



THE ASPEN INSTITUTE CONGRESSIONAL PROGRAM

**America's Vital Interests in Asia:
Trade, Security and Resource Interests in the Pacific**

April 9-15, 2017
Tokyo, Japan and Seoul, South Korea



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America's Vital Interests in Asia: Trade, Security & Resources Interests in the Pacific

Rapporteur's Summary

Dylan Davis

Country Representative, Korea
The Asia Foundation

The Aspen Institute Congressional Program conference on "America's Vital Interests in Asia: Trade, Security & Resources Interests in the Pacific" was held April 9-15, 2017 in Tokyo, Japan and Seoul, South Korea.

Sixteen members of Congress met with nineteen American and Asian scholars to discuss the myriad of issues affecting Asian and U.S. security, trade, economic, energy and environmental interests in the region. The delegation met with senior officials in each country, including the Prime Minister of Japan, Shinzo Abe, and the Foreign Minister of the Republic of Korea, Yun Byung-se, as well as Members of the Japanese Parliament and the Korean National Assembly, who joined receptions welcoming the delegation to their respective countries. Participants also met with Acting U.S. Ambassadors in Tokyo and Seoul, and were briefed by senior officials of the 7th U.S. Naval Fleet on board the nuclear aircraft carrier the USS Ronald Reagan. In Korea, U.S. Forces Korea Commander General Vincent Brooks gave an overview of military preparedness on the Korean peninsula before the delegation toured the front lines of the Demilitarized Zone (DMZ) dividing the Northern and Southern halves of the Korean Peninsula, which included an appearance by North Korean soldiers who peered in through the windows of the Joint Security Area conference room, where the microphones that run through

the center of the table mark the line dividing the Korean peninsula.

The conference was exceptionally timely, held at a high point in relations between the U.S. and Japan and the U.S. and Korea, respectively, but at the same time, a period when tensions were palpable in the bilateral relations between Japan and Korea over the burdens of their colonial past, and while heightened concerns about North Korea's nuclear intentions were covered in the news on a daily basis. In this context, Members of Congress sought new opportunities to think about security and trade interests in East Asia. At one point during the conference, one legislator said that the session on trade and economics enabled him to better understand the politics of trade in Asia and the U.S. and how he might promote understanding of free trade policies in the context of his own district's dynamics. While the views expressed during the conference were too diverse to capture in a single report, all agreed that Northeast Asia is facing challenges that need to be urgently addressed through close cooperation among the U.S., Japan and Korea, and in cooperation with China. One member of Congress emphasized the gravity and difficulty of the North Korea situation on the last day of the conference, saying, "We do not have a lot of good options, and those that we do have all come with serious consequences."

The Changing Security Climate in East Asia and Implications for U.S. Policy

In an overview of the changing security climate in East Asia, three issues are key concerning Japan's engagement in the region: 1) North Korea is a major security concern for Japan and has been for the past few decades. Japan is equipped with limited capability to defend against North Korea's increasing ballistic missile development and is in the process of increasing that capability.

2) China is a very important economic partner for Japan. The country is very heavily invested in China and the Japanese have welcomed an influx of Chinese tourists into the country in recent years, which is helping the Japanese economy. However, along with economic ties, there are concerns over activities by China in the South and East China Seas, which have been on the rise since 2012. Japan's intention is not to heighten tensions with China, but to keep the area under control. A mechanism is needed to cope with emergencies and is an important area for cooperation between China and Japan.

3) There were concerns in Japan over President Trump's statements and views about the alliance, but many felt that the administration has done a good job of reassuring Japan that the alliance is strong.

As important as security issues are in Asia, economic trends also bear watching closely as economic success drives many other issues, including security and military posture. One scholar observed that the best way to think about security is about islands and half islands claimed by different countries, where an eruption of a dispute might push another country over the edge in pursuing its claim. Lurking behind all of this is the huge Chinese military development that has been building over the past several years. China decided 20 years ago to reduce its ground forces and increase its naval forces and missile arsenal. China wants to have a veto over actions of others who try to challenge its security, including THAAD (Terminal High Altitude Area Defense ballistic missile defense system) deployment in South Korea. Nevertheless, chances of armed conflict with China are low, according to the scholar.

Another scholar touched on a few issues concerning China. Chinese President Xi Jinping just completed his visit to the U.S. The two sides agreed to take further steps to denuclearize North Korea peacefully and will do more to put pressure on North Korea in ways that will make it more painful if the country continues to develop missiles. This would in turn help the two sides to work more closely together. This could be a litmus test of sorts for China and the U.S. to test cooperation. Still, there is little hope that North Korea will give up its nuclear weapons. The scholar mentioned that THAAD deployment is unfortunately tearing the China-South Korea relationship apart. China has to live with the deployment of THAAD, although limiting the system to a more limited terminal mode and not in a forward detection mode could be a confidence building measure with China. Likewise, the scholar added that it is hard to understand why Japan would want to nationalize the Senkaku Islands rather than to keep them as privately owned islands. They are already part of Japan, so preserving the status quo would likely keep China from sending its assets into the region.

When it comes to the security climate and South Korea, South Korea expects the United States to play a balancing role while continuing to strengthen security cooperation among the United States, Japan and South Korea vis-a-vis North Korea. All three countries do not want China to become a revisionist power. At the same time, since the crisis in Ukraine, some contended that Russia has replaced the West in China's view. China welcomes this as long as Russia supports the Chinese position in East Asia. These great power rivalries are preventing key countries from imposing effective sanctions against North Korea despite repeated provocations. South Korea will continue to give the highest priority to its alliance with the United States since it is the linchpin of peace and stability in the Asia Pacific region.

This report will simulate key aspects of the discussion in a question and answer format.

Q: Do you think that the recent missile attack by the U.S. in Syria will affect the thinking of any of the leaders in East Asia?

A: North Korea takes the measure of every new U.S. administration. If it feels the administration is reluctant to use military force at all, it will try to take advantage of efforts for diplomacy. It is highly unlikely that North Korea will attack South Korea, as it is believed that the North Koreans know that the Trump administration will respond in kind to protect the people of South Korea.

Q: Much of the discussion is based on the premise that economic interdependence is intertwined. North Korea is not a player in the global economy, so the U.S. does not face the same restraint as it calculates whether to do something militarily.

A: North Korea has to be dealt with in other ways, somewhere in the shady area between war and peace. A freeze of the North Korean nuclear program is a bad deal. North Korea needs attention, and attempts to impose a freeze over the years have not been successful.

Q: What are the prospects for multilateral structures to prevail?

A: The Six Party talks were an attempt that did not produce much result with North Korea. The East Asian Summit multilateral dialogue, which also includes the U.S., can be seen as an effective mechanism in strengthening cooperation. More can and should be done, but in terms of North Korea, multilateral efforts such as this need to shift into real live exercises among countries.

Q: How stable is the Kim Jong Un regime in North Korea? He has been in power for several years and does not seem to be going anywhere.

A: According to the intelligence community, it is estimated that elite solidarity during the Kim Il Sung period (Kim Jong Un's grandfather) was a ten; during the Kim Jong-il period (Kim Jong Un's father) it was a seven; and under Kim Jung Un it is believed to be a four or five, which is

probably due to the fact that Kim Jong Un's power is based on a reign of terror. Power can come out of terror, but legitimacy cannot endure on the basis of terror. Nevertheless, Kim Jong Un has successfully solidified power and is not going away.

Q: What would North Korea's response be to an enforcement by the U.S. of a 'red line' to its development of an intercontinental ballistic missile? What does success look like and how do we go about achieving it?

A: The U.S. needs to do whatever it has to do to make the lives of the North Korean regime miserable, be it through clandestine means at the Yongbyon nuclear facility, submarine attacks, or through other means. The U.S. has to make clear that no matter which party is in power there needs to be a relentless policy. The U.S. should not let nuclearization happen and should keep pushing the North Koreans so that they eventually agree that life without nuclear weapons is better than life with them.

Q: What difference does it make if China builds artificial islands?

A: When there is no inherent value in real estate, something else is going on. From the Chinese vantage point, you have several hundred miles of water and then these islands, which are seen by the Chinese as defensive barriers. The situation seems unsolvable and what has to develop over time is a realization that the chances of going to war over this are not that great.

Q: The elections in South Korea could lead to a candidate who is softer on North Korea. What would that mean and would it be a game changer?

A: If a left-of-center candidate wins, it is likely that he will want to reopen the Kaesong Industrial Complex, which is seen as an appeasement strategy. Whether this happens is another matter, and is highly dependent on the actions of North Korea. Nevertheless, it is important to understand that even under the Bush administration, we somehow managed

with a left-leaning Roh Moo-hyun administration in South Korea with the understanding of the fact that if you live such a short distance from North Korea, then you should have a say in the matter. So long as the relationship is managed through smart policies, things will be okay regardless of the administration.

Q: What lessons can be learned from the Obama Administration's "pivot" to Asia?

A: The lesson of the "pivot" is that in this part of the world it is better to act and not talk much about it. The pivot to Asia raised lots of questions where there weren't many answers. The U.S. had already been engaged in this part of the world for many years.

Q: In case of an attack on North Korea by the Trump administration, how will China respond and what happens in South Korea?

A: The current threat to South Korea by the North is an artillery threat. The North Koreans know that if artillery barrages kill people in South Korea; however, the South Korean army is set to overrun artillery in North Korea. North Korea is unlikely to try that kind of an attack. Regarding China, the U.S. should be clear that North Korea is its number one threat and have a much more qualitative dialogue with the Chinese about this. The U.S. often goes to the Chinese with too many issues to discuss. It needs to stick to this issue alone in its future discussions with the Chinese.

Q: The question is whether the U.S. is going to lead, not whether it is going to leave Asia. The Trump administration has to answer that question. Is the U.S. giving up some of that leadership by not exercising it?

A: Many South Koreans are beginning to realize the importance of lawmakers in the U.S. and appreciate their contributions to addressing challenges in Asia. China does not want the U.S. to test the situation. There is fear in China that a unified Korea will be one with nuclear weapons. If the U.S. decides to enter North Korea, then the Chinese will also engage.

The Economic Dimensions of U.S. Engagement in East Asia: Trade, Investment, Global Financial Stability, and Energy Implications

While the discussion on security focused on how to deal with a nuclear North Korea, the session on economic dimensions of the relationship focused on trade, China's role and its effect on the rest of the region. The session detailed China's role as a player in multilateral trade agreements and the global economy.

In terms of Japan, one scholar noted that there is concern over the future of NAFTA in the context of the Trump Administration's rhetoric, as a significant number of Japanese suppliers depend on the trade agreement to send products from Mexico across the border to the United States.

An economist on the panel commented that international trade is beneficial, but the benefits are not spread evenly. The U.S. has done a poor job of assisting citizens who are adversely affected by changes in the economy, including those industries affected by trade. Asia accounts for about one-third of U.S. trade and several scholars commented that U.S. withdrawal from the Trans-Pacific Partnership (TPP) was a strategic blunder. The greatest threat of protectionism lies in 2018 or 2019, when the Trump Administration's fiscal stimulus kicks in and it is tempted to reach for trade protection in an attempt to deal with growing trade deficits. With the U.S. out of TPP, many in Asia will now look to China to fill the leadership role through lower level multilateral trade deals, such as the China-led Regional Comprehensive Economic Partnership (RCEP) trade pact, which is less favorable for most Asian countries.

Another economist commented that 2017 is a politically significant year for China, most importantly for the Xi administration which will start a second five-year term and is now thinking beyond this point to the 20th Party Congress to ensure that current policies and people are still in place. The scholar also noted that while the currency issue has been highly politicized in the bilateral economic relationship between the U.S.

and China, in economic terms, it is not a very important issue. On the issue of currency manipulation, China's currency has actually decreased in value and is at an equilibrium level, so there is no reason for China to depreciate or artificially raise its currency. China should level the playing field to make more opportunities available for American investors and companies, while the U.S. should do the same for Chinese investors, potentially in infrastructure investments in the U.S.

Another economist mentioned that it would be helpful if China was more proactive in advancing a China-Japan-Korea trade pact.

Q: What will promote a better trade and business environment that will enhance U.S. businesses as well as work in foreign countries?

A: An increasing number of Asian economies are relying on trade with China. The strategic goal of the TPP was to create a new trade regime in the Asia-Pacific with new rules to align economies more with international norms, the U.S. and the global economy. The American consumer will pay as much of the price as Asian countries as they move closer to China and engage in lower-quality FTAs (Free Trade Agreements) with China in the lead. This doesn't mean that China will rewrite the rules, but will likely maintain the status quo. The TPP had higher quality elements such as addressing issues of intellectual property rights and services.

