mastery in the art of soft power.6 Nevertheless, the attractiveness of Chinese-developed vaccines cannot be ignored, especially in light of China’s massive capacity for the production and provision of its reasonably priced vaccines. Given that the supply capacity of COVAX is limited, Chinese-developed vaccines are, therefore, vital for poor countries with limited vaccine-purchasing capacity.

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In response to China’s “vaccine diplomacy,” the Biden administration is also focusing on vaccine assistance. It announced that the US would make an initial USD 2 billion contribution to COVAX. In addition, the Quadrilateral Security Dialogue (QSD, also known as the Quad) summit in March 2021 resulted in a Quad vaccine partnership to strengthen and assist countries in the Indo-Pacific region with vaccines in collaboration with COVAX and the WHO. The provision of financing by the US, Japan, and Australia to facilitate the manufacturing of safe and effective vaccines is extremely significant to advance vaccination goals in this region.

Major global powers, especially the US and Japan, are still affected by the pandemic. However, the US already has three domestically produced vaccines—developed by Moderna, Pfizer, and Johnson & Johnson—while several Japanese pharmaceutical companies are trying to develop additional vaccines. As part of the overall effort to end the pandemic, governments of such powerful countries should promote international joint initiatives for vaccine development, closely collaborating with private players. In addition, these governments should financially support COVAX and other international efforts promoted by the WHO to tackle COVID-19. Moreover, they should collaborate, including through the Quad vaccine partnership. Instances of vaccine diplomacy by emerging powers such as China, India, and Russia clearly reflect their political ambitions to expand their influence by increasing the dependence of recipient countries on supplier countries. However, it should also be noted that their offerings are welcomed by countries that need reasonably priced vaccines in large quantities. Considering such realities, major powers should try to provide dependable alternatives to countries in need of a COVID-19 vaccine.

The Need to Encourage Multilateral RTAs and the WTO

While the WTO's Doha Round has been at a standstill for several years, RTAs have rapidly increased—in January 2021, the total number of RTAs in force was 342. Beyond enabling trade liberalization by reducing tariffs and employing other non-tariff measures, RTAs set common economic rules in various fields—including services, investments, the rules of origin, e-commerce, competition policy, labor, and environment—in order to accelerate economic growth by fostering economic activities beyond a country's borders. From this perspective, the forging of RTAs worldwide plays an important role in deepening and expanding globalization.

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The movement to conclude RTAs in East Asia began toward the end of the 1990s, providing East Asian countries the exposure to bilateral RTAs. In the 2010s, the orientation for multilateral RTAs became obvious. The ASEAN Economic Community (AEC), an extension of the ASEAN Free Trade Area (AFTA), was set up in December 2015. In addition, two mega-RTAs include major powers, medium-size powers, and small powers in East Asia: the TPP and RCEP. The TPP negotiations commenced in 2010 and were signed by all participant countries. After the Trump administration withdrew the US from the agreement in 2017, the remaining 11 member countries renegotiated to conclude the CPTPP in 2018. Toward the end of 2018, the CPTPP entered into force.

ASEAN countries, along with Japan, China, South Korea, Australia, New Zealand, and India began negotiations for RCEP in 2013. After India withdrew from the negotiations in 2019, the remaining 15 countries signed the agreement in November 2020. RCEP is the first RTA that includes Japan, China, and South Korea. These three countries have been examining the feasibility of a trilateral RTA among them since the 2000s, but their unstable relationships, especially China–Japan and South Korea–Japan relations, are serious obstacles to its realization. The withdrawal of India from RCEP also disappointed policy makers in some member countries. In particular, Japan’s policy-making circle was shocked because they regarded RCEP as a tool to realize the Free and Open Indo-Pacific (FOIP) concept, in which India is a key player.

RTAs do not merely deal with tariff reductions, but, more importantly, provide platforms for private enterprises to expand business beyond their national borders. The activation of cross-border business activities, especially trade, finance, and investment, is indispensable to revive the current waning of globalization. Therefore, major world powers should encourage RTAs in two main ways.

First, both the CPTPP and RCEP should expand their membership. The United Kingdom and South Korea have already announced their willingness to join the CPTPP. Furthermore, US participation in the CPTPP is critical for a free and open economic order in the world as well as in the region. ASEAN’s advanced members, who are not members of the CPTPP, are seriously considering their participation as they are concerned that staying outside the CPTPP may damage their position in cross-border supply chain networks in East Asia. Japan—a major power in this framework—has to encourage and support the joining of such countries by collaborating with other key member countries such as Australia, Singapore, and Vietnam. India’s participation in RCEP seems difficult due to the strong opposition by a few of its crucial domestic sectors, such as manufacturing and agriculture. However, Japan is keeping the RCEP door open for India to eventually join.

Second, the RTA rules should be improved to make them more supportive of fair and sustainable development. RTAs should not disseminate the negative effects of globalization, such as economic disparities, violation of labor rights, and environmental disruption; they should attempt to accelerate globalization and set rules to regulate it for the realization of fair and sustainable development.
The CPTPP literature addresses themes such as “Small and Medium Enterprises,” “labor,” and “environment.” The RCEP literature, on the contrary, covers the topic of “Small and Medium Enterprises” but not “labor” or “environment.” It is, therefore, essential that RCEP establish shared rules to achieve equitable and sustainable development.

Japan should add new provisions for equitable and sustainable development to RCEP content by discussing article amendments at the RCEP joint committee level and other such opportunities. The CPTPP also has an institutional mechanism in the form of the CPTPP committee and the sub-committee for each chapter to examine problems regarding the implementation of articles and to consider any proposals for amendment. Using this mechanism and other opportunities, powerful CPTPP members, especially Japan and Australia, should make member countries comply with the articles for fair and sustainable development, and lead the discussion to improve the articles.

In addition to the RTAs, major powers should encourage the WTO as an international rule-setting scheme for restoring globalization. Various RTAs, including AEC, RCEP and CPTPP, could be building blocks, not stumbling blocks, for developing a global free and open economic order. The rules, however, should be coordinated by these RTAs to realize fair and sustainable development.

The Realization of a Stable International and Regional Order with Deliberate Manners

The Biden administration is employing the same hardline approach toward China that the Trump administration exhibited against the backdrop of a bipartisan anti-China coalition in Washington, DC. It strongly criticizes China’s human rights violations in the Xinjiang Uyghur Autonomous Region and Hong Kong, and overtly demonstrates its commitment to the Senkaku and the South China Sea issues. The Xi Jinping regime has, expectedly, firmly reacted to Biden’s foreign policy direction. The two sides were involved in a public face-off at the US–China high-level meeting in Alaska in March 2021.

As mentioned previously, the US–China strategic competition is currently the most serious threat to globalization because it undermines stable global circumstances that are indispensable for international economic activities, including trade and investment. Unfortunately, this competition is not temporal, but structural and long-lasting. It is rooted in the shifting power balance between a hegemon and a challenger, and the struggle for global and regional domination.

China’s aggressive assertiveness in its geopolitical neighborhood—for example, the South China Sea and the East China Sea issues, and its human rights violations in Hong Kong and against the ethnic Uyghur population—are justifiably lamented and deserve to be criticized. Ironically,

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China’s stance on these issues becomes stricter and more rigid with greater international pressure. Moreover, East Asian economies including Japan, which depend heavily on the Chinese economy, cannot completely follow the containment policy against China and their position remains ambivalent.

Globalization can advance only under stable international and regional circumstances. Therefore, if the Sino-US confrontation cannot be resolved, it should at least be regulated and controlled by maintaining a functional dialogue channel. Major global powers such as the US, Japan, the United Kingdom, France, and Germany must continue to criticize China’s behavior that violates the norms and values of a liberal international order without closing their communication channels with China, in order to prevent contingencies. Simultaneously, they should identify those industrial sectors in which their production networks can be diversified, and then jointly set that economic diversification into action so as to reduce their economic dependence on China. In this way, they should aim to establish a stable and prosperous international order, which is not split into two camps, but is based on balanced globalization.

The restoration and advancement of globalization is needed in order to revive the economic development in the world, including in East Asia, which was seriously damaged by the COVID-19 pandemic. In addition to the containment of the pandemic, the management by major powers of a stable international and regional circumstance is indispensable for the revitalization of cross-border business activities. The escalation of Sino-US confrontation, however, is making the major powers’ burden more difficult. While avoiding the realization of “decoupling” and a “new cold war,” major powers’ prudent and deliberate multilateral commitment is required in the uncertain era.

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America’s Reengagement in Asia: 
Remember APEC

By James P. Zumwalt

President Joseph Biden has emphasized the need to reinvigorate US alliances and partnerships and to reengage with multilateral institutions. In his speech on February 4, Biden promised to “...repair our alliances and engage with the world once again, not to meet yesterday’s challenges, but today’s and tomorrow’s.”1 He recognizes and acknowledges that it is in America’s own interest to work together with like-minded partners for mutual benefit. Promoting American interests is not a zero-sum game with our friends and allies.

As the Biden administration seeks to reestablish US leadership and restore US credibility in the Indo-Pacific region, it must first engage with and listen to our partners. Many nations welcome the robust US security presence in the region, but they question whether the United States is truly committed to promoting regional economic prosperity. In order to reassert a regional leadership role, the United States must develop, in coordination with its Pacific Rim partners, a credible and robust international economic policy as part of its renewed engagement strategy.

Unfortunately, given the skepticism about trade liberalization at home, it is unlikely that the United States, at least in the short term, will seek to rejoin the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP). It will take time to build a domestic consensus for US participation in regional trade liberalization efforts. In the meantime, however, there are other opportunities for the United States to work with Indo-Pacific partners to shape new rules and strengthen norms governing international trade and investment, as well as to build capacity to implement and uphold these rules and norms.

The Asia Pacific Economic Cooperation (APEC) forum is an underrated but powerful tool of regional economic diplomacy. While the US remains outside of the two major regional trade agreements—the CPTPP and the Regional Comprehensive Economic Partnership (RCEP)—it should double down on APEC where it is a founding member. APEC remains a promising venue precisely because it groups the United States with other important economies around the Pacific Rim in a forum that includes both government and business. APEC provides an ideal platform for the United States to exercise strong leadership in a shared public-private partnership to promote regional economic integration and prosperity.

Admittedly, APEC is not a rule-making or rule-enforcing organization. Work on developing and enforcing rules to govern international economic transactions must occur in other venues such as the World Trade Organization. However, APEC does have “convening power.” It can provide a platform for government and business representatives from regional economies to discuss shared challenges and build consensus on ways to address new opportunities to promote sustainable economic prosperity by facilitating trade, promoting economic recovery from the effects of the global pandemic, and advancing policies to protect the environment (see a menu of options below). Its agenda of working-level and ministerial-level engagements brings together public and private sector decision makers to develop a consensus for shared actions. APEC can also serve as an “incubator” for new ideas and, since unanimity is not required, like-minded economies can move forward with plurilateral efforts to implement these ideas on a voluntary basis when it is in their interests to do so, as they did with the successful APEC Business Travel Card program for example.

Under the leadership of this year’s APEC host, New Zealand, APEC can serve as an important venue to advance the global trade liberalization agenda. New Zealand has proposed a work plan to sustain a resilient recovery from the global pandemic and many of its goals are congruent with those of the US. New Zealand has proposed to reinvigorate regional trade liberalization efforts, to address environmental challenges, and to accelerate work to support the digital economy. Not only would these efforts build the type of capacity in APEC members that is conducive to deepening economic engagement with the United States, but also US efforts to work with like-minded partners to build this capacity would demonstrate that the US is a good listener and is responsive to the desires of the developing economies in APEC.

President Biden has expressed a commitment to engage with China in areas that advance shared interests. Multilateral fora such as APEC provide an excellent venue for US-China engagement. The United States can take advantage of the APEC forum to advance discussions on reducing the threat of infectious diseases, promoting resilience from natural disasters, protecting the environment, and combating climate change. China is an important global player on these issues, and the relevant APEC meetings could serve as a venue for the United States to engage China to develop ideas aiming toward mutually beneficial agreements in these areas.

For the United States, APEC is a particularly useful venue to engage China because it can mobilize the support of like-minded APEC partners to work together with China. Likewise, APEC members who are learning to live with and adapt to US-China competition should welcome opportunities to participate in multilateral efforts that engage both superpowers in mutually beneficial endeavors.

Another strength of APEC is that it is one of the few international bodies that includes the United States, China, and Taiwan (known as Chinese Taipei in APEC settings) as full members. APEC provides the only regular platform for the US President and Secretary of State to directly engage senior Taiwan representatives and is one of few venues that reliably provides Taiwan with international exposure. The Biden administration has promised to sustain US efforts, working with other like-minded partners, to increase Taiwan’s “international space,” but China has recently thwarted efforts, for example, to allow Taiwan observer status in the World Health
Organization. China was unable to do this in APEC, however, since Taiwan and China joined this forum at the same time. Therefore, APEC provides an ideal multilateral forum for Taiwan to engage its regional neighbors on a broad range of important topics, precisely because it is already a full member. While China will undoubtedly continue to attempt to stifle Taiwan’s participation in APEC, it will not succeed as long as the United States and other like-minded APEC economies resist these efforts. Taiwan’s recent doubling of its contributions to APEC signaled its commitment to the organization’s health, emergency preparedness, energy security, and trade facilitation platforms. It is active in committees across the board in APEC engaging across the spectrum of APEC activities.

Taiwan, in partnership with the United States, has already shown the capacity to provide meaningful technical assistance through the Global Cooperation and Training Framework (GCTF). Under the GCTF, Taiwan and the United States have co-sponsored workshops and training sessions on global health, preventing COVID-19 related crimes, protecting trade secrets and combatting digital piracy, disaster prevention and mitigation, renewable energy, workforce development, artificial intelligence, women’s empowerment, and cybersecurity. Japan has recently joined this capacity-building partnership and many APEC member economies including Canada, Malaysia and the Philippines have participated in these workshops. By bringing this work into the APEC context, the United States and Taiwan could promote APEC’s agenda with meaningful capacity-building work.

A Biden Administration APEC Work Plan

President Biden has stated that, “There’s no longer a bright line between foreign and domestic policy. Every action we take in our conduct abroad, we must take with American working families in mind. Advancing a foreign policy for the middle class demands urgent focus on our domestic economic renewal.” APEC, with its strong government-business collaboration, provides an ideal venue for the United States to achieve concrete results that promote both US and regional economic prosperity. Below are ideas on ways that APEC processes, systems, structures, and tools can be strengthened and energized to enhance economic growth.

Health and Infectious Diseases. Although each nation has taken different approaches to the COVID-19 pandemic, the region will not emerge from this crisis absent a global solution that creates the conditions for a safe lifting of international travel restrictions and the resumption of trade and investment flows. APEC could facilitate this process. For example, APEC could seek to establish best practices to facilitate travel of aircrews as they transport vaccines, medicines, and personal protective equipment. APEC could also promote a discussion on ways to facilitate essential movement of health personnel and businesspeople across borders while safeguarding against the spread of the virus.

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APEC trade ministers could also build on G-20 trade ministers’ commitments to limit the trade impact of emergency measures designed to tackle COVID-19. The APEC forum provides a venue for building a consensus on ways to facilitate trade in essential medical products, including removal of export restrictions and reduction of tariffs on essential medical products and medicines. APEC could be a useful forum to build regional consensus for further work on these topics in the G-20 and WTO.

The United States and Japan are already committed to strengthening capacity to address future health security threats in ASEAN. Japan is supporting a new ASEAN Centre for Public Health Emergencies and Emerging Diseases. The United States, through USAID, is supporting the creation of a Public Health Emergency Coordination System for ASEAN. The APEC Health Working Group could generate ideas and momentum to expand these efforts to mitigate the risk of a new pandemic. For example, APEC economies could consider coordination of our medical stockpiles (much as the US coordinates national petroleum stockpiles with other members of the International Energy Agency); promote diffusion of new technologies, like telemedicine; encourage vaccination campaigns for other infectious diseases such as measles; and foster more medical and scientific exchanges among universities and research institutions. Taiwan has taken a step forward in this area with its ambitious APEC proposal on digital health and telemedicine. This proposal aims to establish a platform to share Taiwan’s experience in adopting digital health policies and using telemedicine for COVID-19 prevention and control among APEC member economies. Taiwan has also proposed to use this new forum to exchange information about effective measures for economic recovery in the post pandemic era. Such a forum could promote “best practices” in helping APEC member economies to strengthen healthcare systems to build resilience against future pandemics.

**Climate Change and the Environment.** APEC could also serve as an important venue for the United States to work with other APEC economies to intensify efforts to protect the environment and address global climate change. As China is the world’s largest emitter of greenhouse gases, any meaningful multilateral action to mitigate the impact of climate change will require the participation of Beijing. China is making major investments and has become a leader in green technologies, which can contribute to global efforts to counter rising temperatures. The US could build upon APEC’s existing program to foster renewable energies, reduce energy consumption, promote trade in environmental goods, collaborate on ocean and forest conservation, and help farming and fishing communities adapt to changing weather patterns.

**Digital Economy.** APEC could build upon its good work in the area of digitally-enabled trade facilitation. The work of the APEC Alliance for Supply Chain Connectivity, which brings together governments, development organizations and the private sector, should sustain its capacity-building work to help achieve the goal of a ten-percent improvement in supply chain performance in terms of the reduction of time, cost and uncertainty in the region’s supply chains. Digital systems have facilitated the movement of goods and services without in-person interactions, an important development in light of the COVID-19 pandemic. New Zealand has made some interesting proposals to facilitate these digital customs procedures. For example, it has proposed to share information among APEC economies on ways in which emergency pandemic-related
measures to reduce direct human contacts during import processing procedures might serve as a model for economies who want to further reduce trade transactions costs.

The APEC Digital and Internet Economy Roadmap has already identified constraints that could be addressed to turn this crisis into an opportunity by promoting common rules on cross-border data privacy rules, e-commerce, and emerging technologies. These constraints include lack of broadband access, restrictions on online payment systems, lack of digital ID systems, and restrictive services policies. APEC economies could expand cooperation with the private sector and third countries to support high quality digital connectivity projects drawing upon this existing work.

**Macroeconomic Policies.** The APEC Finance Ministers Process (FMP) could serve as a venue for the United States to engage with APEC members on policies to promote structural reform in a post-pandemic environment. The APEC FMP could also promote transparency by collecting and sharing information on each member’s stimulus and long-term recovery packages. It could also promote a consensus on ways to strengthen the global financial safety net. The Finance Minister’s Process could, for example, explore an extension of existing and establishment of new currency swap arrangements to mitigate currency outflows. It could also build a consensus on better utilization of IMF financial resources at this critical time. Such international coordination and cooperation would help restore confidence to support future regional growth.

**Travel.** Tourism and business travel represents an important growth sector for economies around the Pacific Rim. APEC could facilitate information exchange and promote best practices among its members as they implement new policies to safely and gradually reopen their economies to international travel as the pandemic threat recedes. Although it will be difficult to reach a consensus due to the vastly differing situations among its member economies, APEC with its strong government-business linkages is an excellent forum for this discussion because policies on travel restrictions are best addressed cooperatively and in partnership among governments, businesses, and travelers. The travel and hospitality industry could share “best practices” to protect traveler and travel industry employee health. Governments could share information and develop a set of guidelines supported by medical evidence on preventive measures, vaccine campaigns, and disease surveillance measures to assist members in making decisions on steps to safely re-open their economies. Finally, governments and industries could also share ideas on government support for travel industry recovery.

**Infrastructure.** Overcoming infrastructure constraints to long-term growth is another challenge that could be addressed in this forum. APEC member economies could establish goals to promote open, inclusive, transparent, economically-viable, and environmentally and socially-sustainable laws and regulations governing infrastructure finance and investment. For example, APEC could provide technical assistance to help boost aid and investment recipient economies’ capacity to evaluate contracts and assess the financial and environmental impacts of proposed infrastructure projects. This process could build upon existing efforts by Japan, the United States, and Australia through the Infrastructure Transaction and Assistance Network and the Blue Dot Network, which Taiwan is also eager to join.
**Energy.** Open and competitive energy markets and universal access to affordable and reliable energy is needed to help eradicate poverty, fuel economic growth, and increase global security. APEC member economies could energize the APEC Energy Working Group that aims to build member capacity to strengthen domestic and regional energy security and lower the carbon intensity of energy supply and use. This working group facilitates information and data exchanges, engages in joint research and development, and promotes open trade and investment. These efforts could build on the Japan-US Strategic Energy Partnership that is expanding cooperation with the private sector and third countries to support high quality energy infrastructure.

**The United States Should Double Down on APEC**

The United States has a valuable opportunity to advance its efforts to reengage in the region by intensifying its engagement in APEC. As a first step, President Biden should take advantage of the annual Asia-Pacific Economic Cooperation (APEC) leaders meeting in November 2021 to announce his vision for America’s new role in the region. Many APEC leaders appear eager to learn how the United States plans to return to the region as a constructive participant, and the APEC leaders meeting provides an ideal opportunity for President Biden to explain his vision for United States’ multilateral engagement.

Second, the United States should work closely with Thailand, the 2022 APEC host economy, to shape the agenda, as the APEC process moves from a virtual to an in-person meeting format. This involves a commitment by American leaders to travel to the 2022 leaders and ministerial meetings, to engage actively in APEC work throughout the year, and to sustain the strong business-government linkages that form such a strong component of APEC’s practical work.

Third, the United States should offer to host the 2023 APEC Economic Leaders Meeting. It will have been twelve years since the United States last hosted APEC leaders in Hawaii, and there would be no better way to demonstrate that the “United States is back” than by convening a meeting of regional economies’ leaders in the United States. No APEC member-economy has been selected to host the APEC leaders meeting after Thailand assumes the chairmanship in 2022, so the United States faces a real opportunity. By offering to host APEC 2023, the Biden administration would demonstrate a renewed American commitment to engage friends and partners in efforts to promote sustainable economic prosperity in the region.

APEC could serve as an important venue for the United States to engage its member economies to promote an open, mutually beneficial, rules-based order. APEC can also serve as an important venue for the United States and China to work together to advance shared interests, such as developing a regional consensus for policies to combat climate change and strengthen defenses against global pandemics. It can also serve as an extremely important platform to increase Taiwan’s international space by showcasing Taiwan’s technical expertise in capacity-building programs with regional partners. APEC provides a unique venue for the important regional actors to work with the United States at a time when the United States itself is looking for ways to reestablish its role as a leader in the region.
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Previously, he was responsible for policy toward Japan and Korea as Deputy Assistant Secretary in the Bureau of East Asia Affairs. When the Great East Japan Earthquake and Tsunami struck Japan in 2011, Ambassador Zumwalt was serving as Deputy Chief of Mission at the US Embassy in Tokyo, where he coordinated the United States’ support for the Japanese Government’s response to that crisis. During his 36-year Foreign Service career, Ambassador Zumwalt has served in a variety of assignments with a focus on Asia and international economics in Washington, Tokyo, Beijing, Kinshasa, Dakar, and Bissau. In Washington, DC, he worked in the Bureau of East Asian and Pacific Affairs Japan, Korea, and Philippines desks and also at the Bureau of Economic and Business Affairs and the United States Trade Representative’s Office.

Ambassador Zumwalt speaks Japanese, French, and some Chinese. Ambassador Zumwalt received a master’s degree in International Security Studies from the National War College in 1998 and a Bachelor of Arts degree in American History and also in Japanese Language from the University of California at Berkeley in 1979. He is from El Cajon, California and is married to Ann Kambara, a retired Foreign Service Officer who is now pursuing a second career in social work.
The “Squeezed Middle” Powers¹: The Case for ASEAN Minilateralism in the South China Sea

By Richard Javad Heydarian

Checking China’s Opportunism

If there were any illusions about China’s supposedly peaceful strategic ambitions, the year 2020 has put them to rest. Even at the height of the COVID-19 pandemic, which has ravaged nations across continents and infected top military officials in neighboring countries, China could not help pushing the envelope and imposing its will on smaller powers across adjacent waters.

Throughout the first six months of 2020, Beijing’s naked opportunism was on full display, unlike any point in contemporary history. This is especially true in the South China Sea, an artery of global trade, where smaller claimant states have faced China’s harassment of their fishermen (Vietnam), warships (the Philippines) and oil exploration activities (Malaysia), just as the US and other external powers had to temporarily suspend military deployments to the region as they grappled with COVID-19 outbreaks and fears of contagion.

But China’s growing naval assertiveness was not confined to bullying much weaker rival claimants. In mid-2020, US Deputy Assistant Secretary of Defense for Southeast Asia, Reed Werner, cited “at least nine” instances of harassment by Chinese fighter jets of US reconnaissance aircraft.² Neighboring Taiwan, the de facto independent island, has had to grapple with ever-increasing numbers of Chinese incursions into its airspace, as well as massive Chinese naval drills, including multiple “four seas” military exercises extending from the Yellow Sea and East China Sea all the way to the Taiwan Strait and the South China Sea, which were clearly intended to intimidate rivals and demonstrate the Asian powerhouse’s military muscle.³

On top of this, China unabashedly reinforced its expansive claims in adjacent waters by unveiling new facilities on the disputed Spratly Islands, as well as announcing two new administrative regions, Xisha and Nansha, covering the bulk of the South China Sea—a clear violation of prevailing international law, as specified by the 2016 arbitral tribunal award at The Hague under the auspices of the United Nations Convention on the Law of the Sea (UNCLOS). At the heart of China’s administrative expansionism is the fortification of Sansha City, which is perched on a reclaimed piece of Woody Island in the Paracels. Thanks to heavy dredging and accelerated fortification, Sansha City supposedly now governs an area 1,700 times the area of New York City, covering 800,000 square miles of sea and land, according to a US Naval War College report, and boasting “expanded port infrastructure, seawater desalination and sewage treatment facilities, new public housing, a functioning judicial system, 5G network coverage, a school and regular charter flights to and from the mainland.”

And almost exactly a year into the pandemic, China upped the ante by passing a new maritime law, which effectively greenlights the use of force by China’s massive coast guard and paramilitary maritime forces against rival claimants, as part of a broader effort to operationalize Beijing’s claims over much of the South China Sea. The US State Department immediately flagged the controversial coast guard law, since the “language in the law...expressly ties the potential use of force, including armed force, by the China coast guard to the enforcement of China’s claims, and ongoing territorial and maritime disputes in the East and South China Seas” and “strongly implies this law could be used to intimidate the PRC’s maritime neighbors.” Japan’s Ministry of Foreign Affairs, in turn, expressed “serious concern” with regard to the China’s Coast Guard Law, and along likeminded powers such as the US, India and Australia, “strongly oppose[d] unilateral and forceful attempts to change the status quo in the context of the East and South China Sea.”

With Beijing’s strategic opportunism laid bare, what is the response of key players in the region?

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The Trump administration employed certain elements of a ‘constrainment’ strategy under the so-called “Free and Open Indo-Pacific” (FOIP) doctrine.\(^9\) While there was a misguided abandonment of the Obama administration’s economic initiatives, most notably the Trans-Pacific Partnership (TPP) deal, military pushback against China ramped up. US FONOPs become more regular, more aggressive, and more geographically expansive,\(^10\) while Foreign Military Financing (FMF) to frontline regional allies such as the Philippines almost doubled. Public and legally-relevant reassurances of support in an event of contingency, namely the precise circumstances of the applicability of the Philippine-US Mutual Defense Treaty (MDT) in the South China Sea, were also provided.

In a sense, we saw a revamped version of the Pivot to Asia (P2A) policy, which suffered from military reticence under its predecessor. To put things into context, the Obama administration consistently prevaricated on the applicability of the MDT to any potential conflict between the Philippines and China, while woefully fell short in fulfilling its own promise of regularized, quarterly FONOPs in the South China Sea.

During its twilight years in office, the Obama administration conducted only two such operations in 2015 and only three in 2016.\(^11\) In contrast, the Trump administration conducted as many as six in 2017 and nine in 2019, with an average of around six FONOPs per year in its four years in office.\(^12\) Expanded naval deployments and greater military assistance to allies went hand in hand with an unprecedented set of punitive measures against China’s predatory trade and investment practices as well as systematic human rights violations.

Meanwhile, Japan, arguably the true progenitor of the “Indo-Pacific” strategic concept, has been leading parallel efforts to promote the FOIP beyond the dictates of superpower rivalry. On the trade front, Japan, together with Australia and other Indo-Pacific partners, has effectively rescued the TPP under the rebooted Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP); facilitated, in conjunction with Indonesia and ASEAN, the Regional Comprehensive Economic Partnership (RCEP) negotiations, the biggest of its kind anywhere in the world; and secured a trade deal with the European Union, the world’s biggest bilateral free trading agreement on record, pushing back against Trump’s populist protectionism.

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12 Ibid.
On the infrastructure front, Japan, under the “Asia connectivity” strategy, has been the leading investor in Southeast Asia, where there is growing worries about debt sustainability and corrosive investments under China’s Belt and Road Initiative (BRI). In fact, Japanese big-ticket infrastructure investments (worth $230 billion) significantly overshadowed China’s (worth $155 billion) across the region. In key Southeast Asian countries, like the Philippines, the margin is even more prominent, with Japan involved in 29 infrastructure projects worth $43.5 billion compared to Beijing’s only eight big-ticket yet still mostly prospective projects worth around $7.4 billion. Most recently, Japan also teamed up with the EU to combat the risk of Eastern European nations’ potential fall into a so-called Chinese “debt trap.”

It must be said, however, that Japan’s infrastructure vision is not necessarily matching China’s investment pledges on a dollar-to-dollar (or yen-to-renminbi) basis, but instead advocating transparent, sustainable, quality infrastructure across the Indo-Pacific and Eurasian landmass. And this has gone hand in hand with Japan’s tightening maritime security partnership with ASEAN members, especially the Philippines and Vietnam, and to a lesser degree Malaysia, which have benefited from Japanese assistance in the realm of domain awareness and the development of nascent coast guard forces across maritime Southeast Asia.