Q: Leadership in the United States has failed to explain to the American people the benefits of trade. There have been so many losers. What can we say to the American people?

A: From an economic point of view, there is consensus that technology has played a far bigger role in job losses than globalization and trade. This trend can't be stopped and will happen with or without trade. There were people who were for trade, but against Trade Adjustment Assistance (TAA) because it was not effective. Part of the solution for those who have lost their jobs to the new economy lies in training, apprenticeships, and re-education. The

other part lies in effective tax reform and agreeing that there is never going to be a perfect FTA. We can retrain people to do the things they want to do and try to place them, though it will be difficult to guarantee that they will be able to stay in their same communities. Making community colleges affordable for those who require training is also needed.

Q: How does human rights fit into discussions over trade?

A: Human rights is the next frontier after labor and environmental issues are addressed. From the standpoint of the U.S., we promote a certain set of values, but it will take time. In fact, an example is the changes that Vietnam signed on to in the TPP, which permitted organized labor and a range of other reforms.

Q: What is the cost to the economy for the U.S. not joining the TPP and who are the winners and losers if the U.S. were to join TPP?

A: According to existing economic modeling, the TPP would have delivered economic benefits to the U.S. in the range of \$100-200 billion per year. The actual benefits would have been much greater than the modeled numbers. Existing trade in goods and services will be the winners. The United States can expect an expansion of U.S. service exports which is an emerging area of competitive advantage in the U.S. The losers would be low-tech manufacturing, including whatever remains of the textile industry.

Governance Concerns for the U.S.: A Survey of Japan, Korea, and China

In this session, experts from Japan, Korea, and China discussed governance concerns in their respective countries and implications for the U.S.

In Japan, a scholar noted that after three years of rule under the centrist Democratic Party of Japan that placed less emphasis on the alliance with the U.S. and failed to manage the aftermath of the 2011 earthquake, Prime Minister Abe came to power in 2012 and has solidified support through strong leadership and

a recognition that some 83% of the Japanese people wanted to preserve the alliance with the U.S. Abe's Liberal Democratic Party maintains strong support and, in the absence of any political contenders, difficult neighbors in the region, and the desire of the Japanese people to rally behind a strong leader, speculation is high that Abe is likely to stay in office through 2021. Improving relations with Korea will continue to be important for Japan and the future of security in East Asia. Nonetheless, serious efforts are needed on both sides and there are strong feelings that Japan has a moral obligation to face the issue of its history with Korea head on. In the immediate future, a strong trilateral security alliance between the U.S., Korea and Japan is essential.

Korea (which is going through a period of political transition following the impeachment of President Park Geun-hye) faces three challenges that has made it difficult to govern since its democratization in 1987. First, Korea's strong presidential system under a single five-year term creates a situation where the president enters lame duck status by the third year. A second challenge is that the Korean presidential election is a "winner take all" system, so even if you get 40% of the vote, the president takes all the important positions in government and opposition forces try to attack the president throughout his/her term for political gain in the next election. The third element is that South Korea has an active civil society. There is no hesitance to demonstrate in opposition, as seen over the past few months when up to one million protesters spent weeks demanding the impeachment of the president. Combined, these three elements interfere with stable politics, and make it difficult for any president to pursue a foreign policy that is controversial to the opposition.

One of the biggest problems for China's nation building efforts is the Chinese Communist Party, since the Party's interests do not always overlap with national policies. For that reason, this year's 19th Party Congress will have a major influence over the years ahead. President Xi is expected to continue, but this year is important because there is a power

transition and Xi will try to make himself a core leader by changing his title from General Secretary to Party Chairman. A top priority for Xi will be a smooth party congress and stability in the region is key. Xi will try to avoid any major foreign policy mistakes and the government will react strongly to any foreign distractions.

When it comes to the effect of governance challenges in northeast Asia on the U.S., a fundamental fact is that there is huge support among Koreans and Japanese for the alliance with the U.S.. However, the 2016 U.S. election shook their confidence, particularly related to the terms of the military alliance and the raising of questions about whether countries pay their fair share of this burden. In addition, some questions have been raised about the prospect of a G2 arrangement between the U.S. and China that would leave Japan and Korea out.

Q: Moon Jae-in, a leading presidential candidate in South Korea, is believed to have pro-North Korean views. Are these overstated anxieties or should the U.S. be worried about this?

A: There is some exaggeration that Moon has anti-U.S. sentiments. It is important to keep in mind that Moon worked under former President Roh Moo-hyun, who started the Korea-U.S. FTA negotiations, which were concluded under his term. Historically, the left in Korea, which Moon represents, tends to be the disadvantaged who did not participate in the Japanese occupation of Korea, which neglected people in parts of the country, especially during the military dictatorship period under President Park Chung-hee, who was trained by the Japanese. The left in Korea blames Japan for maintaining neo-colonial policies and is less international than the Korean right. They tend to be suspicious of foreigners, especially the Japanese. Nevertheless, all presidential candidates have said that they will cancel the Japan-Korea Comfort Women Agreement of 2015, which presents a no-win election issue for the Japanese.

Q: There are reports that the U.S. administration will react if North Korea does not respond to

pressure and might consider preemptive military action. Does this help or hurt the discussion?

A: The region is now in a crisis mode and the unpredictability of the American response is raising alarms in Japan and Korea. But if the U.S. were to decide to initiate a military engagement with North Korea, it is important to note that the Commander of the Joint Forces in Korea reports to the Presidents of both the U.S. and South Korea, so unilateral action is improbable without the consent of both leaders.

Q: What kind of internal dialogue is going on in China about North Korea?

A: More within China are beginning to say that China must change its North Korea policy. A united Korea may not be such a bad thing for China after all and may actually have a positive effect. Nevertheless, most still do not know what is going on in the top leaders' minds. The issue is very much connected to an ideological issue and the traditional relationship that China has with North Korea, which will make it difficult to change policy.

Q: Is there concern about terrorism in this region or is it just about North Korea?

A: Counter-terrorism efforts in Japan and Korea are about immigration, but do include watching movements in the Middle East and Southeast Asia and intelligence sharing.

Q: Is there something the U.S. can do to help Japan and South Korea improve their relations?

A: The U.S. can certainly mediate a dialogue, but it is important to delink the historical issue from security cooperation. The Koreans see the sex slave issue not as a bilateral issue, but rather as a human rights issue. In Japan, there is still a mindset not to speak about it because Japan is seen to be the culprit and whatever the country says is a losing argument. A solution lies somewhere at the grassroots level, not through a top-down approach. Nevertheless, it will be difficult for the U.S. to get involved in an issue that has not been resolved between the civil societies of both nations. The role of the U.S.

may be to work on the institutions at the government level.

Asia's Energy Needs and Environmental Impact: Implications for the U.S. and the World

As energy demand grows in Asia, and as concerns over nuclear safety are at a heightened state following the 2011 Tohoku earthquake and Fukushima Daiichi nuclear disaster in Japan, natural gas and new energies are now playing a bigger role, with important implications for security in the region. While the U.S. is now in a winning situation as an exporter of natural gas, Japan and Korea import 100% of their gas and oil needs. Where this oil comes from is an important part of the equation. Dependency on a politically unstable Middle East, including Iraq, will increase in the future. Asian economies need a more stable supplier of energy. There are big concerns, particularly in Japan, that the U.S. government under President Trump is moving into isolationism and protectionism, even though the country is in the best position at present. There is also concern about China's efforts to secure energy resources, especially in southeast Asia. The U.S., Japan and South Korea need to work together on this issue, including cooperation on nuclear energy.

Q: How does Japan store its nuclear waste? Is there a permanent site?

A: Japan has been trying to find a high-level waste storage site for years. Just like the U.S., the nuclear power site maintains spent fuel. Some of this goes to France and is reprocessed and plutonium is returned to Japan.

Q: What has public acceptance of nuclear power been like following the Fukushima disaster in Japan? What was the thinking behind putting a nuclear facility on the ocean on a seismic zone where tsunamis are known to occur? How has the disaster changed things?

A: Public acceptance is a major issue facing Japan. If you ask the public, "do you support restarting nuclear power," the majority will say "no." However, if you ask "If Japan has a

serious problem in the Middle East and can't get gas, do we need nuclear power?", the answer is "yes." The local populace where a nuclear reactor is located is generally supportive because it increases jobs in the region, so how the question is phrased is important. A decentralized process with a larger number of modular fast reactors with small pyro-processing capabilities is the way to decentralize the system. This means small reactors everywhere.

Q: Isn't corruption, covering up nuclear accidents and the erosion of public confidence that follows a major issue in Japan?

A: The Japanese system is one where everyone is responsible for an accident, so no one is responsible, which is a socialized way of thinking about this. Who is responsible for accidents needs to be clarified. There needs to be a better explanation, including making clear who is responsible following disasters.

Q: Dishonest culture is something to have great concern over. In Bodega Bay, California, where there was a plan to build a nuclear plant in the 1960s right over the San Andreas fault line, public outcry stopped the project from happening. We heard the same arguments at the time: "the technology is advanced, we have protections, and nothing could possibly happen." There seems to be a basic lack of any type of legitimate and believable oversight. How do you deal with that?

A: The mistake is to try to convince the public that nuclear power is perfectly safe. You have to clearly explain the risks and prepare for them. Part of the challenge lies in keeping the line clear between technical security and emotional security. The two terms in Japanese are different, but confusing and often mixed together. How to counter the issue of emotional security to address public concern is a real challenge. The U.S. has FEMA (the Federal Emergency Management Agency), and even after six years following the accident in Japan, there is still no agency like FEMA in Japan. The Self Defense Forces of Japan still do not have much knowledge on nuclear matters; thus, one proposal for Japan is to have nuclear driven

submarines to increase technical nuclear capability in the Self Defense Forces.

Q: When energy security is threatened it can become a major challenge for an elected leader. What are the practical implications over the past few years concerning energy and what are the future implications if it is not resolved?

A: Japan is now spending approximately \$9 billion USD annually (1 trillion Yen) burning fossil fuels to make up for shutting down its nuclear power plants after the 2011 disaster, which until then accounted for 30% of the energy needs of Japan. Energy conservation enforcement and increased use of fossil fuels have helped to reduce blackouts, and though there has been an increase in electricity costs, lower oil prices have kept the prices down and is part of the reason why the Japanese public say that they didn't suffer following the shutdown of nuclear power in Japan following the disaster. In Korea, nuclear power is still used but electricity is also highly subsidized

Q: Air quality in the region is a huge challenge. How do we deal with this when there is an increasing demand for energy in China and the region that relies heavily on coal and other fossil fuels?

A: It's a gradual process. China needs to have more clean energy and has put more effort into developing solar and renewable energy sources. The country is rich in coal, but does not have much oil and gas, and is trying to find the right balance between moving toward more clean energy, while taking care of its energy security needs at the same time. Beijing is scheduled to close its last coal burning factory this year and the country is increasing its use of nuclear power, but there are issues of having enough water for cooling purposes.

U.S. Security Concerns and the North Korean Nuclear Threat

While neighboring countries in the region have been under the threat of North Korean missiles and artillery for some time, one scholar began the session by pointing out that the issue

has become a top security concern for the U.S. because the country is now faced with a foe who has turned nuclear devices into nuclear warheads, is developing multi-stage missile systems to deliver them with solid fuel so they don't have to stand them up for hours, and seems to have a will to strike an American city. Most seemed to agree that this is a serious issue that the U.S. and its allies are going to have to deal with sooner than later.

Though the North Korean nuclear issue may be new to some, its roots go back to 1962 when North Korea asked the Russians for a nuclear reactor for peaceful use of nuclear power. North Korea was able to enlarge on this with a Russian graphite designed plutonium spent fuel reactor in Yongbyon and ultimately developed 6-8 nuclear weapons. The U.S. tried to negotiate over the years, including through the Six Party Talks mechanism hosted by the Chinese. These talks led to the Joint September 19, 2005 Accord in which North Korea agreed to denuclearization in exchange for security assurances and economic and energy assistance. Yet now North Korea is a threshold nation that has continued to develop its nuclear weapons program and is well on its way to building a nuclear weapon that can be delivered to the U.S. It was conjectured that North Korea wants to talk with the U.S. as a nuclear nation, but at the end of the day if the U.S. is going to solve this problem, China will have to contribute significantly to the solution.

A different perspective referred to three dead ends and one door slightly cracked open in dealing with the North Korean nuclear standoff. The first dead end is signaling that it is "wildly wrong" and "callous" to signal to the North Koreans the possibility of launching a military strike given the fact that South Korea is within artillery range of the North. The other two dead ends are the U.S. sanctions approach and Chinese-led Six Party Talks approach because it would be irrational and hard to imagine Kim Jong-un giving up his nuclear weapons program when he has seen the fallout of Iraq and Libya.

One scholar proposed a different approach to North Korea, mentioning that it is important

to stop securitizing the problem and focusing on denuclearization, even if that is the long-term goal. Kim Jong-un's economic ambitions are more tolerant of market influences than his grandfather and father, and economists say that North Korea's economy is doing better thanks to basic economic reforms. Under this scenario, the Trump administration could negotiate a very basic deal that is not much more than a freeze on the North's capabilities so they don't develop an intercontinental ballistic missile that can reach an American city. The U.S. should then align with the liberal South Korean expected to be elected president in May 2017 with a strategy that works with Kim Jong-un to be more of a "developmental dictator."

Another view stressed the importance of asking China to do more, while at the same time strengthening cooperation between the U.S., Japan, and South Korea in areas of intelligence sharing, anti-submarine and missile exercises, and search and rescue missions, despite their challenges, to get ahead of the North Korean nuclear problem.

Another scholar added a few policy recommendations for the U.S. and South Korea:

- 1) The two countries should work to change behavior in North Korea by threatening regime security, which is higher than national security. Only when Kim Jong-un perceives that his nuclear weapons are a threat to his regime security will he be willing to give them up;
- 2) While a nuclear freeze is okay, it should be done in the context of meaningful and verifiable denuclearization measures;
- 3) No more dialogue for the sake of dialogue;
- 4) The U.S. should implement secondary sanctions on China that punishes entities in China that violate UN security resolutions;
- 5) China should be encouraged that THAAD will only be withdrawn when denuclearization is achieved.

Q: There seems to be a discontinuity of diplomacy and consequences. Shouldn't we go back and look to the presidential transition between the Clinton and Bush administrations, where there was a policy of engagement that was having results, and for whatever reason the

Bush administration decided to withdrawal from negotiations?

A: It came to light that North Korea was making purchases on international markets to develop highly enriched path to making a uranium bomb. North Korea denies this, but the U.S. believed it was lying. At the end of the Clinton administration, there was a strong push for the U.S. President to go to Pyongyang, but North Korea was not able to present a deal that the U.S. could sign and it seems that it was stringing the U.S. along. The question should really be because North Korea was caught lying, should there have been consequences? International monitors were on the ground and that was a good thing as far as intelligence gathering is concerned. Notably, the one continuity in all of this is that North Korea's nuclear capabilities keep getting better regardless of each U.S. administration's approach.

Q: Do sanctions on North Korea work? Is there a deal that can be made?

A: The problem with sanctions on North Korea is that the effect is slower than the pace of North Korea's nuclear development. There are many loopholes with sanctions, primarily the so-called state-sanctioned Chinese companies importing prohibited items from North Korea. Nevertheless, sanctions have made the North Korean regime more fragile. Though there is a temporary positive upturn in the North Korean economy, it has shrunk dramatically over time. In terms of a military option, the U.S. can build a very good ballistic missile defense that would protect South Korea, Japan, and the U.S. However, there are also about 2,000 above ground targets that need to be taken into account.

Q: What is the confidence level that THAAD will work?

A: THAAD is a U.S. system to help ensure that U.S. bases are safe, not one that was sold or made available to South Korea. It does not provide 100% coverage of South Korea. THAAD is one piece of a system that has to be implemented with a coherent set of policies. It

would be impossible immediately and difficult over time to find all of the places where North Korea is storing all of its weapons systems.

Q: How is North Korea different than the Iranian situation? Why can't an "Iranian solution" be done with North Korea?

A: North Korea is different because the U.S. was not able to get to a verification regime in place like it did with Iran. North Korea is also sitting on a nuclear arsenal that Iran did not have. With Iran, there was also a credible threat that Israel would strike and take military action. South Korea is not interested in a strike on North Korea.

Q: A deterrence posture seems to work best when you have an ally who is supportive. On Iran, Israel was patiently arguing for a position that the U.S. needs to be more aggressive. On the Korean Peninsula, South Korea and Japan are fearing the impact on themselves and are not supportive of military action. Can you help us to understand the reality of an ally asking for less use of force posture? And what does it say about deterrence when a president is not being patient and in other parts of the world uses large bombs such as in Afghanistan and cruise missiles in Syria?

A: If Kim Jong-un were rational, he would take out the Six Party Talks September 19, 2005 Agreement in which North Korea agreed to give up its nuclear program and return to the non-proliferation treaty. The U.S. has no intentions to invade and South Korea gives ample assurances. North Korea walked away from the 2005 deal because it wanted nuclear weapons more than anything else. It is in the U.S.'s interests to deny them and suggest the U.S. have a significant program to disrupt them. Congress can have an impact by providing more funding for programs that get more information into North Korea. There is a real hunger for information and an estimated 10% of the population now has cell phones.

Q: Does China care whether North Korea has nuclear weapons?

A: China is facing a dilemma. It wants North Korea to give up its nuclear weapons program, but it also wants a buffer zone between the U.S. ally of South Korea and China on the other. President Xi at the upcoming Party Congress in China will be looking at this issue closely as it faces two competing schools of thought:

- 1) Keep the buffer state regardless of the costs, vs.
 - 2) China's policies are detrimental to the image China wishes to portray.
- It is important at this point for the U.S. and South Korea to provide China with their vision

and the future of the alliance after reunification. This should be the agenda of strategic discussions between the U.S., South Korea, and China.

Q: Will secondary sanctions on China work?

A: Secondary sanctions are a bad idea, though the time to use them may have come. They are tough to administer, and China will be less incentivized than ever to help on North Korea. If we are going to be successful on the North Korean problem, then it is going to be because we have worked out a way with the Chinese.

The Spheres in International Politics and Summit Diplomacy

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Amid the plethora of challenges for the international community, the foundation for Japanese diplomacy is stronger than ever before. This is the situation in the wake of the G7 Summit and the upper house elections. There is strong uncertainty over the future of European unity following Britain's national referendum on leaving the EU. In Bangladesh, many people, including seven Japanese nationals, have fallen victim to terror. On July 12, 2016, an arbitration tribunal under the UN Convention on the Law of the Sea completely dismissed the thinking that underpins China's territorial claims in the South China Sea. China insists the ruling is invalid and has signaled its intention to take effective control of the territory. In the U.S. presidential elections, the words and conduct of Donald Trump, the Republican Party candidate, have strengthened the sense of unease about the United States and the future of world politics. The world is confronted with a range of unprecedented challenges including turmoil in the developed democracies, the emergence of geopolitical power politics in Russia and China, and defiance of the international order evident in the frequency of terrorism incidents.

Meanwhile, Japan has seen the formation of a stable administration, something rarely seen in recent years. As a result of the upper house elections, the Abe administration has secured a stable majority in the upper house, in addition to its two-thirds majority in the lower house. Compared to the six years prior to the formation of the second Abe administration, when a replacement prime minister had to be found every year, there has been a complete change. In addition to a stable internal administration, it should also be noted that the Abe administration has found solid solutions to issues that were

sensitive points for diplomacy in the past. As suggested by President Obama's visit to Hiroshima immediately after the G7 Summit, relations between the United States and Japan, which had been strained for a time, are now extremely stable. Prime Minister Abe's statement commemorating the 70th anniversary of the defeat of Japan and the agreement with South Korea over the issue of comfort women has brought calm to the "historical issue." As discussed below, relations with China remain the biggest issue for Japanese diplomacy, but even there, a level of agreement over the Senkaku Islands was won in 2014.

Abe Diplomacy has Made Great Strides

There has also been progress in the institutions that develop diplomacy. It is important that the new security legislation recognizes the limited use of collective defense, but it should also be noted that a number of legal gaps have been closed. A National Security Council has been established and in another groundbreaking move, substantial policy decisions are now formulated by the Prime Minister and the Cabinet with the support of the National Security Secretariat.

Diplomatic issues with neighboring countries have been settled and diplomacy is becoming more active amid the improvements to the institutions for effective policy-making. Japan has never before had a prime minister traveling the world to build relations with other heads of state in the way that Prime Minister Abe does. The 2016 G7 Ise-Shima Summit in Japan was a great success from at least two perspectives. First,

the other participating heads of state indicated their understanding of diplomatic issues that are important to Japan. European heads of state are inclined to view issues in Asia solely from an economic perspective, so to have them acknowledge the importance of the problems in the South China Sea was a diplomatic achievement. Another great achievement was to gain understanding for the territorial issues between Japan and Russia, an issue specific to Japan, and the need for continued contact at the highest level between Japan and Russia.

The second point was hardly covered by the media, but Japan scored another long-term diplomatic success by getting one of its key issues on the agenda for the international community. Japan first presented infectious disease prevention as an important item on the agenda at the Kyushu-Okinawa Summit in 2000, leading to the establishment of the Global Fund to Fight AIDS, Tuberculosis, and Malaria. The activities of the Fund are said to have saved the lives of seventeen million people with infectious disease. At this time, Japan again made constructive proposals for the health sector by becoming the first state to raise the importance of universal health coverage or other systems of national health insurance on the agenda of a G7 Summit. It is a low-profile story, but in addition to the prevention of infectious diseases, Japan has for some years now continued to assert the importance of basic healthcare systems from the viewpoint of “guaranteeing human security.” This is also the outcome of summit diplomacy.

EU Withdrawal, South China Sea — the Sphere of Divisive International Politics

Nevertheless, the world is currently confronted with problems that have no easy solutions. What course should Japanese diplomacy take in the future? To start with, some kind of rough outlines of the problems in the international community must be found. Twenty years ago I authored *The New Middle Ages*, a book where I discussed the need to distinguish between three spheres: international politics among the countries that make up the developed

democracies (the neo-medieval sphere), international politics in the modernizing countries (the modern sphere), and politics in the fragile regions that are unable to form effective modern states (the chaotic sphere). I would suggest that “Brexit” (Britain exiting the EU), the South China Sea issue and the frequent terror attacks are classic examples of these three types of politics respectively. I will discuss them one by one below.

Among the developed democracies where interstate wars are nearly unthinkable, the old frameworks of the sovereign states are relativized, market integration across borders is progressing, and there is a tendency for matters that were once sovereign to be transferred to regional bodies as seen in the example of the EU. On the other hand, within states, there is a tendency for decentralization and surrendering the functions of government to non-governmental organizations. The modern state is split apart from the top and from the bottom. It is only natural that the sovereign people are confused about the locus of their own sovereignty. Pressuring the people of Britain for a declaration of intent regarding Scottish independence and withdrawal from the EU are representative of such politics.

However, we need not assume that international politics in the developed democracies is moving in extreme directions as a result of the vote to leave the EU. Europe will not return to the pre-World War II system of sovereign states competing with each other, neither is there any possibility for a return to war between states. It is not yet clear whether Britain will actually withdraw from the EU, but it is certain that the future holds complex negotiations about the political, economic and social systems over the long term. It is a complex business that will not stop at the three levels of jurisdiction of Europe, the United Kingdom, Scotland and England, but will likely unfold among the people living in the United Kingdom and the people living in other regions of Europe. We should consider this the “normal state” of politics in developed democracies in the twenty-first century.

How Does Japanese Diplomacy Influence the Three Spheres?

Unlike the issue of withdrawal from the EU, any blunders in the approach to the South China Sea problem could very well lead to a war between nations. Establishing itself as a modern sovereign state is a matter of the first priority for China. The nation cannot accept restraints where “core interests” are concerned and “core interests” will be secured by force including military force. This appears to be the attitude in China. However, the logic of such classic international politics is that it will almost inevitably cause a reaction. This is the balance of power. At present, the forces resisting China over the South China Sea issue are in the process of forming. U.S. rebalancing strategy is certainly consistent with this tendency. Both the Philippines and Vietnam have been compelled to strengthen their relationships with the United States because of China’s behavior. Even though some of the ASEAN countries have adopted neutral attitudes, the line of resistance to China is growing increasingly strong. At the moment, the question of how to manage this balance of power is the biggest hurdle for international politics in East Asia.

The frequent terror attacks are a new aspect of the war on terror that followed the 9/11 attacks. Fortunately, there have been no attacks on the scale of 9/11, but there has been a marked rise in the frequency of international terror attacks since 2012. According to data from the Global Terrorism Database, there has been a dramatic rise in both the number of terrorist incidents and the number of deaths with approximately 15,000 dead in 2012, 22,000 dead in 2013, 44,000 dead in 2014, and around 38,000 dead in 2015. Along with the civil war in Syria and the rise of Islamic State (IS), the context is destabilization in the region extending from Central Asia to the Middle East and the northern parts of Sub-Saharan Africa, as well as radicalization within developed democracies.