Similar to Japan, Australia has also upgraded its strategic ties with ASEAN, with the inaugural 2018 Australia-ASEAN summit underscoring the depth of burgeoning strategic partnership. The two sides have, inter alia, signed an investment agreement that aims to “develop a pipeline of high-quality infrastructure projects, to attract private and public investment.” Separately, India, which held its own inaugural bilateral summit with ASEAN in early 2019, has been expanding its technical and developmental assistance to ASEAN and its key countries, especially Vietnam, but increasingly also to the Philippines and Indonesia.

So, what about the ASEAN? What has been the response of the regional body amid China’s rising assertiveness and corresponding pushback by the US and likeminded allies?

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So far, ASEAN has responded with a mixture of strategic trepidation and misplaced defensiveness. There is, indeed, a lingering sense of unease among Southeast Asian countries not only vis-à-vis a more assertive China, but also the prospect of a “new Cold War” amid the whole FOIP discourse, which is often seen, rather suspiciously, through the prism of a US-led containment strategy against a revanchist China. At the heart of ASEAN’s anxiety is the fear of strategic irrelevance and the definitive demise of its ‘centrality’ in shaping the regional security architecture in the 21st century.

As a matter of strategic conviction, ASEAN, as a collective, categorically rejects any narrow definition of China as an expansionist, hegemonic power. The regional body, and much of its constituent nation-states, primarily see China as an indispensable stakeholder in regional affairs, preferring to approach the Beijing question through the prism of money (trade and investment opportunities) rather than missiles (military and maritime threat).

Moreover, as much as ASEAN frets over China’s naked opportunism, it also fears strategic peripherality amid the crystallization of the so-called “Quad” powers of US, India, Australia and Japan into a de facto “Asian NATO.” In the most cynical terms, Southeast Asians could interpret the whole FOIP discourse and the corollary institutionalization of the Quadrilateral Security Dialogue as a thinly veiled marginalization of ASEAN, with big powers effectively stating, ‘Step aside [little] guys; let the big boys handle this [China problem]!’

Against the backdrop of growing strategic peripherality, the regional body adopted the ASEAN Outlook on the Indo-Pacific (AOIP), which, inter alia, asserts ASEAN’s commitment to “continue to maintain its central role in the evolving regional architecture in Southeast Asia and its surrounding regions,” where it will serve as an “an honest broker within the strategic environment of competing interests,” and continue to promote an “open,” “transparent,” “inclusive,” “rules-based” order anchored by “respect for international law.” The problem, however, is that the regional body’s position betrays profound insecurity, reflecting endogenous fissures and a growing inability to employ functional multilateralism in response to the China challenge.

**The “Middle Institutional Trap”**

The playwright Arthur Miller once observed, “An era can be considered over when its basic illusions have been exhausted.” Something similar is happening to ASEAN and its long-held aspiration, rather than actualization, of “centrality” in shaping the post-Cold War security architecture in Asia.

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On the one hand, ASEAN stands as arguably the most successful and inspiring model of regional integration in the post-colonial world. Born in the cauldron of the Cold War, from the “Konfrontasi” skirmishes between a revanchist Indonesia and the newly emergent Malaysian Federation in the mid-1960’s to the bloody decades of Vietnam War, ASEAN gradually managed to create a ‘security community,’ whereby the threat or the use of force as a means of dispute-settlement among Southeast Asian nations became almost unthinkable by the end of the 20th century. The germination of a sense of shared identity and strategic fate encouraged initially feuding regional states to manage, and even resolve, their territorial and maritime disputes through peaceful and lawful means.

From the Philippine-Malaysian conflict over the oil-rich Sabah and Indonesian-Malaysian spats over the Pulau Ligitan and Pulau Sipadan to the more recent Thailand-Cambodia border dispute over the Temple of Preah Vihear, ASEAN successfully managed to incubate tensions and encourage peaceful resolution of sensitive sovereignty spats. Geopolitical stabilization coincided with rapid economic integration, which culminated in the swift finalization of the ASEAN Free Trade Area Agreement (AFTA), which significantly reduced intra-regional tariffs, paving the way for the creation of a common market under the ASEAN Economic Community vision in 2016.

Thanks to its successful experience of regional integration, ASEAN aspired to become the driving factor in shaping a more inclusive and prosperous order in post-Cold War Asia, with the ASEAN Regional Forum (ARF), serving as a key multilateral platform for institutionalized dialogue among rival powers in the Asia-Pacific throughout the past two decades. ASEAN’s ‘convening power’ has served as the anchor of pan-regional multilateralism with few precedents in modern history.

The problem, however, is that ASEAN’s initial success sowed the seeds of institutional paralysis. At the heart of the regional body’s current predicament is its woefully outdated and dysfunctional decision-making process, which prevents ASEAN from forging a robust and united position on preeminent geopolitical challenges such as the South China Sea disputes. The regional body is grappling with what can be described as a “middle institutionalization trap,” namely the decision-making modalities, which facilitated the convergence of ten diverse Southeast Asian nations around a shared vision of regional stability in the 20th century, is irredeemably insufficient in dealing with emergent geopolitical challenges in the 21st century.

The root of the crisis is ASEAN’s misinterpretation and misapplication of the concept of consensus (Muafakat). For decades, the regional body operationalized this founding principle more in terms of unanimity rather than genuine consensus-building. The result is an institutional quagmire, whereby each member, regardless of size, interest and contribution, has a de facto veto over any major decision by ASEAN. This was all fine when the ten Southeast Asian nations had to mostly deal only with each other, but the rise of China, and its growing economic grip over ‘weak links’ within ASEAN, has upended the regional body’s internal coherence and strategic resolve.
Thus, all external powers such as China need to do, in order to prevent a united and robust ASEAN position on a sensitive issue such as the South China Sea, is to coax, cajole and lean on the most dependent regional states, especially the least developed members and those on its immediate southern borders in continental Southeast Asia. As the veteran Singaporean diplomat Barry Desker rightfully warned, “China exerts its influence on ASEAN members to prevent any decisions which could affect its preference for bilateral negotiations.”

In more recent years, even US allies such as the Philippines have succumbed to China’s inducements, with President Rodrigo Duterte infamously echoing Chinese position on the South China Sea disputes during his ASEAN chairmanship in 2017, even going so far as telling external powers such as the United States, Japan and Australia that the disputes are “better left untouched” and that it is the Philippines’ prerogative to effectively sideline its landmark arbitration award victory against China in the South China Sea. During Vietnam’s chairmanship of ASEAN in 2020, the Southeast Asian country managed to highlight the threat posed by China’s military assertiveness in the South China Sea, but could not convince member states to even mention China in their joint statement. If the regional body wants to preserve “ASEAN centrality,” the status quo is simply unsustainable. What must be done, then?

The “Fourth Reset”

If there is one lesson of history, it is that ASEAN is not a monolithic organization, hence its potential to truly become a ‘central’ player in shaping the Indo-Pacific order. What both unnuanced critics and obstinate apologists of the regional body tend to miss is that ASEAN has displayed remarkable flexibility and adaptation throughout a half-century of experimentation in regional integration, often under the most impossible conditions.

Throughout the early phases of decolonization, the founding fathers of ASEAN managed to overcome the strictures of Cold War and revanchist nationalism, most potently reflected in the Konfrontasi era, to build a truly inclusive regional organization on the ashes of the pro-US Southeast Asia Treaty Organization (SEATO) and the more “non-aligned” Greater Malayan Confederation, also known as MAPHILINDO, composed of newly-independent Malaysia, the Philippines and Indonesia. The second ‘reset’ took place during the 1970’s and 1980’s, when the core members of the ASEAN—namely the Philippines, Indonesia, Malaysia, Singapore and Thailand—managed to navigate the tempest of the Indo-China Wars with considerable strategic resolve and deftness, paving the way for the eventual membership of communist (Vietnam) and post-communist (Cambodia and Laos) regimes into the regional body.

The third ‘reset’ came upon the collapse of the Soviet Union, as ASEAN scrambled to become ‘the driver’ of regional integration in post-Cold War Asia. The advent of a revanchist China and a unilateralist America under the Bush and, later, Trump administrations, however, repeatedly undermined ASEAN’s efforts to institutionalize multilateralism as the defining modality of crisis-prevention and dispute-settlement in the region. Trump’s “New Cold War” with China effectively ended “ASEAN centrality,” as great power competition came to be the defining feature of Asian geopolitics. But the accession of the Joseph Biden administration, and its commitment to revive the multilateralist streak in American foreign policy, provides a new opportunity for ASEAN to reinvent itself in an increasingly post-American regional order.

The path forward, therefore, is two-fold. On the one hand, ASEAN needs to seriously reconsider its existing unanimity-based decision-making structure, which is a recipe for disaster not only on the South China Sea disputes but also on humanitarian crises such as the anti-Rohingya ethnic cleansing campaigns in Myanmar in recent years. Unanimity is often the pretext for inaction, a mockery of ASEAN’s aspirations for ‘centrality.’

To be relevant, autonomous and capable of serving as an agent of stability (rather than subservience), ASEAN has to dispense with its ‘cult of consensus.’ The regional body can, for instance, rely more on the rarely deployed yet tried-and-tested “ASEAN Minus X” formula, whereby unanimity is not a prerequisite for decisive action or even just a robust joint statement on a matter of immense geopolitical relevance such as the South China Sea disputes.23 Even better, ASEAN could adopt the European Union’s often-used weighted qualified majority voting modality, where the population density and geopolitical heft of member states is taken into consideration.24 This way, China won’t be able to veto decisions within ASEAN, so long as there are enough voices of independence and reason left in the room. Astonishingly, and perhaps reflecting anxieties over ‘ASEAN centrality,’ there are now even discussions of Australia and New Zealand joining ASEAN in order to save the regional body from a downward spiral of irrelevance.25 Desperate times call for formerly unthinkable solutions.

The second, and perhaps more feasible, way to augment ASEAN’s quest for ‘centrality’ is to expand minilateral cooperative patterns. Likeminded and more independent nations within ASEAN, namely Indonesia, Vietnam and Singapore, can seize the initiative and expand issuespecific minilateral cooperation among themselves on issues of common and urgent concern.

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Lest we forget, a number of ASEAN members are actual or potential ‘middle powers’ with relatively large populations; Indonesia is a G-20 member, Vietnam is a rising industrial powerhouse, and the Philippines is among the fastest growing economies in the world. Though not direct parties to the South China Sea disputes, Indonesia and Singapore, the fulcrum states in Southeast Asia, are simultaneously expanding their maritime defense capabilities while diplomatically advocating for a rules-based resolutions of the disputes.26

Last year, Jakarta even invoked the Philippines’ 2016 arbitral tribunal award against China at the United Nations, just as it reiterated its uncompromising stance against Beijing’s creeping invasion of Indonesian waters off the resource-rich Natuna islands.27 In recent years, even previously quiescent claimant states such as Malaysia have adopted a tougher stance against China, including the direct questioning of Beijing’s expansive maritime claims as well as initiating unilateral energy exploration activities within China’s claimed nine-dash line area.28 ASEAN as a whole may not take a tough stance on China, but key members are taking matters into their own hands.

Externally, America and its allies will not have to convince and engage all of ASEAN per se, but instead focus on key powers within Southeast Asia in order to constrain China’s aggressive behavior. The key here is for “Quad” powers of the US, Japan, Australia and India to support capacity-building and self-reliance among the members of ASEAN that are at the frontline of China’s expansionism from the South China Sea all the way to the North Natuna Sea.

Moving forward, the Biden administration should advocate for the expansion of minilateral cooperation, not only among Quad powers but also between the major regional players and key members of ASEAN. Perhaps it’s time to expand the so-called “SQUAD,” namely Singapore and the four Quad powers, through institutionalized maritime security cooperation with other relevant ASEAN members such as Vietnam, Indonesia, the Philippines and Vietnam, as part of a broader effort to uphold international law and freedom of navigation and overflight in Asian waters. In fact, authoritative surveys reflect immense Southeast Asian policy elite support for deepened cooperation between the Biden administration and ASEAN amid rising anxieties about China’s hegemonic ambitions in the South China Sea and beyond.29

Minilateral cooperation should also extend to the major European powers of Britain, France and Germany, all three of which have demonstrated their commitment to play a more decisive strategic and maritime security role in the Indo-Pacific, including in the South China Sea. Collectively, the Quad and the “E3” European powers can significantly enhance the maritime security capabilities and strategic position of ASEAN countries on the frontline of the South China Sea disputes. Perhaps, the best way to save ‘ASEAN centrality’ is precisely to transcend its broken multilateralism in favor of a more dynamic minilateralism, until the regional body gets its own institutional house in order.

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Gradational Change of Balance of Power in the Indo-Pacific: Addressing Alliance Coordination in the Gray-Zone, Conventional and Nuclear Domains

By Jimbo Ken

Gradational Change of Balance of Power in Indo-Pacific

The dynamically changing distribution of power, led mainly by the rise of China, constitutes the major challenge in a wide spectrum of security issues in the Indo-Pacific region. Promoting a favorable balance of power in the Indo-Pacific is becoming an increasingly difficult task; success depends on the ability of the United States and its allies to provide deterrence and defense against China’s assertive challenges, and also on coordinated diplomacy to manage the status quo. The Biden administration’s preference to invigorate and modernize US alliances and partnerships is an essential approach to address these challenges.¹ The success of the alliance and partnership strategy depends on an understanding of the diverse nature of the balance of power in the region that requires a tailored and integrated approach.

The nature of the balance of power change is gradational. The primary challenge lies in long-term US-China strategic rivalry as the most fundamental variable in the region. However, the challenge to the status quo begins with maritime coercion or territorial incursion in China’s vicinity that requires a short-term response, primarily by countries directly concerned. Initial responders should include Japan, South Korea, Taiwan and ASEAN member states, given the rapid speed of change in bilateral power relations vis-à-vis China. For many Indo-Pacific states, a limited strategic depth creates front-line exposure to China’s military/para-military challenges.

The problem associated with US allies and partners in the Indo-Pacific is that none of the countries can address the China challenge by itself. For example, the air and naval balance in the Taiwan Strait, perceived to be stable in the 1990’s, was rapidly overtaken by China’s force modernization in the mid-2000’s as China deployed hundreds of 4th generation fighters, advanced frigates, and short-range missiles within a short period of time. Until the early 2000’s, Japan’s Air and Maritime Self-Defense Force (SDF) maintained a qualitative advantage over China’s People’s Liberation Army (PLA) Air Force and Navy in the bilateral context. However, Japan’s National Defense Program Guideline in 2018 (NDPG 2018) addressed, for the first time, the

situation when “maritime and air superiority becomes untenable” with an apparent widening gap in capabilities between Japan and China.²

The speed of gradational change can be observed by comparing military expenditure trajectories in the Indo-Pacific region (Figure 1). The defense spending of Japan and China were almost the same figure in 2005. But in 2020, China’s exceeded Japan’s by 5.9 times, and it will further expand to 9.5 times larger by 2030. For India, South Korea, Australia, ASEAN member states, and Taiwan, the military capability gap vis-à-vis China will also be widened.