In short, the three phenomena that have recently shaken world affairs can be viewed as symbolizing each of the three spheres in the

international system. How should Japanese diplomacy respond to this situation? To start with, problems like “Brexit” will continue to occur in the future, but they are not likely to cause much turmoil. It is a matter of complex readjustments of the frameworks of political and economic society through the democratic process. The fact that such areas of sovereignty are debated through the democratic process is a normal feature of developed democracies.

On the other hand, diplomacy with China as symbolized by the South China Sea issue is a matter of priority for Japan. It would be preferable to get China to change its policies in a way that allows the Chinese to keep a certain degree of face. Since China itself will never announce a change of policy, it is really a question of forcing a change of behavior. Specifically, it is a matter of putting a stop to the deployment of weapons, or new landfills in the South China Sea. In September China will serve as the host nation for the G20, which will be immediately followed by ASEAN summit meetings. China will likely want to avoid a threatening atmosphere at the G20 where Xi Jinping will serve as host, and they hardly want to be isolated at the subsequent East Asia Summit.

If so, diplomatic efforts should quietly focus on getting China to change its actions rather than rhetoric. It is, of course, possible that China will not adopt any change of action. In such a case, Japan will have no choice but to strengthen cooperation with the United States and the South-East Asian nations, and to boost its state of alertness to maintain maritime order in the East China Sea and elsewhere.

There is no perfect cure where international terrorism is concerned. We have to strengthen international information-sharing, immigration screening systems and police capacity. Japan has already done so in the past, but we should continue to provide Overseas Development Assistance that addresses these matters in developing countries. Japan is not capable of direct military operations in Muslim countries. However, it is necessary to continue to provide assistance to Iraq and other countries in the

vicinity of Syria.

In the longer term, Japanese diplomacy needs to implement what Prime Minister Abe calls proactive contribution to peace. Today when the United States and Europe are turning inward because of the presidential elections and Britain's exit from the EU, Japan is one of a handful of countries among the developed democracies with a stable government. We should seriously consider what we could do to restrain power politics in areas like the South China Sea to build peace in the fragile areas of the world.

At the end of August, the Tokyo International Conference on African Development (TICAD VI) will be held in Nairobi. Africa is a frontier of international politics where the potential for growth is mixed up with vulnerabilities such as terrorism and civil war. At this very moment, the Self-Defense Forces have been dispatched to South Sudan, which is once again facing the crisis of civil war. It is necessary to work out strategies for building peace by utilizing the Peacekeeping Operations, ODA and all nongovernmental organization activities. We must do more to focus our energies on diplomatic activities to create peace including mediation and peace initiatives.

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American Security Policy in East Asia

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After years of peace and progress, strains and tensions are growing in the region. It is worth remembering that this part of the world has not always been at peace. For the nearly half century before 1979 it was convulsed by fighting--beginning in China, followed by World War II, then the conflicts ending colonialism and the hot phase of the Cold War.

Conflict began with the Japanese invasion of Manchuria in 1931. Fighting convulsed China for 10 years until Pearl Harbor widened the conflict to the entire Pacific. It ended with Hiroshima and Nagasaki, but for another 33 years there were shooting wars in East Asia—from the Yalu River to Quemoy and Matsu to Vietnam, Cambodia and Laos. The last battle was in 1979, when China took heavy losses during a punitive raid into Vietnam to “teach them a lesson.”

The United States was heavily involved in most of these wars, from conflict in China—the Panay incident of 1937—through World War II, operations around Taiwan, the Korean War and the Vietnam War. The United States has had a stake in this region it has supported and defended for many years.

Since 1979 there has been peace, economic development and political evolution in East Asia. It now has the single largest regional share of the world’s economy, it has lifted more of its citizens out of poverty than any other region of the world, and democracies have formed in South Korea, Taiwan, the Philippines and Indonesia

There have been three primary factors underlying peace and security in East Asia: First, a settlement or stalemate of World War II legacy issues, Colonial era issues and Cold War

issues; second, a general war weariness in the region; third, the benign predominance of American air and maritime power.

The Korean war ended with an armed truce—a peace treaty has still not been signed—maintained by a military alliance between the Republic of Korea and the United States, supported by a UN guarantee, and given strong effect by the stationing of an American division in Korea, and a nuclear guarantee.

The confrontation between Taiwan and China in the 1950s that involved both localized engagements and American nuclear threats, ended in another stalemate. Peace has been kept by Taiwan’s defensive capabilities, and an American security guarantee, supported by the 7th Fleet and the 5th Air Force. The original security treaty was replaced by a more conditional guarantee codified in the Taiwan Relations Act.

The colonial wars in Southeast Asia ended with the withdrawal of all the European colonial powers—the Netherlands, France, the UK, Portugal, and the United States. The new governments of these countries formed the Association of Southeast Asian nations, or ASEAN, which served generally as a tension-relieving communications forum for regional economic development.

Besides the military stalemates there remain other unresolved territorial issues. They range from the Northern Territories between the Soviet Union and Japan, through several islands in the East China Sea that are disputed between South Korea and Japan or between China and Japan, to the South China Sea, in which the claims of China, the Philippines, Malaysia and Vietnam, all conflict.

However, for most of these conflicting claims, there was a general recognition that the parties would “agree to disagree,” that no side involved would make major military moves to change the status quo. Besides, island grabbing involves sea and air power, the United States dominated the sea and air space of East Asia, and made it clear that it did not support any changes to the status quo by force.

With the major contentious issues of the region stalemated or shelved, and American power dominant in maritime regions the countries of East Asia—with the exception of North Korea—kept their military expenditures low and turned their energies to economic development.

Japan spent less than 1% of gross domestic product on defense, and the Japanese recovery from the ruin of 1945 was the first of the economic miracles of the region. The formula was high-quality, low-cost manufacturing of a wide range of consumer and industrial products, government support of key industries and selling into the American market. South Korea followed the Japanese pattern a few years later. Then came the other three Asian tigers—Taiwan, Hong Kong and Singapore—that followed the South Korean example.

Finally, in 1979 China acknowledged that the Great Leap Forward and the Cultural Revolution had been disasters, observed the success of other countries in the region, and decided to start its journey down that same road. The result was the run of double-digit economic growth that continued until about three years ago, the escape of 300 million of its people from poverty, and the second largest national economy in the world.

The combination of a stable security architecture in East Asia, with little incentive and high risks for military aggression by any major country, and economic prosperity, led to democratic political change in many countries—South Korea, the Philippines, Taiwan and Indonesia. As in the case of military and economic development, the United States played

a key role, by both example, and specific actions.

At the turn of the century, trends in East Asia seemed to be going very much in a direction favorable to the United States. What has happened in the last 15 years that has changed that very favorable situation? More important, what can we do about it?

The single most important development has been the rise of China.

In 1990, military modernization was the last of four Chinese modernizations. However, as its economic success continued, China had the resources to cover that fourth modernization, and began to allocate serious resources to its military forces. Meanwhile, the People’s Liberation Army had been studying warfare and had realized how far behind it had lagged. Chinese military planners were surprised by the rapid American victory in the First Gulf War in 1991 against the fourth largest army in the world, fighting in its own back yard, and was chagrined by its inability to counter two American battlegroups sent to Taiwan in 1996. It was determined not to remain a backward force.

So as China poured 10-12% annual budget increases into its armed forces, it pursued four sensible objectives: transforming its infantry-heavy, immobile land forces into modernized mobile forces with networked command and control capabilities; increasing its maritime power, with an emphasis on submarines; increasing its air defense capability, and building a large and capable surface-to-surface missile force.

With those sort of budget increases, and a sensible plan, Chinese military capability grew dramatically.

Other events contributed to China’s conviction that its power and position were increasing: the 2008 Beijing Olympics—a public relations and psychological milestone—on the pattern of Tokyo 1960 and Seoul 1988;

and surpassing Japan in 2010 as the world's largest economy.

The U.S. meanwhile suffered from a pair of its own goals during the same period that diminished its stature: the 2003 invasion of Iraq with no allies and no plan for rebuilding the country after victory; the 2008-9 financial crisis that wrecked the U.S. economy, and took much of the world economy with it.

By 2010 the attitude among the Chinese ruling elite was that it was on the rise, the U.S. was on the skids, and it was just a matter of time before China would become the dominant country in East Asia, and even went on to displace the United States as the most powerful country in the world.

As for the countries of East Asia, while fearing that the Chinese vision might come to pass, and being careful not to burn their bridges with China, by and large they prefer the more laid back system dominated by the United States. It had allowed them to prosper, and exercise a great deal of political autonomy.

And they are keenly aware of China's weaknesses:

- The demographic hill it is climbing, with a workforce that is now shrinking in numbers.

- The corruption that no number of centralized investigations and prosecutions will halt without a free press, and an independent judiciary.

- The pollution of its air and water that will require huge resources over many years to remediate.

- Most important, the fundamental economic restructuring it must accomplish. Its past growth was sustained by a difficult but simple set of policies – massive investments in infrastructure and export-led manufacturing growth. That string has run out. China announced at the Third Plenum in 2012 that it must rely on market-driven, services, private

sector growth. The first four years have not been a complete success.

How has the United States handled China's rise?

American policy towards China's rise has always had two components: first, acceptance of China into the world economic system, beginning with its entry into the World Trade Organization in 2001 under the Clinton administration, and followed by intense economic contacts led by Treasury Secretary Paulson in the Bush administration.

In addition, the United States reacted to China's military buildup with steps of its own to maintain the favorable balance in the region. From the 1990s the U.S. Navy and the U.S. Air Force, services that were lightly engaged in the conflicts in the Middle East, were paying careful attention to the Chinese military buildup, designing their new capabilities, and deploying their own forces to offset China's buildup.

Then in 2011 the Obama administration announced a rebalance, also known as the "pivot" to Asia. Administration officials stoutly maintained that the rationale for the series of economic, diplomatic and military moves was not to contain China, but of course it was in part a reaction to China's military buildup, and its use of its economic and military power in aggressive diplomacy in the region.

Now there is a new administration in the United States. Where do we go from here on our China policy?

The two elements of our traditional China policy—engagement and military deterrence—remain valid, however a major change is needed both in the way we think about them and the way they are applied.

In the past, U.S. policy towards China has been preoccupied with China's future rather than realistic actions to deal with its current behavior. The primary objective of our policy was to shape China's development for it to become, in Bob Zoellick's memorable phrase, a "responsible stakeholder." American leaders

have hoped to convince China that they are not seeking to contain it, and that China's actions will moderate as it becomes more powerful and influential. They fear that strong reactions to even egregious Chinese economic, political and military actions will cause it to choose an aggressive and hostile overall strategy. They characterize aggressive Chinese actions as "differences that need to be discussed," and take relatively mild actions against Chinese paramilitary actions in the South China Sea, and against Chinese intellectual property theft. The emphasis in policy has been to affect China's future trajectory, rather than to deal with its current behavior.

In military to military relations, specific exchanges were assessed in terms of affecting the attitudes and thinking of Chinese military officers—trying by example to make them more like us. In economic relations, for example on intellectual property theft, we appealed to our concept of China's long-term self-interest, arguing that the Chinese needed to protect intellectual property for their own purposes. In dealing with China's aggression in the South China Sea, we invoked the "rules-based order" while taking no punitive actions. It was as if China was an adolescent youth and we were trying to help it grow up to be a responsible adult rather than a juvenile delinquent.

For the future, the United States needs to deal with China as it is.

It is the second largest economy in the world, still growing rapidly as it attempts to transform its economy. It is actively working to become the largest economy in the world, a leader in the most advanced technologies, industries and services, using control of its own market and an aggressive interpretation of WTO norms in the rest of the world. It is using its economic power for coercion – against South Korea for the THAAD decision, previously against Japan by cutting off rare earth metals during the Senkakus incident.

It has developed the largest armed forces in Asia. It is using its military power for coercion, freely employing gunboat diplomacy in the East

and South China seas. It also has operational plans to use its growing military forces to retake territory in what it sees as its rightful sphere of influence on its maritime border in Asia.

It is using every tool of an authoritarian regime to control its own citizens, and to exclude universal ideas of democracy and individual or minority rights from the country.

China is also important in international solutions to many issues—containing North Korea, restricting Iran's nuclear development, more generally dealing with nuclear proliferation, and reducing greenhouse gas emissions. However, we need to treat these issues also not only as indicators of benign intent by China, but as current issues to be pursued.

In dealing with China, we should use both carrots and sticks to handle current issues. We should not fear that straight talk and penalties will somehow discourage China from developing into a responsible stakeholder.

China's nearly twenty years of double-digit military budget increases have cut into the wide margin of American superiority the Western Pacific. Fifteen years ago, the United States could handle any Chinese aggression against Taiwan, the Senkakus, or in the South China sea with little risk.

Now, in any serious conflict there would be fierce fighting, downed U.S. aircraft and damaged U.S. ships. However, at the end of the fight, China would not be in control of its island objectives. We need to continue the investments in military capability that is forward stationed and can be brought to bear in the Western Pacific. A balance in favor of the United States and its friends and allies will give China every incentive to extend its power and influence by economic and diplomatic means, rather than be tempted to use military means.

In the military to military relations area, we should pursue those programs that are to the long-term advantage of the United States. These include inviting Chinese military representatives

to the many conferences that are held in the Pacific to promote multilateral cooperation and sending American officers to attend similar conferences hosted by the PLA; they include inviting Chinese officers to our military education courses where they are in daily contact not only with American military counterparts, but with those from many other countries. We should also send our officers to similar programs in China. U.S. units should operate with PLA units on common missions that both countries may conduct together in the future—search and rescue, humanitarian relief and counter-piracy.

In the economic area, we need to deal with aggressive Chinese policies with competitive moves of our own, including sanctions when necessary. China makes no secret of its ambitions to be the world leader in key areas of the future world economy. Its blueprint for a dominant position in high-tech manufacturing—called “Made in China 2025”—is described by a German report as follows:

“The strategy targets virtually all high-tech industries that strongly contribute to economic growth in advanced economies: automotive, aviation, machinery, robotics, high-tech maritime and railway equipment, energy-saving vehicles, medical devices and information technology, to name a few.”

In some areas—fintech, or financial services IT, comes to mind, China has legitimately developed world class technology and companies on its own. However, in too many others—high-speed rail, wind turbines, chemicals, medical devices, Chinese companies—with encouragement and often assistance by the Chinese government—have stolen advanced technology from international companies, nurtured Chinese companies in a protected domestic market, then competed in international markets with heavy government subsidies.

The United States has filed record numbers of WTO complaints against China, but these are not enough. We need to identify the companies that have stolen intellectual property, then deny

the U.S. market to them. They should not be allowed to export to the U.S. market, to raise capital in the United States, nor to clear their dollar transactions through U.S. banks. We should encourage Japan and the EU to take the same actions.

The United States also needs a more comprehensive strategy for dealing with Chinese cabbage-slicing actions in the South China Sea—small actions taken mostly by non-military forces, to extend Chinese jurisdiction there.

There are several American interests in the region that are challenged by Chinese actions.

Most important is unrestricted operation of our naval and air forces in the region. China seeks a veto over the presence of foreign military forces operating in what they consider their defense zone along their eastern and southern maritime borders—the Yellow Sea and the East and South China Seas.

China is not subtle about its aims. Here is what the *People’s Daily* said in 2010 when the George Washington carrier battle group conducted exercises in the Yellow Sea off Korea’s east coast:

“The United States may believe that since it conducted military drills in the Yellow Sea in the past, it can do that now and in the future. But the United States should understand, with China’s increasing national strength, Chinese nationals will get more sensitive to the provocative actions the U.S. navy takes in a place so close to their home. China does not object to the presence of the U.S. Navy in the western Pacific and understands that some countries need the U.S. military to provide them with a sense of security. But, this does not mean the United States can ignore China’s self-esteem and drive their aircraft carrier straight to the front of China’s doorstep to flex their muscles.”

The United States must continue to operate air and maritime forces routinely in these waters and the airspace above them. What China calls their defensive “First Island Chain,” we call

“South Korea,” “Japan,” “the Philippines” and “Taiwan,” countries with which we have treaties, security obligations and vital interests.

In the South China Sea, however, the U.S. needs more than simply military deployments to preserve our access to the region. We need to help form an overall multilateral diplomatic and military strategy to stabilize the region. There are four other countries in South East Asia—each of them much weaker than China—that have conflicting claims to portions of the SCS. That gives China lots of running room to advance its interests from territorial claims to hydrocarbon exploitation to fishing enforcement.

What the other claimants need to agree on is an overall settlement of the conflicting claims considering current possessions, compromising on deserted features, and using joint development areas to divide revenues from economic resources. The claimants should offer China participation in this process. China would almost certainly refuse, but the process should go on, and China should be allotted a fair share of the islands and resources of the region.

Once such a settlement was reached, the United States, Japan and other outside countries, should recognize and support it. We then would have a policy basis to accept some Chinese moves, to reject or oppose others. We would have a basis to support the positions of Vietnam, the Philippines, Malaysia, Brunei and Indonesia,

and to provide focused assistance to them in maintaining their legitimate rights.

These recommendations include several actions that would be taken against China, but they are not a containment strategy. China’s power and influence will grow in East Asia, and elsewhere around the world. However, as China grows, and as the United States cooperates with China in diplomatic areas, and the companies of the two countries cooperate and compete around the world, the United States needs to protect its own interests where China encroaches on them.

As Chinese leaders themselves have said, the Pacific is big enough for both of us. However, China’s place in the Pacific is not for China alone to determine and dictate—it must be based on give-and-take with the other countries with interests in the region, including the United States.

During the past eighty years, East Asia went through forty years of war, causing enormous human suffering and widespread physical damage. More recently have come forty years of incredible economic, political and societal progress. The United States has been deeply involved the entire time. It will take wisdom, courage and persistence to forge American policies and put them into action to continue to prolong the peaceful and positive trend of the last four decades.

Changing Security Climate in East Asia and the U.S.-South Korea Alliance

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Great Power Politics in East Asia

1) U.S.-China Rivalry: It is concentrated on maritime supremacy.

- China is gearing up to challenge the hegemonic status of the U.S. in the western Pacific.
- South Korea strategic concern: China might drive a wedge between Seoul and Washington particularly when we deal with historic opportunities for Korean unification. When there is an intensive Sino-U.S. rivalry, it would be very hard for us to expect China to emerge as a constructive player supporting Korean unification.

2) China-Japan Rivalry: China believes it has overtaken Japan not just in terms of GDP but national power. Japan tries to deal with the rise of China through external balancing (strengthening its security relationship with U.S., Australia, India, and South Korea) and internal balancing (increasing its defense expenditure).

- South Korea, as a victim of the Sino-Japanese War in 1894, is in need of a strategic balancer between China and Japan.
- In this light, South Korea expects the U.S. to play this balancer role while continuing U.S.-Japan-South Korea security cooperation vis-a-vis North Korea.

- The U.S., Japan and South Korea do not want China to become a revisionist power.

3) China-Russia Cooperation: Russia has replaced the West with China since the Ukraine crisis. China welcomes it as long as Russia supports Chinese position in East Asia.

4) Korea's Two Schools of Thought

- School of Concert of Asia
 - Great power relations surrounding the Korean Peninsula are reminiscent of great power politics in the 19th century.
 - The 100 years of peace in Europe between the Vienna Convention (1815) and WWI (1914) was possible due to the Concert of Europe among the UK, France, Prussia, Austria, Italy, and Russia.
 - Contemporary international relations of Asia are similar and a Concert of Asia should thus be established.
- School of U.S.-led Asian order
 - A multipolar system is inherently unstable.
 - The U.S. has been playing a stabilizer role through its military presence in Asia.

- The withdrawal of U.S. forces from Asia would lead to unstable multipolar system in which major powers will be involved in unlimited power competition without being converged on a stable international order.
- The U.S. rebalancing toward Asia during the Obama administration was welcomed: deepening alliances; responding to China's rise; strengthening cooperation with ASEAN; and promoting multilateral/regional cooperation in the Asia Pacific.
- This school of thought has prevailed for the past ten years in South Korea.

The Impact of Great Power Politics on the North Korean Nuclear Problem

- 1) Lack of a united front against North Korea
 - Great power rivalry prevents key countries from imposing effective sanctions against North Korea despite its repeated provocations.
- 2) THAAD Conflict
 - South Korea and the U.S. decided to deploy the anti-ballistic missile system THAAD (Terminal High Altitude Area Defense) in South Korea in July 2016 in light of North Korea's accelerated process of improving its nuclear/missile capabilities.
 - China sees the THAAD deployment as a part of the U.S. attempt to integrate South Korea to the U.S.-Japan Missile Defense system with a view to "containing" China.
- 3) Chinese Apparent Lack of Interest in North Korean Denuclearization
 - China has cooperated with the international community out of the

strategic concern that a nuclear North Korea will ultimately pave the way for South Korea, Japan, and Taiwan to go nuclear.

- China also sees North Korea as a buffer zone between China and the United States and thus appears to have been passive in imposing serious economic sanctions on North Korea. This makes China appear less interested in denuclearizing North Korea.

The Role of the U.S.-South Korean (Republic of Korea) Alliance after Korean Unification

- What is the role of the U.S.-ROK alliance post-Korean reunification, and how does the thinking about the alliance and prospects for unification influence South Korea's strategic thinking?
- 1) The ROK government gives highest priority to its alliance with the U.S. since it is the linchpin of peace and stability in the Asia Pacific region.
 - 2) The 2013 U.S.-ROK Joint Declaration stated: "We pledge to continue to build a better and more secure future for all Korean people, working on the basis of the Joint Vision to foster enduring peace and stability on the Korean Peninsula and its peaceful reunification based on the principles of denuclearization, democracy and a free market economy."
 - It is meaningful in the sense that the 2013 summit reconfirmed the U.S. commitment to Korean reunification rather than looking at North Korea from the narrow perspective of non-proliferation.
 - 3) The ROK government also tries to have a better relationship with China on the premise that the central axis of Korea's

foreign and security policies is the ROK-U.S. alliance and that relations with both the U.S. and China are compatible, not being a zero-sum relationship.

- 4) South Korea, as Germany did to Russia, needs to eliminate China's concerns and guarantee that a unified Korea may be able to contribute to China's benefit, or will not harm Chinese interests at least.
 - China, in particular, will be immensely interested in the location of the US military bases and the timetable for U.S. forces' stationing following unification.
- 5) In this light, South Korea and the U.S. need to state how they envision the post-reunification security structure on the Korean peninsula and in Northeast Asia: coexistence between U.S.-led alliances and a multilateral security cooperation mechanism in Northeast Asia.
 - To that end, ROK-U.S. diplomats should systematically carry out China diplomacy.
 - The role of U.S.-Korea alliance after Korean unification will play the stabilizer role between major powers.

- 6) If the United States pulls its troops out of Korea after unification, this would inevitably create a power vacuum in this part of the world, a void that would likely be filled by China or Japan.
 - South Korea can hardly accept such a consequence, especially since it has already suffered dearly in previous hegemonic struggles between China and Japan.
 - In addition, the U.S.-Korea alliance will prevent a unified Korea from going nuclear under the financial pressure of reconstructing the northern part of the unified Korea.
 - If a unified Korea is forced to fend for itself under a new Northeast Asian order without any trustworthy ally in terms of security concerns, it is possible that Korea will feel compelled to resort to the development of nuclear arms, for lack of a better alternative, in the interests of its own security.
- 7) But, U.S. military presence is not going to be automatically guaranteed.
 - A unified Korean people should agree that the U.S. has contributed to Korean unification.

East Asia Security: China and the U.S.

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Presently there are an increasing amount of security challenges in East Asia, and many of them involve China and the U.S. With Beijing's rapid ascent, President Xi Jinping proposed in 2012/2013 a "Chinese dream", which advocates "a rich and strong country; a rejuvenated nation; as well as a happy people".

China's rise and its aspiration have raised the U.S. apprehension. The Obama administration launched a scheme of "Asia Pacific Rebalancing" as its response, with the Trans Pacific Partnership (TPP) as its economic and trade component, and with a plan to eventually relocate 60% of its overseas American navy and air force to Asia.

Despite a Beijing-Washington extensive and intensive partnership on many regional and global matters, such as anti-terrorism, the Iranian nuclear issue, climate change, containing pandemics etc., the two countries face a growing amount of differences concerning East Asian security on such issues as:

- China's proclamation of East China Sea Air Defense Identification Zone (ADIZ),
- its fast and massive land reclamation in South China Sea,
- North Korea's nuclear and missile development,
- the deployment of U.S. THAAD (Terminal High Altitude Area Defense) system in South Korea.

As if this list has not been long enough, President-elect Donald Trump had a phone call with the leader in Taiwan, Tsai Ing-wen, soon after he was elected, and addressed her as "President". His tweet suggested that the longstanding "One China" policy could be renegotiated, as part of his "art of deal".

This essay outlines where the status of East Asia security is at the moment for each of the aforementioned issues, and projects the likely contour of the policy dynamics in the near future. All these bare important consequence on Sino-U.S. relations and regional security in Asia and Pacific.