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**Figure 1: Indo-Pacific Military Expenditure Projection (2010-2030)**

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2010</th>
<th>2015</th>
<th>2020</th>
<th>2025 (est.)</th>
<th>2030 (est.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.</td>
<td>533,203</td>
<td>738,005</td>
<td>633,829</td>
<td>714,296</td>
<td>855,028</td>
<td>1,007,837</td>
</tr>
<tr>
<td>China</td>
<td>45,918</td>
<td>115,712</td>
<td>214,471</td>
<td>290,129</td>
<td>427,147</td>
<td>612,217</td>
</tr>
<tr>
<td>India</td>
<td>23,072</td>
<td>46,090</td>
<td>51,295</td>
<td>83,257</td>
<td>109,174</td>
<td>160,868</td>
</tr>
<tr>
<td>ASEAN6</td>
<td>15,114</td>
<td>26,699</td>
<td>35,134</td>
<td>45,942</td>
<td>60,663</td>
<td>83,701</td>
</tr>
<tr>
<td>S. Korea</td>
<td>22,159</td>
<td>28,175</td>
<td>36,570</td>
<td>42,290</td>
<td>55,588</td>
<td>67,832</td>
</tr>
<tr>
<td>Japan</td>
<td>44,300</td>
<td>54,655</td>
<td>42,106</td>
<td>48,717</td>
<td>57,160</td>
<td>64,421</td>
</tr>
<tr>
<td>Australia</td>
<td>13,237</td>
<td>23,217</td>
<td>24,046</td>
<td>25,446</td>
<td>35,688</td>
<td>44,335</td>
</tr>
<tr>
<td>Taiwan</td>
<td>8,011</td>
<td>9,092</td>
<td>9,803</td>
<td>13,982</td>
<td>20,447</td>
<td>27,907</td>
</tr>
</tbody>
</table>

Source: SIPRI Military Expenditure Database (2019); IMF World Economic Outlook Database (2021)

% of GDP: U.S. (3.2%) · China(1.9%) · India (2.6%) · ASEAN(1.4%) · Japan(0.9%) · Australia (1.85%)

% vs. China: \[ \begin{array}{c} \text{100-75}\% & \text{75-50}\% & \text{50-25}\% & \text{25-10}\% & \text{10-0}\% \end{array} \]

The gradational shift of the balance of power creates inconvenient dynamics in the US alliance and partnership strategy. The allies and partners in the Indo-Pacific are desperately losing the ability to individually deter and respond to China’s challenge at a time when the United States increasingly requires them to take more responsibility for their own defense. With the erosion of conventional deterrence vis-à-vis China, the allies and partners have requested the United States to add more commitments in response to every spectrum of Chinese coercion, including gray-zone challenges, or situations below the threshold of an armed attack. For the United States, the risk of entrapment in the local nature of regional conflict becomes higher when allies and partners lose strategic autonomy.

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These dynamics require careful management of alliances and partnerships. When the US and its allies are in full agreement on the policy objectives, approaches and responsibilities, the US-allies integrated approach is the optimum way forward. However, when the US and its allies diverge in policy priorities, and on risk and cost sharing, alliance relations will quickly erode from within. This happens especially at times when the US perceives its allies as taking advantage of Washington’s commitments to outsource their own efforts. In a reverse context, this also happens when the US underestimates its allies’ security anxiety and invokes doubts on the US’ defense commitment. China will capitalize on any friction between Washington and its allies as a major strategy to dilute the alliance function.

In order to achieve the alliance and partnership strategy in the Indo-Pacific region, both Washington and its allies need to deepen understanding of their respective common and divergent interests, priorities and capabilities. Rather than evaluating allies by their defense spending, the alliance and partnership strategy needs to be judged by how successfully the US and its allies coordinate strategic interests bilaterally and multilaterally. Washington and its allies need to work together to address gradational change of balance of power across three major domains—gray-zone challenges, conventional balance, and nuclear extended deterrence.

**Managing the Gray-Zone Challenges**

For most allies and partners in the region, the strategic competition vis-à-vis China lies primarily below the threshold of armed conflict. In Northeast Asia, Japan encounters increasingly constant maritime pressure by Chinese coast guard vessels aiming to change the status quo of territorial sovereignty and the administrative control of Japan over the Senkaku islands in the East China Sea. In Southeast Asia, China claims expansive historical rights in administrating the “nine-dash line” with an unprecedented scale of reclamation of artificial islands in the South China Sea, presumably to secure the Chinese PLA’s air and naval access. In the Indian Ocean, China stepped up maritime footprints by establishing a large-scale naval logistics facility in Djibouti in 2017, and potential dual-use facilities in Myanmar, Bangladesh and Pakistan. The Chinese presence in Pacific Island countries is also fast-growing.

The primary responders in maritime gray-zone challenges across the region are the law enforcement authorities of each country. The maritime gray-zone is predominantly an issue of administrative control. However, the growing capability of a more heavily armed Chinese Coast Guard increasing in operational tempo and operationally connected with the Chinese PLA Navy, increases the risk of escalation into the “dark gray-zone” or the military domain. The new China Coast Guard Law (2021) underwrites China’s determination to secure the maritime jurisdiction by employing all necessary capabilities of the Chinese Coast Guard.
While Japan, ASEAN coastal states and India need to develop their own maritime policing capabilities to deter and manage escalation against Chinese assertive actions, bringing in a built-in alliance functionality to the escalation control dynamics has become more essential. *The Guidelines for Japan-US Defense Cooperation* (2015) is designed to take measures seamlessly, “including situations when an armed attack against Japan is not involved.” The US’ commitment to Article 5 of the US-Japan Security Treaty to cover Senkaku Islands, the political benchmark of the US security commitment to Japan, has also been repeatedly confirmed by Washington. The gray-zone and higher-end armed conflict are conceptually interconnected.

The US Naval strategy document *Advantage at Sea* (2020) emphasized tri-service Integrated All-Domain Naval Power by the US Navy, Marine Corps and Coast Guard. Upholding maritime governance and countering malign behaviors “below the threshold of war” through assertive and persistent operations are key approaches to addressing gray-zone challenges. The United States’ allies and partners also urgently need to pursue an integrated maritime strategy to bring the joint capabilities of coast guards and navies to operations across the competition continuum.

Key US allies and partners in the region—including Japan, the Philippines, Australia and India, who all share the same concerns about China’s maritime presence—need to cooperate on a concept for resilient maritime operations, to include strengthening the role of the coast guard and credible escalation control by outlining the role of the navy and US commitments. Generating a common strategy in the gray-zone by coordinating roles, missions and capabilities is essential signaling towards China, demonstrating the determination to safeguard the maritime order in the Indo-Pacific.

The risk in alliance management lies in Washington’s frustration over allies’ burden sharing and free riding. If Washington urges allies to take solely all responsibility in the gray-zone by decoupling the gray-zone from US commitments, China will expand their gray-zone pressure as much as possible, taking full advantage of the gradational power shift. Therefore, active coupling of gray-zone doctrine, operations and signaling shared among the US and allies need to be enhanced.

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Updating the Conventional Balance of Power

The most significant geopolitical challenge in the Indo-Pacific region today is China’s ever-expanding Anti-Access and Area-Denial (A2/AD) and power projection capabilities. The gradational change of balance of power negates the air and naval superiority of Indo-Pacific neighbors in the short term; but in the medium term, China imposes an enormous cost for US forward-deployed forces to achieve operational access inside the theater. Beijing’s strategic calculus on the US ability to project force versus China’s denial capability would constitute a major parameter in defining action towards the Taiwan Strait, Korean Peninsula, East China Sea and South China Sea.

Every doctrinal evolution of the US military strategy in Indo-Pacific has to focus on how the US joint forces and allies would prevail in an increasingly contested air, land, sea, space and cyberspace. The US National Defense Strategy (NDS 2018) recognizes that the US competitive military advantage is eroding, thus the US force has no preordained right to victory on the battlefield. The NDS emphasized the importance of investing in achieving a “more lethal, resilient and rapidly innovating Joint Force, combined with a robust constellation of allies and partners.” The US Department of Defense aims to accelerate the modernization of key capabilities in the nuclear, conventional, space and cyber domains as well as to evolve operational concepts of US joint forces. The Indo-Pacific Deterrence Initiative (PDI 2020) ensured Washington’s bipartisan financial commitment to upgrade US force posture and logistics in the Indo-Pacific region.

In this vein, it is imperative that the US and its allies reformulate the joint military strategy to deter and respond in the contested strategic environment. The overdue existing guidelines of defense cooperation with Japan, Korea, the Philippines and Australia need to be realigned with how the US and its allies can jointly address strategic competition with China. This requires revising the guidelines by overhauling alliance force postures, procurements and command control; redefining roles, missions and capabilities; and developing joint doctrines and practices to achieve a highly integrated alliance capability.

These efforts need to develop simultaneously. For allies, major political leadership is essential to decisively adopting and focusing on an active denial strategy aimed at denying China the benefits of military aggression. There is no room for letting inertia in resource allocation accrue to an obsolete force structure. Taking into account the geographical advantage of confining Chinese forces inside the first island chain, the allies should develop capabilities to deny China’s...
operational advantage and its force projection abroad. An agile combat-ready force employment, highly lethal strike capabilities including stand-off strikes, resilient defense infrastructures, joint force structure and command all need to be prioritized. Especially for Japan, the key is establishing the maritime capability—a powerful fleet and underwater assets—to defend against Chinese amphibious operations and create denial capability against Chinese naval force projection. Achieving these strategic goals requires the political determination of allies to secure a sufficient defense budget.

The US joint forces and allies in the Indo-Pacific region also need to achieve higher interoperability, enhance joint planning and develop integrated warfighting capabilities. This interoperability needs to be deepened and constantly updated. The joint operation in the alliance needs constant upgrading, adapting to new battle concepts that integrate multi-domain missions and employing new technologies. This also requires alliance collaboration on cross-domain defense technologies in order for the alliance to adapt jointly to future warfighting capabilities. The US-Japan alliance should also consider establishing a joint headquarters function between two militaries. The joint headquarters can constantly plan, assess, manage and review the high-end combat mission in the alliance. The function of a joint headquarters would be to enhance the effectiveness of joint operations, as well as bolster shared responsibility in alliance decision making.

When Washington indicated that “all options are on the table” during the heightened tension over North Korea in 2017, Tokyo reaffirmed full political support. This transaction was politically naïve given Tokyo’s insufficient preparation for a military escalation scenario and the potential consequences derived from US military intervention. US allies need high-level access to US intelligence, contingency planning, and decision making. It should be the alliance, not solely Washington, that conducts decisions to go to war.

**Tailoring Nuclear Extended Deterrence**

North Korea’s continuous development of its nuclear and missile programs, the modernization of China’s nuclear capabilities, Russia’s assertive nuclear doctrine and its deployment of new delivery systems have generated an unprecedented range of regional risks in the nuclear domain. The gradational change of balance of power in Northeast Asia requires a tailored nuclear strategy given that the conventional force balance vis-à-vis China has rapidly deteriorated.

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11 For example, see Japan Ministry of Defense, “Japan-US Summit Meeting” (April 18, 2018). “As the US maintains the policy of “all options are on the table,” Prime Minister Abe reaffirmed his support for this President Trump’s principled position.” Available at: [https://www.mofa.go.jp/na/na1/us/page3e_000845.html](https://www.mofa.go.jp/na/na1/us/page3e_000845.html)
The US Nuclear Posture Review (NPR 2018) recognized the rapid deterioration of the threat environment and concluded that US nuclear capabilities made an essential contribution to the deterrence of nuclear and non-nuclear aggression. Among the US allies, Tokyo finds critically important that the 2018 NPR applied a tailored and flexible approach to effectively support deterrence across a spectrum of adversaries. Key NPR decisions, including maintaining the strategic nuclear triad, developing non-strategic nuclear capabilities and modernizing nuclear command and control, contribute significantly to the extended deterrence and provide assurances to allies.

There has been increasing concern that adversaries could exploit the deterrence gap in the escalation control capability of the US and its allies. Since the withdrawal of the submarine-launched Tomahawk Land Attack Missile-Nuclear (TLAM-N) in the early 1990’s, Tokyo has aspired to have a regionally tailored US nuclear posture that would be visible, flexibly deployed and customized to counter various adversaries in Northeast Asia. The remaining alternative of relying on long-range strategic bombers (B2) deployment has been robust; however, it faces the challenge of flying over China’s expanding A2/AD airspace. In this regard, the 2018 NPR decision to develop the next generation bomber B-21 Raider, the Long-Range Stand-OFF (LRSO) cruise missile, the F-35 to replace the dual capable aircraft (DCA), and the low-yield SLBM/SLM warheads are all crucial contributions to regional deterrence and the assurance of allies.

The Biden administration’s nuclear policy must take into account the 2018 NPR judgment in light of allied apprehension. Washington took an initial step by extending the New Strategic Arms Reduction Treaty (START) with Russia for five years without conditions. Biden administration officials underscored that the extension would buy time to pursue follow-on talks on new arms control arrangements. That process will inevitably include China’s growing nuclear capability into the equation of global arms control. Given the complexity and limited leverage the US and its allies have with Russia and China to reach new deals in nuclear arms control, it is more likely that Moscow and Beijing will diversify delivery systems in next five years. And despite the Trump-Kim Singapore joint statement in 2018, North Korea declared that it would expand its nuclear programs with the aim of “preemptive and retaliatory” strikes.

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At this juncture, especially when the gradational power shift is taking place, Washington’s adoption of the progressive Non-First Use (NFU) or of a Sole Purpose nuclear declaratory policy—for the purpose of deemphasizing the role of nuclear weapons and accelerating nuclear arms control—is a strategic misstep.16 The current US declaratory policy that employs nuclear weapons in “extreme circumstances” uses strategic ambiguity to signal to adversaries that the US nuclear response would apply to nuclear and non-nuclear strategic attacks. The credibility of the US extended deterrence to allies rests on the capability and political will to defend the interests of US allies. When the gradational power shift erodes deterrence in the conventional domain, the nuclear extended deterrence should remain salient.

**Conclusion**

This article highlighted the diverse anxieties of US allies and partners towards the change of balance of power in the Indo-Pacific region as a core component of strategic concern. Without sophisticated understanding of these dynamics, the US alliance and partnership strategy may easily fall apart. In addressing all three domains—gray-zone challenges, conventional balance and nuclear extended deterrence—it is crucial that the US and its allies in the Indo-Pacific region deepen strategic coordination.

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How Can China and the US Best Manage Arms Control Issues in East Asia?

By Zhang Tuosheng

In recent years, East Asia has seen security hotspots rise one after another, military frictions increase, the security situation seriously deteriorate and a trend toward an arms race emerge. In this situation, out of both the national and international security considerations of East Asian countries, arms control has become an urgent and important task, especially for China and the US—the two countries with the greatest impact on regional security.

Major Arms Control Issues in East Asia

Among the many arms control needs confronting East Asia, five stand out:

First, denuclearization of the Korean Peninsula and prevention of regional nuclear proliferation. The profound background of the DPRK nuclear issue is the long-standing hostility between the US and the ROK on the one hand, and the DPRK on the other. Since the outbreak of the first nuclear crisis in 1992, the parties concerned have held talks and negotiations in various forms, including the US-DPRK nuclear dialogue that resumed in 2018, all of which ended in failure. As the DPRK has come into possession of nuclear weapons, the nuclear proliferation situation in the region has become more severe, and Northeast Asia is in the shadow of an arms race and at greater risk of military conflict.

Second, mitigation of military confrontation and prevention of military conflicts across the Taiwan Strait. The military confrontation between the two sides of the Taiwan Strait is a problem left over from China’s civil war. It was aggravated in the early years of the Cold War as the US assisted the defense of Taiwan. After the establishment of diplomatic relations between China and the US, the situation relaxed. After the end of the Cold War, however, as pro-independence forces grow in Taiwan and as the US moves increasingly away from the one-China principle, military confrontation across the Strait has once again escalated and even come to the brink of a military conflict or war in recent years.¹

¹ From 2008 to early 2016, the two sides of the Taiwan Strait were in agreement on sticking to the 1992 Consensus and opposing ‘Taiwan independence.’ The trend of peaceful development was apparent across the Strait. However, since Tsai Ing-wen and Donald Trump took office in Taipei and the US respectively, the cross-Strait situation has deteriorated again.
Third, elimination of military confrontation in the East China Sea and avoidance of militarization of the South China Sea. Many countries in East Asia have long had disputes over islands and reefs, and the associated maritime rights and interests, but these disputes did not lead to major security frictions for quite some time after the end of the Cold War. However, in the past ten-plus years, with increased sovereignty claims, actions by claimant countries and the open intervention of the US in regional disputes, a military confrontation between China and Japan has emerged in the East China Sea and a militarization trend has emerged in the South China Sea. The two seas have become new regional hotspots.

Fourth, maintenance of strategic stability in East Asia. Strategic stability has always been at the center of international arms control. Since the start of the new century, despite the strong opposition of China and Russia, the US has intensified the development and deployment of national and theater missile defense systems, seriously challenging global and regional strategic stability. In East Asia, the challenge is manifest in America’s establishment of a theater missile defense system and other missile defense collaboration with its regional allies. These developments have not only seriously damaged China-US strategic stability but also aggravated China’s security frictions and military competition with Japan and the ROK.

Fifth, avoidance of an arms race between China and the US in East Asia in the fields of sea and air power, missiles and various new operational capabilities. In the past 10 years, with further modernization of its national defense, China has developed a relatively strong anti-access/area denial (A2-AD) capability in its surrounding areas. To deal with the change, the US proposed new operational concepts, such as AirSea Battle and Joint All-Domain Operations, on the basis of which it has significantly strengthened its air and sea forces, missiles, missile defense deployment and related cyber and space capabilities in East Asia and the Western Pacific. Military competition between the US and China in the above-mentioned military fields has become increasingly fierce, with an arms race already taking shape.

**Chinese and American Views and Policies on Regional Arms Control Issues**

In recent years, although the necessity and urgency of arms control measures in East Asia has become more and more obvious, there has been little progress in China-US cooperation in this field due to serious differences of views and policies on regional arms control issues.

With regard to the Korean Peninsula, China maintains that the major security concerns of all parties involved should be addressed in a balanced manner through peaceful dialogue, and that the denuclearization of the Peninsula and the establishment of a peninsular peace mechanism should be achieved in a synchronous and progressive manner, which will eventually lead to a nuclear-weapon-free zone on the Peninsula. The US, on the other hand, prioritizes the use of military pressure and sanctions and insists that all other problems will be addressed only after the DPRK abandons its nuclear program.
With regard to the Taiwan Strait, China believes that the Mainland’s military superiority over Taiwan, which is a part of China, is a strong deterrent to Taiwan independence forces that might provoke military conflict or war; and that the US must stop interfering in China’s internal affairs, reduce and stop arms sales to Taiwan, and reduce military activities in and around the region. The US, on the other hand, believes that it has an obligation to safeguard Taiwan’s security; and that its arms sales to Taiwan and military activities in the Taiwan Strait are conducive to maintaining a balance of military power across the Taiwan Strait and deterring the Chinese Mainland from using force against Taiwan, thus contributing to peace and stability across the Taiwan Strait.

With regard to the East China Sea and South China Sea, China believes the correct way out is that the relevant disputing countries in the region conduct diplomatic and security dialogues, strengthen crisis management, and establish bilateral and multilateral confidence-building measures (CBMs) as well as codes of conduct (COCs), without intervention by any country from outside the region. The US, however, has sought to force China to back down by intervening in regional disputes, strengthening its military presence and increasing military cooperation with allies and partners. In recent years, its intervention policy has made the US one of the leading actors fueling military confrontation in the East China Sea and militarization in the South China Sea.

On the issue of regional strategic stability, China believes that a theater missile defense system deployed by the US and its allies will weaken the second nuclear strike capability of China and undermine China-US strategic stability and regional strategic stability. The United States has always denied this interpretation, instead insisting that a regional missile defense system will be conducive to maintaining regional security. In addition, some people in the US have in recent years been calling for lowering the nuclear threshold and using low-yield nuclear weapons in response to China’s conventional military advantage in East Asia. This has caused serious concern in China.

With regard to avoiding a potential arms race between China and the US in East Asia, China stresses that its naval and air forces and missiles are all based in its own territory and are purely defensive in nature, which is quite different from the American posture of maintaining and strengthening military forces at China’s doorstep. It therefore argues that the US should gradually reduce, or at least refrain from increasing, the deployment of these forces in East Asia. However, the US stresses that maintaining and strengthening its regional military presence is not only demanded by its allies and partners but also necessary in order to maintain its military dominance in the region, which is the only way to protect peace and security in East Asia.

With regard to arms control in East Asia, the only thing on which the two sides have common understanding is the need to strengthen crisis management. Even on this issue, however, the two sides remain far apart on the root causes of crises.
It should also be noted that in recent years, the attitudes of China and the US towards international arms control has been in sharp contrast. Historically, the US was a major participant and promoter of international arms control, while China has been a latecomer. However, in recent years, China has continued to take a positive attitude towards international arms control, while the US has taken an increasingly negative attitude. It has even withdrawn itself from several key bilateral or multilateral international arms control treaties and agreements and been widely criticized in the international community for these withdrawals. If such a negative attitude is not changed, it will be very difficult for China and the US to cooperate on arms control in East Asia in the future.

Policy Recommendations

The Biden administration took office in January 2021. Its foreign policy has both strong continuity and marked differences from that of the Trump administration. For example, the new administration wants to avoid a cold war or movements towards conflict or confrontation with China. It attaches importance to international arms control cooperation and is willing to carry out necessary dialogue and cooperation with China.

Under such circumstances, hope remains that China and the US will, in the foreseeable future, adopt a positive attitude towards promoting arms control cooperation in East Asia and making joint efforts to avoid regional arms race or military conflicts.

1. Korean Peninsula. China and the US could coordinate on two policy directions. First, each could insist on the ‘dual suspension’ on the Peninsula—the suspension of DPRK missile and nuclear testing and the suspension of US-ROK large-scale military exercises. Second, each could take leading roles to support relevant countries in initiating or resuming bilateral dialogue with the DPRK. Thereafter, the two sides may facilitate the resumption of the four-party or the Six-Party Talks in due course for the parties concerned to agree on a road map for the denuclearization of the Peninsula and the establishment of a peace mechanism. Cooperation in these three areas would play a strong role in promoting the gradual denuclearization of the Peninsula and preventing regional nuclear proliferation.

2. Taiwan Strait. China and the US should do two things. First, they should strengthen mechanisms for crisis management and take concrete actions to prevent and control crises. Second, they should also resume strategic communication as soon as possible in an endeavor to eliminate the growing strategic mutual suspicion on the Taiwan question and rebuild strategic mutual trust based on One-China principle and peaceful reunification across the Strait. Only with substantive progress on both fronts will it be possible to alleviate the grim situation and military confrontation across the Taiwan Strait and reduce the risk of a military conflict.

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2 China believes that the US seeks to support ‘Taiwan independence’ to split China, whereas the US believes that China may give up the peaceful reunification policy and resort to the use of force.
3. **East China Sea.** In recent years, China and Japan have made some important efforts to ease military confrontation in the East China Sea, with positive progress. In the future, China and Japan should adhere to the principle of not using force to resolve disputes, further strengthen crisis management mechanisms and various security dialogues, and resume negotiations on joint development of the East China Sea. Instead of repeating again and again that the Diaoyu Islands are covered by its alliance with Japan, the US should actively support China and Japan in reducing military confrontation. Gradual improvement of China-Japan security relations will reduce the possibility of China and the US being involved by a third party in a military conflict and therefore serve the interests of both countries.

4. **South China Sea.** It is imperative that, on the basis of strengthening crisis management, China and the US hold strategic consultations on avoiding the security dilemma in and militarization of the South China Sea. During the consultations, both sides should agree that neither will seek predominance in the South China Sea, and that both will work with ASEAN countries to build the South China Sea into a sea of peace, friendship and cooperation, thus opening the door for both sides to gradually reduce military operations in the South China Sea. In addition, a US declaration of support for China and ASEAN countries to resolve disputes and maintain stability in the South China Sea with a dual-track approach, and a public Chinese statement of readiness to work with the US to safeguard the sea lanes of communication in the South China Sea will also be positive for avoiding militarization of the South China Sea.

5. **Regional strategic stability.** At present, the most important thing is that the United States refrain from further expanding its missile defense deployment or deploying low-yield nuclear weapons in East Asia. Meanwhile, China and the US should launch a bilateral strategic stability dialogue as soon as possible and make the maintenance of regional strategic stability an important part of the dialogue. As a matter of fact, many potential topics for a bilateral dialogue are highly relevant to regional strategic stability. Accordingly, the initiation and progress of such a dialogue will have a positive impact on strategic stability in East Asia.

6. **A potential China-US arms race in East Asia.** China and the US may first do two things. One is to put this issue on the agendas of any diplomatic and security dialogue and military-to-military dialogue that the two countries may resume. The other is to seek positive progress in increasing military transparency and military confidence-building measures through dialogue. These two efforts will create the necessary conditions for the two sides to take more substantive arms control measures in the future. In addition, in the near term, if the US is willing to abandon

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3 For quite some time, the two sides have been accusing each other of militarizing the South China Sea.
4 The dual-track approach proposes that disputes over sovereignty and maritime rights should be peacefully resolved through negotiation and consultation between directly concerned parties on the basis of respect for historical facts and international law, and that peace and stability of the South China Sea should be maintained jointly by China and ASEAN countries.
5 The Obama administration proposed to have strategic stability dialogue with China in the 2010 Nuclear Posture Review. In the past two years, Chinese diplomats have expressed on multiple occasions that although China will not get involved in a trilateral disarmament negotiation with the US and Russia it stands ready to conduct, within the UN, CD and P5 frameworks, discussions with parties concerned on extensive issues bearing on strategic stability and to develop bilateral dialogues with the relevant parties on strategic security on the basis of mutual respect.
its plan to deploy land-based medium-range missiles in Asia-Pacific countries, it will obviously have a positive impact on slowing down Sino-US military competition.

Finally, it is particularly important to point out that while there has been serious military competition in East Asia in recent years, the regional situation is still very different from the arms race between the US and the Soviet Union and between Eastern and Western European countries during the Cold War—countries engaged in military competition in East Asia have not yet become enemies; and their military expenditures and activities have not developed into a serious tit-for-tat. China, the US and other East Asian countries should never repeat the mistakes of the past when the US, the Soviet Union, NATO and the Warsaw Pact countries expanded their armed forces, engaged in an arms race and then had to negotiate arms control. Putting arms control on the agenda at an early date, properly managing and resolving regional hotspots, preventing military crises and conflicts, and avoiding an arms race in the region should be the direction of joint efforts by China, the US and other East Asian countries.

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At the 8th Party Congress held in January 2021, North Korea telegraphed seemingly mixed messages: on the one hand, the regime presented the “people-first policy” as its new political guideline, while on the other, it declared the advancement of nuclear weapons its highest priority.¹ This was certainly in contrast to the general outside predictions that anticipated North Korea would deliver a more conciliatory message in an effort to make a breakthrough and implement the new economic plan proposed at the Party Congress. Since 2016, North Korea’s major economic sectors such as mining, manufacturing, and heavy chemical industries have suffered negative growth.² The gap between the UN humanitarian response plan for North Korea and actual funding donated by the international community has continued to widen.³ At the Party Congress, North Korea did not hide the fact that it had failed to properly execute its five-year national economic development strategy. The regime also openly acknowledged flaws in its policy, which was unusual. However, what was not unusual was the clear expression of the governing principle of Juche (literally, “self-reliance”) ideology by the leadership once again. Like his father and grandfather before him who evoked a nationalistic drive to justify policies of self-reliance in the face of economic hardship and diplomatic isolation, Chairman Kim Jong Un has called upon the North Korean people to break head-on through socioeconomic difficulties amid a lack of progress in nuclear talks. At the Party Congress, the North Korean Worker’s Party confirmed that the establishment of a new socialist country needs to be based on a self-sufficient economy and a self-reliant defense force.

North Korea did not explicitly mention the possibility of inter-Korean dialogue at the 8th Party Congress. Instead, it presented South Korea with two options: an arms race or military confidence building. North Korea claimed that the Korean Peninsula stands at a “significant crossroads” of “resolving a serious standoff and moving toward peace and reunification or remaining in a vicious cycle of confrontation and the perils of war.”⁴ The regime hinted that its development of nuclear assets and new weapons systems will intensify, leading to an arms race between the two Koreas. However, it also suggested that South Korea could choose military confidence building if peace

¹ “Fourth-day Sitting on 8th WPK Congress Held.” Rodong Sinmun, January 9, 2021.
⁴ “Adopted decision on the revision of the Chosun Workers’ Party Rules at the 8th Congress of the DPRK Workers’ Party.” Rodong Sinmun, January 10, 2021.
and reunification is in the South’s interest. The question is whether North Korea’s uncompromising attitude is a short-term strategy or whether the North is determined to go it alone in an arms buildup. There are a variety of scenarios in which inter-Korean relations may develop depending on what North Korea intends to achieve and how future interactions between Pyongyang and key players in the region shape its pathways. The role of the US-South Korea alliance and regional players in maintaining stability on the Korean Peninsula will also vary as the security environment changes.

**Near-term Interest in Resuming Talks**

The first scenario that North Korea may have in mind is to keep pressuring the South to consult with the US so that the new administration in Washington can consider North Korea’s previous offer—the easing of sanctions in exchange for the phased implementation of denuclearization. Since the possibility of the US attempting direct bilateral talks with North Korea has decreased after the leadership change in Washington, North Korea will try to use South Korea as a bridge to resume negotiations with the US as soon as possible. The fact that North Korea views the US as the “primary obstacle to the development of the revolution” means that the North acknowledges that it cannot complete the construction of socialism without resolving the problems between itself and the US. At the 8th Party Congress, North Korea mentioned that it “demonstrated its dignity and status in the world” by announcing the “joint declaration which confirmed the establishment of a new relationship between North Korea and the US.”

Besides, the leadership in Pyongyang views improving conditions for the successful implementation of the five-year economic development plan set out for the target year 2025 as crucial amid compounding crises caused by international sanctions, flood damage, and the coronavirus pandemic.