North Korean nuclear issue

Since 2006, Pyongyang has conducted five nuclear weapons tests, including two detonated last year. The analytical community has nearly universally agreed that North Korea would not abandon its nuclear weapons program unless there would be a regime change. But with the recent assassination of Kim Jong-nam, the half-brother of current top leader there, Kim Jong-un, it is highly implausible to conceive a credible leadership replacement in Pyongyang now.

It is even more impractical to conceive a military preemption against North Korea at a time when it has been nuclear armed. On the one hand, any nuclear weapon survived from military preemption could bring about unacceptable retaliation. On the other hand, North Korea's conventional armed force has already acquired an ability to inflict on the South instantly an unthinkable disaster.

Therefore, Chinese President Xi Jinping and the U.S. President Donald Trump concurred at their Mar-a-Lago summit on April 6-7, 2017 that "the two sides commit to denuclearizing the North Korea *peacefully*".

Without a credible deterrent to Pyongyang's nuclear weapons development, it is sure that North Korea would not end its nuclear development. This leads to the difference between Beijing and Washington, as the U.S. demands China to pressure North Korea more forcefully.

A mid-ground formula to reverse North Korea's nuclear trajectory may be a mutual concession between the North and the other parties. For the part of Pyongyang, it has to at least commit not to developing more nuclear weapons and fissile materials for weapons purpose; not to transferring nuclear weapons abroad; and not to threaten to use nuclear weapons first.

Meantime, before North Korea would have abandoned its current nuclear weapons capability, other countries shall join a negotiation for dismantling its nuclear wherewithal incrementally and verifiably, while building official relationship with it.

China and the U.S. shall play a critical role to facilitate such a process, by providing both positive and negative security assurances to, and by monitoring unilateral nuclear arms control of, North Korea. President Xi Jinping's meeting with President Donald Trump and their subsequent phone call on April 12 is a positive indicator of this partnership.

THAAD Deployment

As a response to the threat from nuclear and missile development by North Korea, the U.S. and South Korea have finally agreed to deploy the THAAD system in South Korea. However, this has successfully driven a wedge between their relations with Beijing. China and Russia strongly opposed to such deployment at their doorstep, as the X-band radar of the THAAD could penetrate deeply into China, undermining their strategic deterrence.

While such a difference cuts China-U.S., and China-South Korea trust, it has played into the hand of North Korea, further undercutting the effectiveness of international collaboration to denuclearize North Korea. China and the U.S. have to search for a way out—such as the U.S. reduces the range of THAAD effectively and China figures out an additional approach to maintaining its present nuclear deterrence.

Such alternatives could include the introduction of China's next generation of ICBM (International Continental Ballistic Missile), the DF41, which promises to possess a range of about 15,000 km, enabling it to avoid being detected by THAAD. And, China can work to upgrade its current

strategic system, the DF5, to a MIRV (Multiple Independently Targeted Reentry Vehicle) level.

Proper balancing of missile offense and defense between China and the U.S. could help reduce their anxiety about missile offense capability of North Korea and missile defense of US/South Korea. China has to understand that major presidential candidates in South Korea now are all for the deployment of THAAD. Probably Beijing has to think about how to exit its current level of opposition to the THAAD in South Korea. It is necessary to question the wisdom of conditioning the entire China-South Korea relations on a single issue of THAAD deployment.

South China Sea

Lately China has much attached importance to maritime domain, and is seeking to protect its own sea lane of communication, especially against piracy. For this purpose, the Chinese military has leased a port from Djibouti for logistical supply. However, building up of its rock features in South China Sea islands has raised the U.S. eyebrow. During the Obama era, the U.S. pushed for "Freedom of Navigation" operation to assure its naval free access, which conflicts with China to some extent.

The U.S. has also supported Manila's lawsuit against China at the Hague-based Permanent Court of Arbitration (PCA). With the court ruling on July 12, 2016, China suffered its major setback, losing the entire case. Per the PCA ruling, China's claim of its historical rights in the entire area defined by the U-shaped lines is judged as not legitimate.

Subsequently, China has moderated its position to allow the Filipino fisherman back to the Scarborough Shoal. The U.S. side has unveiled that President Xi committed to President Obama in September 2015 when they met at the White House that China would not militarize the seven islands/islets that it had built up.

The Trump administration remains suspicious of China's intent in the South China Sea. President Trump has tweeted to express his displeasure about this, and Secretary of State Tillerson even said during his confirmation hearing in the U.S. Senate that the Chinese military shall not be allowed to access those artificial islands. Secretary of Defense

Mattis said, nevertheless, that it is unnecessary for the U.S. to dispatch more ships to this region, despite China's "irresponsible behavior".

China and the U.S. have to face their serious differences over their South China Sea dispute. To build confidence and trust between the two countries and two militaries, Beijing and Washington need to define their mutually acceptable term of "non-militarization" of those artificial islands, and implement their possible consensus. China should take its credibility serious at a time of its dramatic rise, and the U.S. should work with China in a friendly way to nurture the latter's habit of keeping its promise.

China may be lucky to have Phillipine President Duterte elected as the President in Manila last year, as he is eager to improve relations with Beijing to aid the Phillipine's economy and its anti-narcotics campaign. China took advantage of this to shelve maritime dispute with the Philippines while promoting business and investment under its "One Belt One Road" initiative.

Nevertheless, the South China Sea issue is far from being settled. With China's build-up of those islands and military installation there, its maritime neighbors will remain apprehensive. They are worried about Chinese fishing in their exclusive economic zones, possibly backed by China's military facilities in those deep southern Spratly islands.

China's signal of a dual-track process of settling the dispute offers a possibility of a solution to peace. Beijing has proposed to launch various bilateral talks with each of those claimants with overlapping claims with China. Meantime, China and all other claimants should work together to implement any possible peaceful solution they may be able to conclude. In this context, Beijing seems to be interested in expediting China-ASEAN (Association of South East Asian Nations) negotiation for a South China Sea Code of Conduct (CoC), a legally binding international instrument which will be applicable to all these eleven countries.

Reportedly the Trump administration has been cautious to push for the Freedom of Navigation operation in the South China Sea area. This gives more constructive space between Beijing and

Washington to conduct their military-to-military talk, which could now be imbedded in the newly established Dialogue on Diplomacy and Security sparked at the April summit in Florida.

Should the two militaries work out a certain partnership through which China honors its word not to militarize the reclaimed islands, and the U.S. minimizes its military presence in the region, the Trump government may develop the most cooperative maritime collaboration in the South China Sea.

East China Sea

For decades China and Japan have worked out their tacit arrangement that while China doesn't challenge Japan's control over Diaoyu/Senkaku Islands, Japan doesn't allow private people such as fisherman into the disputed territorial waters. However, this delicate balance was broken in 2012 when Japan announced to nationalize the three main islands of the Diaoyu.

China responded by sending its official vessels into the area. Lately the governmental vessels have maintained such frequency of entering the territorial waters once a month. In 2013 China also announced to establish its East China Sea Air Defense Identification Zone (ADIZ), triggering opposition by Japan, South Korea and the U.S. China has demanded Japan to denationalize these three islands so as to be back to the previous status quo, but Japan has so far refused.

Given an ever intense situation, the U.S. has made its position clearer to defend Japan, in case a contingency would emerge in Diaoyu/Senkakus. President Obama stated clearly during his State Visit to Japan in April 2014 that the U.S.-Japan security alliance would be applicable for Senkakus. Prior to that, America's commitment to defending these islands for Japan was quite ambiguous.

Given China's setting up of the East China Sea ADIZ, the U.S. and Japan have agreed to allow, or not to disallow, their civilian aviation to follow the Chinese demand. Also, China and Japan established in January 2015 an Air and Sea Emergency Liaison Mechanism on the East China Sea. Presently it is of high importance for them to implement this crisis prevention institution.

Over the past few years, China-Japan relations have shifted from the old status quo to the present new status quo. Beijing and Tokyo need to draw the lesson to exercise respective caution and restraint so as not to challenge their respective national interests in East China Sea, and if so, the U.S. would have no need to take side and intervene.

Taiwan issue

From Nixon to Obama, the successive eight U.S. administrations have moved toward and adhered to a “One China” position, which accepts such reality and accords significant interests to America, in terms of bilateral relations, regional affairs and global governance.

However, there remains a certain centrifugal force in Taiwan which advocates for Taiwan’s independence. The present Taiwan leader, Tsai Ing-wen, has been such a figure. In the late 1990s, she drafted the then local government’s discourse of a “special two-country relationship”. After being elected this time, she still refuses to accept the “One China” concept which was embodied in the “1992 Consensus” attained by the then official representatives across the Taiwan Strait.

President Donald Trump played with fire after being elected, by addressing Ms. Tsai as “president” in his conversation on the phone with her. He has also tweeted that he was interested in renegotiating the “One China” policy for America’s interest. This generated great suspicion from mainland China in terms of Trump’s immaturity and unpredictability. His erroneous remarks in this regard have also met bipartisan critique at home.

Through official open process and behind-the-scene diplomacy, China and the new U.S. administration have quickly sealed their difference. On February 10, 2017, the two presidents called on the phone, and President Trump stated that “at your (President Xi’s) request, I affirm that the U.S. will honor the ‘One China’ policy.” Then, they quickly lifted their relationship by having their first meeting for seven hours at the Mar-a-Lago estate, in Florida in April 2017.

Apparently a good deal has been made between the two presidents. On the trade and investment front, China and the U.S. agreed to launch a “One-Hundred-Day” program to balance their two-way

trade, and promised to achieve much by the time President Trump will visit China late in the year. They also concurred with the U.S. missile strike against Syria, and China may agree to cooperate with the U.S. on dealing with North Korea’s nuclear and missile threat.

China and the U.S. are improving their security relationship on almost all counts of the abovementioned issues, including the North Korean nuclear/missile threat, peace and tranquility in South China Sea, ensuring stability in East China Sea given the change already, and assuring there is no change of the “One China” principle in the context of Taiwan question. These are all encouraging messages at a time of great uncertainty.

To be sure, China and the U.S. are still divided on America’s deployment of the THAAD system on the Korean Peninsula. Over time, China may better understand the security drive of the U.S. and South Korea in doing so, and shall work out with Washington and Seoul to reduce its negative strategic impact. Otherwise, it has to proceed unilaterally, or in partnership with Russia, to offset THAAD’s effectiveness.

Japan's Reprocessing Program and the Risk of Global Plutonium Proliferation

Taro Kono

Member of the Japanese Diet

On December 21, 2016, the Japanese government decided to decommission "Monju," the pilot fast breeder reactor in Tsuruga, Fukui. Since its sodium leaking accident on December 8, 1995, the Japanese government has spent \$4 billion just to keep the Monju reactor idling safely.

Japan's nuclear fuel cycle was supposed to operate as follows. Firstly, uranium fuel was used by the nuclear reactors to produce electricity. Spent fuel was subsequently reprocessed to extract plutonium. Lastly, the plutonium was introduced into the fast breeder reactor. (Figure 1)

Previously, Japan would send this spent fuel to France and the United Kingdom for reprocessing. Since the current U.S.-Japanese nuclear agreement allowed Japan to reprocess spent fuel in Japan, Japan has begun building a reprocessing plant of its own in Rokkasho, Aomori. Japan was supposed to develop a fast breeder reactor that used plutonium as fuel and that increased the volume of plutonium in the reactor, but, after many years, has completely failed to realize this project.

In reprocessing Japan's spent fuel, France and the UK have produced 48 tons of plutonium, which is enough to manufacture 6,000 nuclear weapons; of this total, 10 tons have already been returned to Japan with the remaining 38 tons to be returned eventually. The decommissioning of the Monju reactor and the failure of the fast breeder reactor program, however, mean that Japan will no longer be able to utilize this plutonium. Moreover, when the reprocessing plant in Rokkasho begins operations, an additional 8 tons of plutonium sufficient for 1,000 nuclear weapons will be produced yearly. (Figure 2)

In spite of such numbers, Japan has no intention to develop a nuclear weapon whatsoever; but if Japan, with its advanced technology, continued to produce enough plutonium yearly for 1,000 nuclear

weapons, what reaction might it elicit from a neighbor such as China?