However, North Korea will not be the first to offer an olive branch. North Korea’s choice will be minimizing unnecessary tensions while continuing to focus on handling domestic challenges. North Korea has refused to accept humanitarian assistance offered by South Korea and the US. This serves North Korea’s short-term interest of projecting an image of strength, so that it can ask other parties to compromise while minimizing the size of the win-set—the range of offers that the US negotiators can accept and the people in North Korea can endorse. To have a bargaining advantage, the North Koreans will continue to show that their policy decisions are the result of unanimous consensus, fully supported by the people, and that they are not as worried about the costs of a no-agreement outcome. The regime will do its best to make sure that the US and South Korea struggle to reconcile their heterogenous preferences and maintain a sense of urgency about re-engagement. Therefore, to gain the upper hand in future negotiations, North Korea will actively disclose the existence and progress of its weapons program as it advances day by day. Doing so will allow North Korea to ask the US and South Korea for more negotiating room, which they will be incentivized toward to avoid a worsening situation caused by a no-agreement outcome.

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However, it remains to be seen how long North Korea will be able to shut down its borders and keep its isolation measures in place, without compromising economic objectives.

Should this be the scenario that arises, it will be important to keep sending signals that the door to dialogue is open so that North Korea does not misjudge the situation. The South Korean government under President Moon has set its minimum goal as reviving inter-Korean talks by offering a way out of the stalemate with the North within Moon’s term. Efforts to revitalize multiple channels for consultation between the US and South Korea will help convince North Korea that it cannot start constructive US-North Korea dialogue while bypassing South Korea. Meanwhile, there should be efforts to develop a concrete denuclearization roadmap that includes mutually agreeable levels of reciprocity between the US and North Korea and a sequencing of measures to achieve the end goal of denuclearization. More specifically, greater consideration must be given to how to verify the process of denuclearization to guarantee the sustainability of the diplomatic approach and the road to the establishment of peace on the Korean Peninsula. South Korea’s role in trust-building should be supported by key players in the region because a stable environment on the Korean Peninsula helps drive the negotiation process forward. A snapback option, which is essential to prevent North Korea from violating agreements, should be discussed and supported by the countries in the region, not just because it is crucial to reinstate sanctions if North Korea does not follow through, but also because it reduces skepticism in Washington and increases the bargaining flexibility of the allies involved.

The allies should also explore how the lessons of Cooperative Threat Reduction (CTR) can be applied to North Korea. CTR is a program to achieve comprehensive, verifiable, and enduring threat reduction, and it provides options to help bring peace and stability to the most militarized region on earth by converting weapons production facilities, and promoting peaceful scientific cooperation, environmental remedies, and health assistance. The involvement of key regional players can assist CTR by providing technical and economic assistance for North Korea’s long-term development and integration into the international community, and such assistance can incentivize North Korea to consider the benefits of cooperation. The current discussions between the US and South Korea in this effort are limited to areas of nuclear characterization and the elimination of unexploded chemical weapons. These areas of cooperation should be expanded to enhance South Korea’s overall capability to reduce WMD threats and proliferation concerns by equipping, training, and conducting table-top and field exercises.

Although North Korea argues that humanitarian issues are non-essential and secondary in improving inter-Korean relations, efforts to create multiple avenues of contact should continue. In the past, food and energy aid to North Korea was a means of bringing North Korea to the negotiating table. Currently, North Korea is receiving limited medical aid only through international organizations and NGOs, which increases the value of any large-scale humanitarian aid for the North Koreans. Considering that North Korea is very sensitive to the politicization of humanitarian aid, the alliance must ensure that assistance and aid are offered and provided with no strings attached. South Korea can propose meetings during the inter-Korean joint military

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committee to discuss how to militarily support humanitarian assistance through land, air, or sea. At the least, South Korea can revitalize communication channels for conflict prevention. In the best-case scenario, South Korea can expect functional spillover by connecting issue areas across political, economic, and military topics.

**Long-term Interest in Seeking a New Equilibrium on the Korean Peninsula**

The second and more likely scenario is that North Korea tries to buy time to modernize its military force. If resuming talks is not a readily available option, North Korea will turn to seeking a new equilibrium in the military balance on the Korean Peninsula. This will help North Korea ensure credibility of its deterrence capabilities vis-à-vis the allied forces at a time when military tensions persist. It will also be in North Korea’s interest to join any arms reduction talks on equal footing with others. If North Korea agrees to an arms reduction that falls short of complete denuclearization, all types of weapons systems will be of value to the regime. Alternatively, in the case of a comprehensive disarmament, the North will have to rely on other conventional weapons to maintain its escalation dominance in a crisis on the Korean Peninsula. If North Korea begins negotiations with the South on structural arms control—limiting the number of weapons systems on both sides—in the future, it will also be in North Korea’s interest to prepare as many bargaining chips as possible for trade-offs.

North Korea will try to make the best use of the deadlock with the US. The current moratorium on testing does not ban North Korea from diversifying means by which to offset the conventional asymmetry against the allied forces in the South. North Korea’s recent focus on military modernization indicates that the regime has prepared its forces to undertake various operational missions. At the 8th Party Congress, North Korea said that it had “developed miniaturized, lightweight, and standardized weapons for tactical use” and that it had “established a complete nuclear shield to conduct its operational mission.”8 Tactical nuclear weapons can give North Korea a hedge against South Korea’s modernized conventional forces, which would be the regime’s priority.

The North Koreans have already engaged in a tit-for-tat rivalry with the South Koreans, who plan to deploy more airborne weapons systems, long-range precision strike capabilities, and Intelligence, Surveillance, and Reconnaissance (ISR) assets. The weapons acquisition plan that North Korea recently disclosed includes obtaining unmanned combat weapons, electronic attack systems, and advanced ISR capabilities such as unmanned aerial vehicles. North Korea also announced that it will begin the development of hypersonic weapons that can evade the current missile defense system in the South. North Koreans believe that the combination of upgraded ISR capabilities and advanced tactical weapons can help them strengthen their asymmetric advantage over the allied forces. This is likely to worsen the stability-instability paradox on the Korean Peninsula as North Korea will be emboldened to conduct lower-level provocations under the shadow of nuclear threats.

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If, in this scenario, the US commitment to provide extended deterrence to South Korea is perceived to be low, security anxiety in South Korea will intensify. If demands to handle the imbalance of asymmetric capabilities between the two Koreas overwhelm South Korea’s public discourse, inter-Korean relations could become further strained. The allies should make substantial progress in strengthening extended deterrence. The US and South Korea have agreed on the concepts of comprehensive counter-missile operations to detect, disrupt, destroy, and defend against North Korean missile threats. However, they have not fully developed an operational plan for the systematic implementation of these concepts. With the evolution of North Korea’s nuclear weapons capabilities, the allied forces should be prepared to respond to various types of nuclear and missile threats. In addition, the US, South Korea, and Japan should keep their commitment to ongoing close consultation with the aim of enhancing information sharing and interoperability for early warning and timely response. In addition, talks should begin with other regional countries on how to coordinate their response to various situations in a way that avoids causing political and military tensions.

If an arms competition between the two Koreas is inevitable, the alliance should discuss how to increase the cost for North Korea and reduce the security dilemma. Deterrence by denial is one way to pursue non-offensive technology to the greatest extent possible and therefore ameliorate the security dilemma. However, South Korea’s missile defense shield in response to North Korea’s evolving missile capability is currently focused on a low-tier missile network. If South Korea leans more toward deterrence by punishment to swiftly target and destroy North Korean nuclear and missile assets during a crisis, the likelihood of unintended escalation will increase. The allies should improve combined air operations and enhance operability of their forces, equipment, and related procedures against North Korean threats while continuing to build a multi-layered defense system that covers a larger defense area with increased intercept capabilities. Reconnaissance and surveillance capabilities should also be strengthened to increase the effectiveness of interception systems.

**Worst-case Scenario**

The worst-case, but less likely, scenario is an unnecessary escalation of tensions on the Korean Peninsula to make the world believe that an arms-control dialogue is a realistic option to ‘manage’ threats from North Korea. By maintaining the status quo, North Korea can be recognized as a de facto nuclear weapons state. However, the current negotiation considers North Korea to be subject to denuclearization, and North Korea cannot escape from sanctions until it cooperates in achieving these goals. Therefore, North Korea may have interests in changing the rules of the game and therefore seeking political compromise for nuclear arms control. If North Korea is striving to demonstrate a more credible second-strike capability—the ability to survive a first strike by an adversary and respond in kind—it will choose to speed up the building of new submarines capable of firing SLBMs. North Korea has revealed a new acquisition plan for nuclear-

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powered submarine and military reconnaissance satellites, but these plans will take several years to execute.

In 2009, North Korea began escalating tensions, starting with an announcement of its “preparations for an all-out war” ahead of the inauguration of President Obama. This was followed by a reveal of preparations for a missile test in February, the detention of two journalists in March, long-range missile tests in April, and a nuclear test in May. Many scholars argued that North Korea’s provocations, including the nuclear tests, have continued for various reasons such as soliciting international attention, responding to economic pressure, and resolving domestic instability.\(^{10}\) Currently, North Korea’s economy is suffering a downturn due to its self-imposed national lockdown in response to COVID-19, and the new US administration will need time to finish its North Korea policy review, which will test North Korea’s tolerance levels. This is why some argue that North Korea will return to its weapons tests soon.\(^{11}\)

However, like any other country, North Korea is concerned with balancing costs and benefits and understands that the expected utility of any provocation derives from the political gain exceeding the costs involved. Therefore, the scope and level of North Korea’s next move will be determined by the extent of the benefits the regime determines it can expect in return. Due to the frequent provocations in the past, the utility of nuclear and missile tests has some degree of diminishing returns. What North Korea can get from a high-profile provocation is a temporary redirection of international attention to the urgency of this matter and subsequent reconfirmation of the existing belief in the pattern of North Korea’s provocation cycle. This will inevitably result in discussions on upgrading UN sanctions that can automatically take place at the UN Security Council, and that will embarrass China; the blowing up of any chance that Washington’s review of North Korea policy will produce a different strategy; and the placement of restraints upon South Korea’s helping hands. Therefore, North Korea’s rational choice may be controlling the level of aggressive action while leaving room for nuclear talks as an equal negotiation partner.

The US and South Korea should be aware that North Korea is likely to keep China and Russia closer, not only to avoid additional pressure measures authorized by the UN Security Council but also to sustain its strategic trade in the materials and technology necessary to modernize its nuclear forces. The tightening of strategic trade control serves the purpose of delaying, if not preventing, Pyongyang’s acquisition of more diverse nuclear capabilities. Sharing information and resources to detect North Korea’s aversion tactics and identify its procurement networks requires collaborative regional efforts. Such cooperation would increase the transparency of trade practices and enhance appropriate and effective export, transit, and transshipment controls of sensitive dual-use items. In order to prevent North Korea from expecting divisions within the UN Security Council on taking additional measures to pressure the regime, P5 and other regional


countries should send a unified message that anything that can destabilize regional peace can be met with strong actions from the international community.

**Conclusion**

There is no set order for which measures to take and when, and the significance of the options may vary depending on how the security situation on the Korean Peninsula changes. As long as the COVID-19 pandemic continues, there are limited opportunities to make a turning point in inter-Korean and US-North Korea relations, given that North Korea’s diplomatic activities are limited on a practical level. Before the window for diplomacy closes, the countries concerned should underscore that “trust-building on the Korean Peninsula” is a viable exit strategy for North Korea. To this end, it is desirable for South Korea to continuously send out strategic messages directed toward trust building rather than an arms race. The international community should work on a step-by-step solution that starts with cooperation to counter COVID-19, assistance that North Korea certainly needs. At the same time, more attention should be paid to the urgency of developing a roadmap that links denuclearization and the establishment of a peace regime on the Korean Peninsula through multilateral cooperation.

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What Principles Should the US Use to Address North Korea’s Nuclear Program?

By Keith Luse

Leaning across the table, the US Congressman was emphatic—with a desperate tone and raised voice while pounding a clenched fist, he pleaded with the North Korean diplomat, “Just tell me what it takes for us to make a deal!” Appearing somewhat stunned, the diplomat slowly turned toward his Foreign Ministry colleague, his eyes gleaming. Silence followed.

United States-North Korea negotiations on the North’s nuclear program have endured for so long that several generations of negotiators have retired. Thus, it is necessary to clarify what principles would support a successful negotiation process with North Korea today. The following are suggested principles for a new way forward in addressing North Korea’s nuclear program:

- Remember that North Koreans incorporate the lessons of history into their negotiating strategies.
- Determine the basis for any US contributions to failures of past negotiations.
- Bring Congress into the negotiations process sooner rather than later.
- Have ongoing consultation with the United Nations.
- Decouple nuclear weapons negotiations and humanitarian assistance, and open a humanitarian banking channel to the DPRK.
- Encourage citizen diplomacy.
- Be mindful of Kim Jong Un’s long-term aspirations.

1 This paper reflects the personal perspective of the author and not that of the National Committee on North Korea.
2 A Track 1.5 meeting between the US and North Korea.
• Establish a two-person panel, a woman and a man of distinguished accomplishments and highly regarded by global peers, (and both having the respect of US and DPRK leaders) to serve as mediators between the two countries.3

For years, US Presidents, Cabinet officials, and Members of Congress have insisted that North Korea must not, and commanded that it will not develop nuclear weapons. All have failed to end North Korea’s nuclear weapons program. Efforts attributed to the Six-Party Talks and other multilateral fora have resulted in a similar outcome. North Korea’s nuclear, chemical, biological and cyber ambitions continue to develop.

Like his father, Kim Jong Il, Leader Kim Jong Un continues in the “driver’s seat,” viewing the American statements and assurances as bluster while continually working to achieve his national defense ambitions.4 He specializes in leveraging relations with other countries, especially within the Northeast Asia neighborhood.

A New Way Forward is Essential to Address North Korea’s Nuclear Program

“US denuclearization strategies have focused principally on two highly divergent approaches. The first has been incentive-oriented, on the presumed demand-side of the nuclear equation. It postulates that inducement, assurance and validation, combined with opportunities for economic betterment and the end of the DPRK’s international isolation will diminish the value that the North attaches to nuclear weapons. The second approach has emphasized constraints and prevention focusing on the supply side of the nuclear equation. It has sought to deny the North the ability to pursue a nuclear program and to mitigate the capabilities or weapons potential it already possesses. Neither strategy has achieved its postulated goals.”5

In 1999, Richard Armitage (and then a former Assistant Secretary of Defense for International Security Affairs), chaired a working group on US policy toward North Korea which found that “a successful approach to North Korea must be comprehensive and integrated and must address the totality of the security threat.”6 Twenty-two years later, an election-proof agreement between the US and North Korea on eliminating the nuclear program continues to be beyond reach.7

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4 Ibid.
A future agreement addressing North Korea’s nuclear program structured primarily in the bilateral context of the US and North Korea is unsustainable. As one example, the North Koreans continue to demand a security guarantee. This demand is impossible for the US alone to ensure in perpetuity. Compounding the situation is the lack of trust between leaders of the US and the Democratic People’s Republic of Korea (DPRK). Invariably, each side engages in attributing negotiation failures to the other. The threads of narrative and drama accompanying the Hanoi Summit depict an onion with layers of confusion. A new way forward to include development of a holistic agenda for negotiations must be found.

*Remember that North Koreans incorporate the lessons of history into their negotiating strategies.* Points of reference for the American public regarding North Korea often pivot toward decades of incidents depicting North Korean aggression—including seizure of the *USS Pueblo*, the “ax murder” tragedy in the Demilitarized Zone; nuclear tests and missile launches; the abduction of Japanese citizens and the killing of Kim Jong Nam in Malaysia.

For the North Koreans, history and memories of the past are core elements of early and ongoing instruction—realities supporting their demand for a security guarantee as part of any denuclearization agreement.

The US carpet-bombing of the North during the Korean War dropped more bombs than in all of East Asia during the Second World War, and included over 32,000 tons of napalm strewn across the North Korean population. Air Force General Curtis LeMay, head of the Strategic Air Command during the Korean War, claimed US bombs “killed off 20 percent of the population” and “targeted everything that moved in North Korea.”8

Likewise, the Chinese incursions onto the Korean Peninsula, going back as far as approximately 300 BC; the Mongol invasions and humiliation of Korean royalty during the 1200’s; the Japanese invasions during the 1500’s and the Japanese occupation from 1910-1945; and then the Korean War serve as a collective reminder of the Peninsula’s vulnerability within a rough Northeast Asia neighborhood over the centuries.9

*Determine the basis for any US contributions to failures of past negotiations.* American and other global leaders can point to examples of North Korea not keeping agreements. While true, this is only part of the dilemma. There are three key components to the US track record.

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First, the prospects for progress in negotiations have been curbed by US administrations not speaking with one voice regarding North Korea policy. During the George W. Bush administration, former Defense Secretary William Perry noted that “US diplomacy to include direct talks with North Korea is problematic because the current US administration is plagued by a schism between those who advocate regime change and those who advocate engagement.”

In the season of engagement initiatives launched by the Bush administration, naysayers to engagement actively worked the media, undercutting administration negotiators. At one point, Kim Gye Gwan, then North Korea’s Vice Foreign Minister, asked visiting US Senate staff if President Bush was serious about his offer of a security guarantee for his country. When the staff responded affirmatively, Minister Kim immediately referenced a US media report, quoting an “unnamed” administration official who said the US government was preparing a list of sites for possible military attacks.

Fast-forward to the Trump administration. The President’s outreach efforts were publicly undermined by statements from high-ranking White House officials.

Whether under Bush or Trump, the result has been that the North Koreans have not known what to believe from either administration—and that’s before they have attempted to factor in their bewilderment over the role of Congress in implementing a possible future deal.

An overall sense of urgency in reaching a resolution to North Korea’s nuclear program has been undermined by an emphatic determination on the part of numerous US officials, working across the federal spectrum, that negotiating with authoritarian North Korea is unacceptable and the only viable outcome is regime collapse or elimination.

As former Assistant Secretary of State Christopher Hill noted, “It was, as too few people noted, a success at diplomacy. We had succeeded in gaining access to information that no one had obtained before. But the criticism against diplomacy ran far deeper than an analysis of its pros and cons. Negotiation threatened the theory that nothing could be achieved by talking with dictators. Any and all achievements, such as obtaining the operating records of the Yongbyon nuclear power plant going back to 1986, not to mention the pixie dust of uranium that covered the reams of paper...were dismissed as unimportant.”

Second, an emphasis on urgently addressing North Korea’s nuclear program is impacted by the profitability for US defense companies and the military-industrial complex resulting from continued tensions on the Korean Peninsula. Defense contractors and the military-industrial complex have a vested interest in keeping the Washington, DC foreign policy establishment in a security-oriented mentality, and viewing the world in terms of threats that need to be defended

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11 Keith Luse-Frank Jannuzi Senate Foreign Relations Committee travel to North Korea
against rather than in terms of opportunities for peace and de-confliction. (North Korea’s 2017 firing of an intermediate-range missile over Japan’s Hokkaido Island was not disappointing to players in the US defense industry. “Obviously this creates opportunity for defense contractors, especially those with some kind of missile defense” reported Ivan Feinseth with Tigress Financial Planners.)

Third, the US lacks understanding of North Korean culture and cultural nuance, and the differentiation between the Korean language of the DPRK versus that of the ROK affects event outcomes (as does the inability of the North Koreans to fully understand the US and our governance structure).

Upon returning to the US after my initial trip to North Korea in 2003, I was unsettled—borderline distraught. Meetings with North Korean officials, including their top US analysts, revealed that the leaders of the US and the DPRK were operating in separate dimensions. Phrenology was a major feature of North Korean analysis, and profiling of American leaders was evident. (A North Korean official insisted that Senator Richard Lugar and President Vladimir Putin shared identical personalities due to their similar facial structures).

The trip experience revealed that the development of North Korean leaders’ attitudes and policy development toward the US were based on faulty or incomplete analysis. I subsequently discovered that American officials are afflicted with the same dilemma in their consideration of North Korea, due in part to the secretive and secluded nature of North Korea’s ruling elite.

Separately, through the decades, the US government has not placed sufficient emphasis toward ensuring that misunderstandings of words, phrases or details of cultural nuance do not occur during negotiations. US officials have not always grasped the significance of “saving face” and hierarchy to the North Koreans.

“If any US strategy toward North Korea is to have a chance of succeeding (or even of just averting catastrophe), it must be guided by an accurate sense of how Kim’s regime thinks, what it values, and how it judges its options. Washington must understand not just North Korean objectives but also how North Korean officials understand US objectives and whether they consider US statements credible. If it fails to do so, perceptual pitfalls could all too easily provoke a downward spiral in relations and lead to the worst conflict since World War II.”

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A US veteran of Track II talks with North Korea has emphasized the gap of understanding on the part of North Korea about the US. “...in some areas, North Korea officials had an impressive understanding of the US, but if you moved over just one square on the board—even to some related topic—their views about US goings-on were shockingly, indeed unsettlingly, uninformed or at times, even bizarre.”

**Bring Congress into the negotiations process sooner rather than later.** The fact that Congress may be an essential part of any final agreement argues in favor of including key members and staff into the negotiation process earlier rather than later. The role of Congress will depend on the gist of any agreement. If it results in a treaty, the US Senate has a constitutionally designated role to approve it.

Should the agreement come in a different form, Congress may be called upon to fund certain implementation components, e.g. a cooperative threat reduction program or the dismantlement of nuclear facilities. It is in the interest of the Biden administration to keep the Congress continually informed as to the status of negotiations, and as possible, allow select Members or staff to observe negotiations in progress.

The ongoing involvement of Congress would relieve a level of North Korean anxiety as to whether the Congress might stand by an agreement. The earnestness with which they approach negotiations is affected in part by a sense of Congressional perspective.

**Have ongoing consultation with the United Nations.** Historically viewing the United Nations (UN) in a negative light given its sanctions role, DPRK officials in recent years have been engaging with the UN on topics such as conflict prevention, preventive diplomacy and human rights. With regard to the latter, DPRK officials have participated in UN-arranged or co-sponsored events to become better informed on international standards related to human rights.

The 2017 visit by former UN Under-Secretary-General for Political Affairs, Jeffrey Feltman, helped facilitate the Singapore Summit between Leader Kim Jong Un and President Donald Trump.

**Decouple nuclear weapons negotiations and humanitarian assistance, and open a humanitarian banking channel to the DPRK.** Whether provided by the US government or private NGOs, humanitarian assistance to North Korea has often been considered separately from negotiations on the nuclear program. A “quid pro quo” approach has been avoided, one prominent exception being the failed “Leap Day” agreement of the Obama administration.16

Recognizing the nutritional and medical distress experienced by portions of the population, the US Executive branch, the Congress and the UN have usually favored exempting humanitarian assistance from sanctions targeting the DPRK. However, the persistent, laser-like focus of the US

Treasury Department targeting the global banking and financial infrastructure has resulted in the elimination of all banking channels servicing the DPRK, impeding the provision of humanitarian assistance. UN officials, foreign embassy personnel and NGOs have no alternative but to hand-carry large sums of cash into the DPRK (and many are in arrears to North Korea for rent, groceries, etc.). The international humanitarian community seeks to establish a banking channel that operates specifically for humanitarian transactions, rather than to establish general banking channels to North Korea that will incidentally allow humanitarian transactions to proceed as well.

As a former Treasury Department official noted, “The network of banks was the key to our battle plan. All we needed was the right bank to target—one that was assisting the North Koreans to evade sanctions and engaging in illicit financial activity in its own right. As we had learned from past initiatives, by incapacitating that bank, we would effectively make doing business with North Korea toxic to the private sector. We wanted North Korean financial activity to be rejected like an infection by the antibodies we had built up in the international financial system.”¹⁷

**Encourage citizen diplomacy.** Allowing avenues of citizen engagement between the US and the DPRK will enhance the negotiations process by activating a unique confidence-building tool between the two countries.

A common mantra through a range of US administrations has been that allowing North Koreans to visit the US for medical, agricultural or other educational purposes, “rewards bad behavior.”¹⁸ Likewise, North Korean diplomats in New York are confined to a travel limit of 25 miles from their office unless State Department approval to travel in the US is obtained. The definition of bad behavior has varied according to the “provocation” at the time, or other actions which US officials have deemed as unacceptable.

There has been a separate level of ongoing engagement aside from the Track I drama between the two countries as demonstrated by US NGOs providing humanitarian and medical assistance to the DPRK. American NGO workers are often well-received and develop enduring relationships with individual North Koreans.

While North Korean propaganda targeting the domestic population through the years has emphasized negative themes about the US, the Korean War, etc., ongoing direct contact between citizens of the US and the DPRK at the local level has contributed to sentiments of good will by North Koreans toward the American people.

**Be mindful of Kim Jong Un’s long-term aspirations.** Any effort to navigate a successful negotiations journey with North Korea will be impacted by Mr. Kim’s goal of remaining in power and achieving Peninsula unification, as ordained by his grandfather, Kim Il Sung. *This is a

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reminder that eventual resolution of all outstanding issues with North Korea, including denuclearization should reflect South Korean leadership and will.

A two-person panel should be established, a woman and a man of distinguished accomplishments and highly regarded by global peers, (and both having the respect of US and DPRK leaders) to serve as mediators between the two countries. Neither should be from Northeast Asia—perhaps one from Europe and the other from Southeast Asia. A former or present UN official could be one of the panel members.19

Initially, the panel would convey proposals and counter-proposals between the two countries, working behind the scenes while consulting informally with South Korean, Japanese, Russian and Chinese officials. With the development of a step-by-step plan and as implementation begins, the panel’s role would evolve into monitoring the status of promises made by all sides and providing regular briefings to the public, a “truth-telling task.”20

The agenda for negotiations should not be restricted to sanctions relief and nuclear program issues. Successful negotiations between the United States and North Korea are hampered by the trust vacuum between the two countries. Rather than expecting results by virtue of direct talks solely on the nuclear program, an expanded agenda, as espoused in the Armitage Working Group report, incorporating topics of importance to the respective countries would provide opportunity over time for necessary trust building and adoption of a step-by-step denuclearization plan. A carefully woven negotiating fabric to include Korean War POW/MIA/human remains issues; cyberattacks; military confidence-building measures; divided families and abductees; and eventually human rights would provide opportunity for trust building along the way.

The two-person panel would also develop a coalition of countries committed toward guaranteeing North Korea's security and sharing costs in the implementation of an agreement.21

The often-accepted premise by the Congress and the Executive branch that sanctions alone would bring an end to North Korea’s nuclear program have been proven wrong. As Ambassador James Laney and Jason T. Shaplen wrote eighteen years ago, “Those who think they can outwait Pyongyang by isolating it or pressuring it economically, ...are likely to be proved wrong. North Koreans are a fiercely proud people and have endured hardships over the last decade that would have led most other countries to implode. It would therefore be a mistake to underestimate their loyalty to the state or to Kim Jong Il.”22

20 The Centre for Humanitarian Dialogue (HD) Trilateral Meeting
Keith LUSE was the Senior East Asia Policy Advisor for Chairman and later Ranking Member, Senator Richard G. Lugar at the U.S. Senate Foreign Relations Committee from 2003 until 2013. Prior to his work at the Committee, Luse was Staff Director for Mr. Lugar at the Senate Agriculture Committee from 1999 through 2002, where the Senator also served as Chairman and later Ranking Member.

Mr. Luse joined Senator Lugar’s Indiana Office in 1978 and was appointed State Director in 1982. In the 1990’s while in the private sector, Luse traveled for eight years throughout East Asia, conducting research for US businesses.

In addition to assisting Senator Lugar at the Foreign Relations Committee on legislative initiatives, Luse directed or participated in several oversight projects and investigations in East Asia. He has traveled extensively to the region including five visits to North Korea, and has participated in numerous Track 1.5 and Track 2 sessions about North Korea or with North Korean officials outside of their country.

Luse is a Co-Recipient of the 2010 Kato Ryozo Award for Service to the US-Japan Alliance. Upon departing the Senate in 2013, Luse was awarded the Philippine Legion of Honor Award by President Aquino for assisting Senator Lugar’s efforts to foster relations between the United States and the Philippines and Southeast Asia. In 2016, Luse was presented the Vietnam “Medal of Friendship” by President Truong Tan Sang for active contributions to the process of Normalization and Development of the US-Vietnam relationship.

Luse has served as a guest lecturer at Indiana University, The University of Indonesia (Jakarta), The Singapore Ministry of Foreign Affairs Diplomatic Academy, The Vietnam Ministry of Foreign Affairs Diplomatic Academy (Hanoi), The Foreign Language Institute (Pyongyang), The Indonesian Parliament (Jakarta) and Georgetown University.

A former Chairman of the Indiana Republican Party, Luse’s Bachelor of Arts degree in political science is from Indiana University. His graduate certificate in public management and additional graduate studies were obtained at Indiana University—Purdue University, Indianapolis.
Managing the Unbalanced Triangle: Possibilities for Positive-Sum Dynamics in US-China-Taiwan Relations

By Xin Qiang

Introduction

The Taiwan issue has always been the most dangerous, sensitive and complex issue in China-US relations. In the past few years, the world witnessed the fundamental transition from peaceful development to an escalation of confrontation across the Taiwan Strait within the context of intensifying China-US strategic rivalry. The accumulating tension across the Taiwan Strait and the Pacific puts regional security and stability at significant risk. This paper will discuss whether positive-sum dynamics are possible in US-China, US-Taiwan, and cross-Strait relations, and how to deescalate the tension in order to maintain the fragile peace and stability across the Taiwan Strait.

The Unbalanced and Turbulent Triangle

Since Tsai Ing-wen, presidential candidate from the pro-independence Democratic Progressive Party (DPP), took office in 2016, the cross-Taiwan Strait relationship has been caught in a prolonged stalemate and experienced incessant turbulence. Because Beijing emphasized that acceptance of the “one-China” principle is the “unshakable foundation” of cross-Strait peace and stability, Tsai’s rejection of the “one China” position has led to consistent and comprehensive pressure from Beijing. Meanwhile, the “incremental Taiwan independence” agenda advocated by Tsai’s administration on the island, highlighted by the “de-Sinicization” process and proposals for “constitutional revision or interpretation,” fanned Beijing’s anxiety.¹

In response, Beijing has established a dual-track policy framework featuring “selective engagement” to deal with the Tsai administration and address the cross-Strait standoff. The “selective engagement” policy can be characterized as a set of complementary approaches that include a combination of containment and engagement measures.² Beijing reinforced the confrontational policies after Tsai was reelected by a landslide victory in 2020, and it is reasonable to believe that the current dual-track “selective engagement” policy will continue to be employed

as a routine framework for Beijing to deal with Taiwan as long as the DPP is in power. The tit-for-tat between Beijing and Taipei has resulted in the cross-Strait relationship being trapped in a “cold confrontation,” and relations have suffered severe setbacks since May 2016.