Power companies along with METI (the Ministry of Economy, Trade and Industry) are now trying to promote the "plutonium thermal" program, which intends to load into nuclear reactors a mixed-oxide fuel, or "MOX," a mixture comprised of 10% plutonium and 90% uranium as a substitute for the standard uranium fuel. Not only is MOX very expensive to produce but is considered to be more volatile in the reactor. If the Japanese government were to initiate the "plutonium thermal" program, a new reprocessing plant suited for the MOX spent fuel must also be built in addition to related facilities, in all a very costly venture. While the "plutonium thermal" program may save 10% on uranium resources, the high economic costs outweigh the benefits. In summary, reprocessing the spent fuel would save about 10% of Japan's uranium resources, but the total cost of its nuclear fuel would more than double. (Figure 3)

Usually spent fuel is stored in cooling pools beside the nuclear reactors on site. However, power companies have promised the municipalities with nuclear power plants that the spent fuel would not remain on site. Instead the Rokkasho reprocessing plant in Aomori was supposed to receive the spent fuel from the nuclear power plants. The power companies and the government persuaded the Aomori prefecture that the spent fuel was not nuclear waste but rather a valuable resource from which plutonium is extracted. The reprocessing plant in Rokkasho has a 3,000-ton cooling pool to which the power companies have continuously sent spent fuel from other prefectures while lacking the foresight to build additional facilities to accommodate the build-up. As the Rokkasho reprocessing plant has not yet become operational, it has not been able to reprocess the spent fuel stored in its cooling pools, which are now filled to capacity.

Thus, spent fuel can no longer be sent to Rokkasho and must instead be stored at nuclear power plants which, if re-commissioned, will have cooling pools filled to capacity within several years. In fact, just before the Fukushima accident, the cooling pools on site of most nuclear power plants in Japan had been fast filling up to capacity.

So now the prevailing dilemma is allocation of a worthless material, the spent fuel. The government and power companies have promised the municipalities with nuclear power plants that the spent fuel will not remain there but have simultaneously promised Aomori prefecture that if the reprocessing operation at Rokkasho were halted, spent fuel previously transported to Aomori would be removed from the prefecture immediately. But given the inability of Japan to utilize its excessive stores of plutonium, there is actually no need for reprocessing the spent fuel. As there is nowhere to store the spent fuel other than at Rokkasho, the government must continue to work towards opening of this reprocessing plant, or at least pretend to do so. Furthermore, the high-level nuclear waste, the by-product of reprocessing operations, has no proclaimed terminal disposition site.

Given that plutonium emits radiation with a lower penetration depth, it is significantly easier to handle even for terrorist organizations and other non-state actors. Separating plutonium from MOX fuel does not require sophisticated chemistry knowledge. Thus, extracting plutonium from spent fuel puts the international community at risk by increasing the ease of access to nuclear materials for organizations and groups that could use them aggressively. In preventing access to said groups, the international community must stop reprocessing spent fuel.

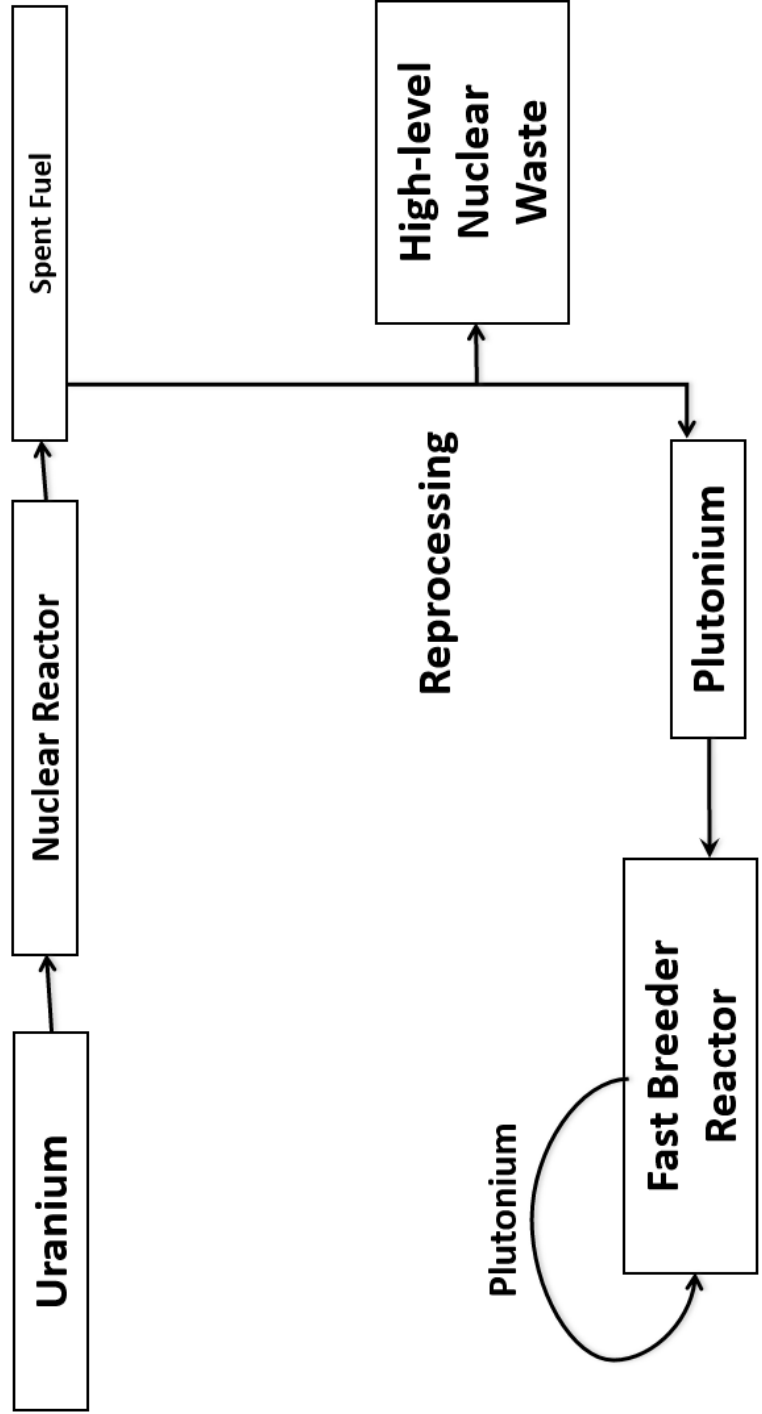
The South Korean government is currently lobbying the U.S. for the right to reprocess spent fuel, arguing that South Korea should have the same right to reprocess as Japan. However, such an imprudent move by South Korea, which once tried to pursue a nuclear weapon program in 1970s, to strengthen its nuclear development program will undoubtedly elicit a strong reaction by the North Korean regime, in turn destabilizing the Korean Peninsula and exacerbating an already tense relationship. Additionally, countries such as Iran and

South Africa have expressed an interest in reprocessing spent fuel. If the U.S. were to grant permission to South Korea to do so, this precedent would make any denial of permission to the other countries indefensible. Thereby, the ratchet of nuclear technology proliferation will accelerate as more countries seek the right to reprocess spent fuel and extract plutonium, and it will become ever harder to prevent the spread of unstable and immeasurably dangerous nuclear technology to countries around the world.

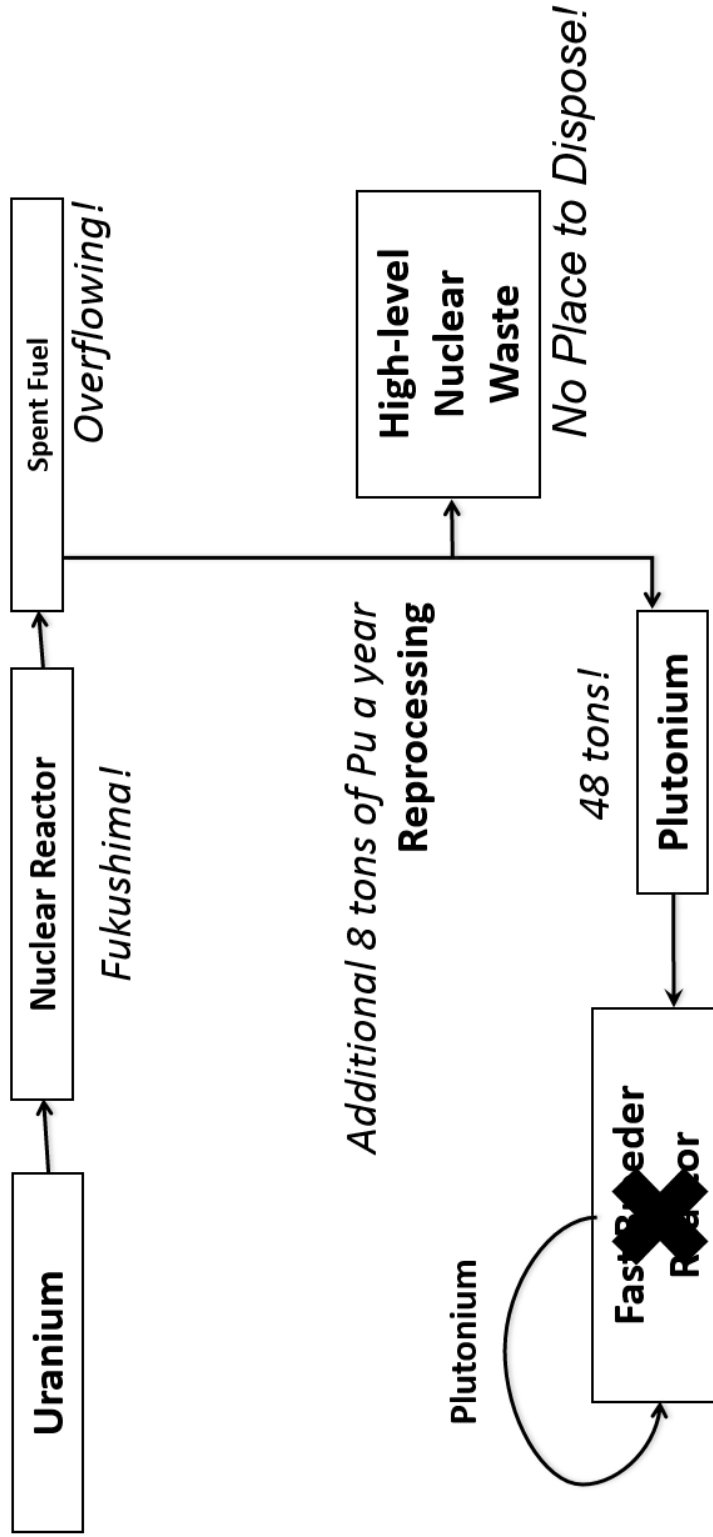
In the interests of a safer and less politically volatile world, the governments of Japan and of the United States must firmly resolve to stop the global reprocessing of nuclear spent fuel and the resultant extraction of plutonium. Just as the U.S. abandoned commercial reprocessing in 1977, Japan should terminate commercial reprocessing at Rokkasho and its use of plutonium. Japan should also request that the U.K. and France safely dispose of Japan's plutonium stockpile in both countries.

In 2018, the U.S.-Japan Nuclear Pact will come to the end of the current term. The treaty must be amended to affirm the termination of the reprocessing of spent fuel in Japan.