The decline in cross-Strait relations was accompanied by the rise of disturbing trends toward strategic rivalry between China and the US. The Trump administration redefined China as a major strategic adversary, or even an enemy, instead of a competitive partner. The US government initiated a multi-dimensional suppression campaign against China, including “regime change” rhetoric, the trade war, unilateral economic sanctions, a high-tech embargo, the blocking of academic and civil exchanges, and finger-pointing regarding the COVID-19 pandemic, etc. As a result, the relationship between the world’s two biggest economies has become a “Three No’s” relationship: no mutual trust, no high-level political interactions, and no cooperation on any important areas. The whole-of-government suppression campaign against China launched by the Trump administration has led to the unprecedented deterioration of US-China relations. The common interests between China and the US have been put aside or intentionally ignored by the Trump administration, interest convergence has been overshadowed by divergence, cooperation has been overwhelmed by disputes, and strategic competition has led to strategic confrontation.

In sharp contrast to the icy US-China relationship, the US-Taiwan relationship had blossomed during the Trump administration. The Trump administration had made great efforts to improve US-Taiwan relations by strategically integrating Taiwan into the Indo-Pacific framework, upgrading high-ranking official interactions politically and supporting Taipei in expanding its international space diplomatically. What concerned Beijing the most was the ever-increasing enhancement of US-Taiwan security cooperation. For example, the Trump administration considerably adjusted its arms sales policy to Taiwan by normalizing these arms sales, simplifying the decision-making process, promoting commercial sales in addition to official sales of sensitive weapons systems, as well as selling typically offensive weapons, including tactical ballistic missiles. The Trump administration also endeavored to improve US-Taiwan military exchanges by helping Taiwan develop “asymmetrical capabilities,” strengthening integration of the defense supply chain, deepening intelligence sharing, and promoting multilevel joint military exercises and training, etc. The all-round cooperation between Washington and Taipei upgraded the US-Taiwan relationship into “the best historical period,” as Tsai has claimed, but the aforementioned behaviors of the Trump administration unsurprisingly backfired and further worsened the US-China and cross-Strait relationships.

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In the past a few years, China-US relations slumped to the lowest point ever since 1972, cross-Strait relations stumbled into the worst state ever since 1996, while US-Taiwan relations hit an all-time high since 1979. The unbalanced trilateral interactions has driven the cross-Strait situation into turbulent waters, characterized by intensifying tension and rivalry.  

**Are Positive-Sum Dynamics Possible, and How?**

There is no doubt that maintaining cross-Strait peace and stability is in the interest of all three parties. Therefore, positive-sum dynamics conducive to collaboration and cooperation should theoretically be welcomed and cherished. However, the key question here is whether positive-sum dynamics are possible in US-China, US-Taiwan, and cross-Strait relations. The short and rather pessimistic answer is no, because the ultimate goal of Beijing is and will be the fulfillment of national reunification across the Strait, while neither Washington nor Taipei wants to embrace that prospect. However, during different periods in the history of cross-Strait relations, approximate positive-sum dynamics among the three parties could be identified when some necessary and sufficient conditions were temporarily met.

From a historical comparison perspective, the last period that was closest to a positive-sum situation was the eight-year presidency of the Ma Ying-jeou administration, from which we can infer the conditions for the realization of positive-sum dynamics.

First and foremost, the two sides across the Strait reached a consensus, albeit with ambiguity and subtle disagreement, on the “one China” principle. On one hand, Taipei cast away Chen Shui-bian’s confrontational policy and promised not to pursue a Taiwan independence agenda to provoke Beijing. On the other hand, Beijing refrained from taking military measures to deter Taiwan’s pro-independence momentum and turned to promoting peaceful reunification through the path of peaceful development and by displaying more flexibility toward Taipei. The positive engagement between the two sides allowed unprecedented stability and full-fledged development across the Strait, including the conclusion of dozens of agreements, an informal “diplomatic truce,” Taipei’s attendance at the World Health Assembly, vigorous economic and social exchanges, multiple official communication mechanisms, and high-ranking political dialogues that culminated in the history-making 2015 Xi-Ma Summit in Singapore.

Second, Washington’s adherence to its “one-China policy,” as well as the cautious and sophisticated handling of the Taiwan issue by the Obama administration, assured Beijing that the US would neither support Taiwan independence, nor seek to use Taiwan as a tool to poke Beijing in the eye or to contain the rise of China. Instead, the US adopted constructive and encouraging postures on the betterment of cross-Strait interaction. At the same time, Beijing reciprocally showed more tolerance and restraint to the development of US-Taiwan substantial relations.

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despite the intensifying competition in the South China Sea and the East China Sea between China and the US.

Third, the US and Taiwan administrations managed their relations prudently according to their respective interests. Taking Washington’s concern about disruption of regional security into consideration, Taipei advocated the policy of “Three No’s,” namely “no independence, no unification and no use of force,” and vowed to maintain the status quo across the Strait, which is in the keen interest of the US. Taipei’s policy was encouraged by the Obama administration through trade promotion, political endorsement and diplomatic support, as well as large-scale arms sales amounting to USD 14 billion under the arc of US-defined “one-China policy,” without worrying these sales would cause the break-up of US-China relations.

One can deduce from the above analysis that the realization of positive-sum results among the three parties is necessarily conditional upon a positive cross-Strait relationship, for which the acceptance of a “one China” position by Taipei is the prerequisite. In addition, benign US-China and US-Taiwan relationships are the sufficient conditions to ensure peace and stability across the Taiwan Strait. On the contrary, if the Taiwan administration refuses to accept the principle of “one China,” just as Chen and Tsai of the DPP did, then Beijing will stop political interaction with Taipei, selectively introduce economic punishment, isolate Taipei internationally, and strengthen military coercion to deter Taipei from pursuing the Taiwan independence agenda publicly or covertly. In response, Taipei will launch a counterattack against Beijing’s pressure campaign by mobilizing domestic anti-China and pro-independence forces, and by soliciting international support, especially from the US. At the same time, Beijing will become more vigilant and less tolerant toward the improvement of US-Taiwan relationship and any US support to Taiwan will be interpreted by Beijing as a deliberate challenge to the “one China” principle. Consequently, deterioration of the China-US relationship and cross-Strait relationship will inevitably activate Washington and Taipei to promote US-Taiwan cooperation, which will make Beijing deepen its suspicion further and strengthen the pressure on both Taipei and Washington in a more confrontational manner. A vicious circle will be hereupon established.

For instance, Tsai alleged four days after her re-election, “We are an independent country already and we call ourselves the Republic of China, Taiwan.”8 Beijing, irritated by her statement, began to routinely step up military patrols and exercises around Taiwan. Whereupon, President Trump approved a series of arms sales to Taiwan and sent Under Secretary of State Keith Krach to Taipei in September 2020, the highest-ranking US State Department official to visit Taiwan since 1979, as corresponding countermeasures against Beijing. Right after the visit of Under Secretary Krach, which Beijing regarded as a blunt breach of US commitments to the framework of unofficial US-Taiwan relations, the People’s Liberation Army (PLA) immediately dispatched fighter jets across the median line of the Taiwan Strait and publicly, for the first time, denied the existence of such a median line.9 The aforementioned constellation of events perfectly explains how the negative

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dynamics that originated from Taipei’s rebuke of the “one China” position drove the trilateral relationship into a downward spiral. Based on historical observation and comparison, the irreconcilable disagreement on the “one China” position between Beijing and Tsai’s administration implies the unlikelihood of positive-sum dynamics in US-China, US-Taiwan, and cross-Strait relations.

What Can the Three Parties Do?

Given the long-term and deep-rooted structural disagreements on political principles and strategic interests among the three parties, it is very hard, if not impossible, to expect a bright future for a positive-sum development framework among the three parties in the foreseeable future. For example, there is no way for Beijing to unconditionally resume political dialogues with Taipei so long as the Tsai administration continues to reject a “one China” position. It is also unrealistic to imagine that the DPP would accept the “1992 Consensus” or give up its Taiwan Independence charter. It is also true that Washington will neither stop arms sales nor cease to advance “substantial relations” with Taipei. That said, the three parties could work together to pursue some low-end goals—such as de-escalation of tension, prevention of incidents and better crisis management—in order to prevent the cross-Strait situation from racing to the bottom. In this spirit, this paper provides some practical and operational recommendations for the three parties.

Recommendations for Washington. The reckless manipulation of the Taiwan issue by the Trump administration made Beijing believe that Washington is in the process of abandoning its decades-long “one-China policy,” or at least trying to gradually turn the policy into an empty and meaningless concept.\footnote{Bolton, John. “Revisit the ‘one-China Policy.’” Wall Street Journal, January 16, 2017. Web. April 7, 2021. \url{https://www.wsj.com/articles/revisit-the-one-china-policy-1484611627}} This has eroded and rocked the very political foundation of US-China relations set out in 1972. Compared to the Trump administration, the Biden presidency rekindled a hope in Beijing that it would bring US cross-Strait policy making back to normalcy and rationality, even though Beijing clearly knows that Biden administration’s top foreign policy priorities will be focused on how to effectively and systematically out-compete China, or even to be tougher than the Trump administration was, if necessary. From Beijing’s perspective, the change in US administration will neither relieve acute strains on the US-China relationship in the short term, nor will it weaken US steady support for the Taiwan administration. Just as the recently released Interim National Security Strategic Guidance stated, the Biden administration must “prevail in strategic competition with China” and “support Taiwan, a leading democracy and a critical economic and security partner, in line with longstanding American commitments.”\footnote{The White House. Interim National Security Strategic Guidance. March 2021, p. 20. Web. April 7, 2021. \url{https://www.whitehouse.gov/wp-content/uploads/2021/03/NSC-1v2.pdf}} Nevertheless, the victory of Joseph Biden in the 2020 presidential election arguably might open a “window of opportunity” for policy adjustments from the US side to some extent and reinvest the necessary certainty and predictability into its cross-Taiwan Strait policy.
The Biden administration should take some concrete actions on the Taiwan issue to rebuild the devastated political mutual trust between the US and Mainland China, which will hence prevent the situation across the Taiwan Strait from heating up.

First, Washington should strategically reassure Beijing by explicitly stating that it will not support “Taiwan independence” in any form and will continue to abide by the longstanding “one-China policy” framework composed of the three China-US joint communiques and the Taiwan Relations Act, without adding “Six Assurances” to it, as the Trump administration did.12

Second, Washington should make it clear that it does not support the Taiwan administration taking part in any international organizations where statehood is required, and that it does not seek to create “one China, one Taiwan” or “two Chinas” in the international community.

Third, Washington should significantly reduce the frequency, quality and quantity of arms sales to Taiwan, especially stopping the sales of a series of advanced offensive weapons.

Fourth, Washington should refrain from sending senior US government officials or active duty generals to visit Taiwan, and it should severely restrict the visit of the leaders of the Taiwan administration to the US under the auspices of a “transit.”

Fifth, Washington should constrain its military exchanges and cooperation with Taiwan, including conducting various forms of joint exercises and dispatching US naval or coast guard ships to visit Taiwan’s ports.

Sixth, Washington should clearly warn the Taiwan administration not to take any provocative steps to seek de jure Taiwan independence by interpretation, amendment or revision of the Republic of China Constitution.

Seventh, Washington should assure Beijing that it wants to restore a constructive bilateral relationship, despite the inevitable strategic competition, by facilitating and conducting practical cooperation with Beijing on issues such as climate change, global health security, and nonproliferation. The moderate détente of US-China relations would definitely bring about a spillover effect upon the Taiwan issue.

Eighth, Washington should resume direct and high-level communication channels with Beijing, such as the hotline between the US Defense Department and PRC Ministry of National Defense and linkage between the US Indo-Pacific Command and the Eastern Theater Command of the PLA, to discuss feasible measures of crisis prevention and management. Given that both Beijing and Washington have dramatically increased their military presence in and around the Taiwan Strait, what is most important is that the US military should cooperate with its Chinese counterparts to reinvigorate and update existing bilateral mechanisms—such as the

Memorandum of Understanding on the Rules of Behavior and the Military Maritime Consultative Agreement—in order to deal with possible contingencies in a more effective and timely manner.

Finally, Washington should encourage US-based think tanks to establish informal platforms and provide opportunities for the face-to-face dialogues and exchanges between the scholars from mainland China and Taiwan, just as the US had done during Chen’s administration.

Recommendations for Beijing and Taipei. As previously discussed, the political positions of Beijing and the Tsai administration about whether the two sides across the Taiwan Strait belong to “one China” run in parallel. The “one China” principle insisted upon by Beijing has been consistently rejected by the Tsai administration since 2016. It seems that there are hardly any chances left for the two sides to change their uncompromising stances, which means there is little room for improvement of cross-Strait relations in the near future. Nevertheless, the two sides can still take some pragmatic measures to avoid further deterioration of the cross-Strait relationship and preclude a potential regional security crisis.

First, Beijing should reassure Taipei and Washington that it will persist in the doctrine of “peaceful reunification,” provided Taipei does not promote Taiwan Independence and Washington does not abandon its “one China policy”; while Taipei should reassure Beijing and Washington that it will not pursue a de jure independence agenda through constitutional revision or amendments aimed at the status of the ROC or its symbols of statehood.

Second, the two sides should be creative and find a similar term to the “1992 Consensus,” which could be simultaneously welcomed and accepted by the three sides—the Mainland, the US and Taiwan—so as to untie the fast knot between Beijing and the DPP once and for all and to defuse the potentially disturbing situation.

Third, the two sides should start from some low-sensitivity issue areas to explore specific opportunities for cooperation. For example, controlling the COVID-19 pandemic demands extensive coordination, ranging from healthcare information sharing, tourist entrance permission, medical equipment supply, and vaccine provision to mutual authentication of nucleic acid testing, and vaccination certificates, etc. Any feasible cooperation between the two sides to meet these immediate and urgent requirements will be helpful to thaw the frozen cross-Strait relationship.

Fourth, the two sides should resume low-level functional dialogues or academic exchanges between think tanks and research institutes, through a third-party platform or location, in order to bridge the information gap and avoid misinterpretation of policy signals in the absence of official channels.

Fifth, the two sides should continue to facilitate economic and trade interflow; resume social and cultural exchanges; and encourage normal interchanges of students, scholars, journalists and tourists across the Strait by introducing reciprocal and mutually beneficial policies.
There is no doubt that the Taiwan issue is and will remain the single most risky challenge for China and the US, something that might bring the two nuclear powers into confrontation. Wise leadership is required on both sides of the Pacific and the Taiwan Strait to deescalate the tension. It is up to the three parties to make good use of this window of opportunity opened by the new US administration to chart a less turbulent course for US-Mainland China-Taiwan triangular relations before the situation gets out of hand, thereby creating preferable conditions for the resumption of positive-sum dynamics in the future.

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