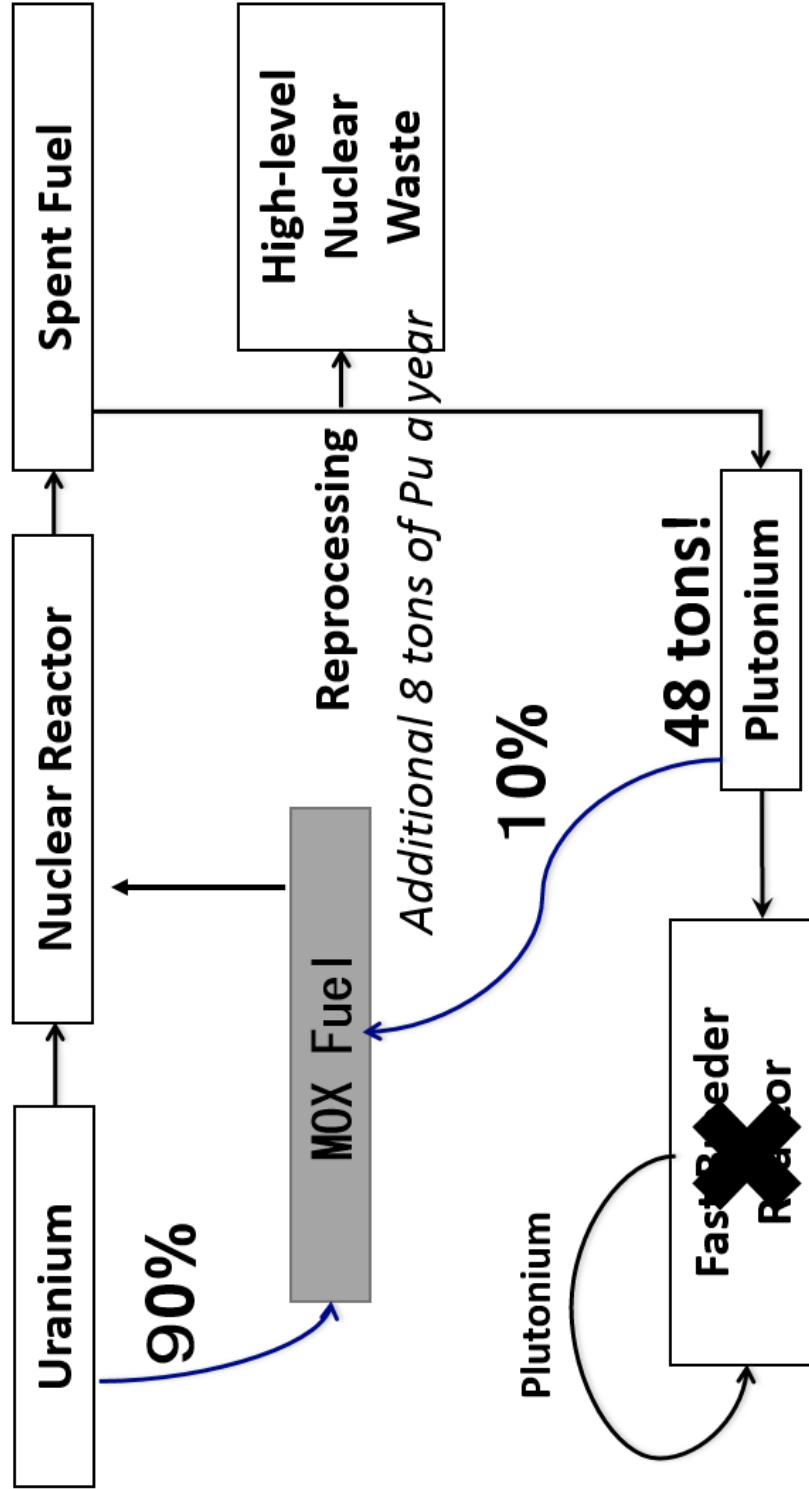
Nuclear Fuel Cycle: A Rosy Future



Nuclear Fuel Cycle: A gloomy Future



"Plutonium Thermal" Program



The Economic Dimensions of U.S. Engagement in East Asia

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Over the past two generations, the U.S. economy has experienced a tremendous increase in globalization. The share of international trade in national income has risen steadily from nine % in 1960 to roughly 30 % today (figure 1). That expansion of trade has largely been driven by falling transportation and communications costs and rising incomes, but supportive trade policies have also played a role. Asia has been an important part of this process, accounting for more than one-third of U.S. trade for the last thirty years.

Trade is beneficial: Between 1950 and 2015 the U.S. has gained an estimated more than \$2 trillion annually from international trade, with gains of \$500 billion or more from liberalization still on the table. Broadly speaking, the U.S. has specialized in agriculture, high technology manufacturing, and business services, while importing a wide range of manufactures from abroad. In recent years, this process has been pushed forward by the development of extensive cross-border supply chains, particularly in vehicle assembly and electronics. Asia has figured prominently in these global value networks.

The gains from trade have not been shared equally, however. Basic international trade theory indicates that trade expansion will differentially impact the earnings of various factors of production. In the U.S., this means that trade expansion will tend to depress the wages of low-skilled workers, increase the wages of some skill classes, and may well increase the returns to capital, land, and other natural resources. To the extent that the highly skilled are the predominant owners of capital and land, the net effect of these changes is likely

to increase income and wealth inequality within the U.S., absent compensatory policies.

An obvious solution would be to accompany trade opening with improved social safety nets, but the U.S. has largely failed to do this. While the benefits of trade may be on the order of \$2 trillion per year, expenditure on the federal Trade Adjustment Assistance (TAA) program is peanuts, a little over \$800 million for the 2016 budget. To make matters worse, the consensus of professional observers since at least the 1990s is that the program is ineffective.

Labor market dislocations may be caused by any number of forces, from technological change to international trade to tax policy. Rather than making eligibility contingent on parsing the cause of job loss, as under the existing TAA program, a superior approach would be to expand the Earned Income Tax Credit (EITC) or adopt a generalized system of wage insurance and retraining to address the needs of those displaced regardless of the specific cause. These proposals have the attraction of rewarding continued participation in the labor market, which has declined, in part because the existing disability program has been misused as a permanent unemployment compensation scheme.

More broadly, the provision of improved safety nets should be accompanied by efforts to improve the underlying competitiveness of the U.S. economy through improved education, skills upgrading, and alterations in the tax code to increase investment and shift its composition toward more productive uses.

The 2016 election underscored public dissatisfaction with the status quo. The U.S. is on the cusp of a potential turning point where the new administration and Congress could reverse course on 80 years of movement toward freer trade and enhanced multilateral cooperation. Asia figures prominently in these developments.

U.S. Trade Policy under the Trump Administration

Since the 1930s, when a global drive to raise trade barriers deepened the Great Depression, U.S. specialists and the public at large have shared the belief that a liberal U.S.-led rules-based international trade regime is in the U.S. national interest. Trade policy has thus seldom, if ever, risen to a top-tier issue in electoral politics. In this regard, the 2016 election marked a departure.

During the presidential campaign, Donald Trump emphasized three recurring themes in the area of trade policy. The first was the importance of trade balances, including bilateral trade balances. In this view, a major challenge facing the United States is its \$500 billion goods and services trade deficit, more than half of which is with China, with Japan and Korea also contributing.

From Trump's perspective, the second and third themes of his campaign—currency manipulation to gain unfair advantage in trade and “disastrous” trade agreements—provide both the explanation for the deficit problem and the starting points for a solution. With respect to Asia, he lambasted the Trans-Pacific Partnership (TPP) and repeatedly called the Korea-U.S. Free Trade Agreement (KORUS) a “job-killer.” He expressed hostility toward outward foreign direct investment, and this attitude presumably disinclines him toward concluding the bilateral investment treaty with China currently under negotiation.

Since coming into office, President Trump's record on fulfilling campaign pledges has been mixed. Although he did not follow through on

his pledge to declare China a currency manipulator his first day in office and impose a tariff to offset the advantage of currency undervaluation, he did withdraw U.S. support for the TPP and has indicated that he does indeed want to renegotiate the North American Free Trade Agreement (NAFTA). The withdrawal from the TPP amounts to a self-inflicted wound: It not only denies the U.S. the sizeable benefits that the agreement would have brought (at least \$100 billion annually) but sends a signal to Asia of U.S. abdication of leadership in the face of a rising China. Given their extensive investments in North America, particularly in motor vehicles and electronics, Asian firms also stand to lose from any disruption to NAFTA. In these early days of the Trump administration, there is some uncertainty as to whether the relative lack of concrete action reflects the distinction between governing and the political theater of the campaign trail, the biding of time, the slowness of American governments with their thousands of political appointments to get organized, intra-government policy disagreements, or sheer disorganization. The administration has paid more attention to Mexico than China, perhaps reflecting an assessment of greater Mexican pliability.

With regard to the central claim that China is a currency manipulator, U.S. law establishes criteria for that designation: (1) a significant bilateral trade surplus with the United States, (2) a material current account surplus, and (3) persistent one-sided intervention in the foreign exchange market. Under the U.S. Treasury's definitional thresholds, no economy currently satisfies all three criteria. Five major trading partners of the United States (China, Japan, Korea, Taiwan, and Germany) meet two of the three criteria for enhanced analysis, however, and have been placed on a “Monitoring List.” If China were formally declared a currency manipulator under the existing law, the president would have a number of possible remedies; the most drastic would be to bar Chinese enterprises from the U.S. government procurement market.

If the administration wanted to take more aggressive action, it could either instruct Treasury to relax its definitions (to affirmatively

identify more manipulators) and/or go back to Congress to authorize additional penalties. New legislative provisions might include requiring currency manipulation provisions in future trade agreements or authorizing countervailing currency intervention in the foreign exchange market. The former suggestion would likely be rejected by other countries; the latter might not be feasible in all cases.

Another big issue is China's market economy status (MES) in the World Trade Organization (WTO). When China joined the WTO it was classified as a non-market economy (NME), which allows the Department of Commerce to use very elastic procedures in anti-dumping investigations. China understandably wants to constrain this discretion, and under its WTO accession agreement NME status was to end in December 2016. If the Trump administration continues to treat China as an NME in anti-dumping investigations, China could probably take the U.S. to the WTO on the MES issue and win, and indeed has already initiated a complaint. But going the WTO route would take a couple of years and might erode U.S. support for the whole WTO system, which has benefitted China greatly, especially in light of President Trump's periodic threats to ignore the WTO or withdraw the U.S. entirely. Moreover, the rise of countervailing duty cases in recent years means that the real degree of de-protection if China were to be granted MES is probably less than either proponents or opponents expect—regardless of China's status, U.S. trade law retains significant tools to penalize unfair trade practices. It might be preferable to enter into negotiations to strike a balance between China's desires for improved market access and U.S. concerns about market access in China. Sectoral MES might be one component of an overall accommodation.

Another component might be improved protection for U.S. intellectual property rights (IPR). The Office of the Director of National Intelligence estimated that IPR theft costs the U.S. economy \$400 billion a year, and a review of recent evidence led by former U.S. Director of National Intelligence Dennis Blair and former U.S. Ambassador to China Jon Huntsman

concluded that the \$400 billion estimate remained plausible. Not all of this loss is due to Chinese actions, but China looms large in American concerns in this area.

As for trade policy, existing laws give the president considerable authority to undertake unilateral action without congressional approval. If the president were to decide that the current situation warranted imposing punitive tariffs, and the Chinese were to respond in-kind, the resulting trade war would damage the U.S. economy, costing jobs, depressing output, and creating financial market turmoil. Formal modeling indicates that the capital goods sectors would be the worst hit, though the negative shock would propagate to so-called "non-tradable" sectors, such as retail distribution and housing, not normally associated with international trade. The labor market impact would be regressive. Washington would be the worst affected state, and Los Angeles the worst affected county. If China were to retaliate against specific sectors such as aircraft, corn or soybeans, or business or educational services, the magnitude and incidence of the damage would obviously differ accordingly.

Medium-Run Concerns

While the possibility of a trade war created by the president's broad legal authority to take unilateral action in the trade arena is concerning, the greater threat may emanate from how the administration's trade policy proclivities could interact with U.S. macroeconomic policy. It is at this juncture where problems could escalate quite dramatically.

The president ran on a platform of tax cuts, increases in spending on infrastructure and defense, deregulation (especially with respect to the financial and energy sectors), and some ill-defined reform of the healthcare system. The House Republican leadership has put forward a tax plan that seeks to offset revenue losses due to rate cutting with the imposition of a border adjustment tax (BAT). Exports would now be exempted from corporate income taxes, but unlike the present system, companies could not

deduct expenditures on imports when computing their corporate tax liability. The price of imported goods would rise by 20 %, but the proponents of the plan argue that the value of the U.S. dollar in the foreign exchange market would also rise by 20 %, rendering the tax change imperceptible to American consumers.

There are myriad reasons to doubt that everything would even out cleanly in reality. The value of the dollar in the foreign exchange market is affected by many factors, not just trade flows. In other countries where similar tax systems have been introduced, local prices have risen sharply. Industries that use a lot of imported components in production, such as automobiles and electronics, could be particularly hard hit and forced to raise prices to consumers. For these reasons major retailers and numerous industry groups oppose the proposal. Some economists argue that these effects would be regressive, disproportionately hitting the poor who rely on cheap imported products. Others believe that the plan would run afoul of U.S. commitments to the World Trade Organization and could even lead to trade retaliation against the United States. There are many grounds for skepticism and the Administration continues to hedge its support for the House proposal.

The U.S. was already on track for some additional fiscal stimulus that would likely generate a short-term growth spurt, budget deficits, rising interest rates, and an appreciated dollar—even with the additional revenues generated by the BAT. If the proposal fails, the U.S. could end up adopting increased spending—but with markedly lower tax revenues, further reinforcing the fiscal expansion. One can debate how close the U.S. is to full employment and therefore how much stimulus the economy could take before overheating and how aggressively the Federal Reserve might raise interest rates. The U.S. current account deficit was on a widening trajectory before the election, and the Trump macroeconomic policy could reinforce this tendency.

What could transpire is a very nasty version of the first Reagan administration: Growing

trade deficits led Reagan to impose trade protection, indeed “more trade protection than any president since Herbert Hoover” in the infamous words of then-Treasury Secretary James Baker.

And President Ronald Reagan was an ideological free-trader, who had to at least feign reluctance to impose protection.

That ideology was one reason that protection in the Reagan administration took the form of “voluntary export restraints” undertaken by America’s trade partners, particularly Japan, rather than self-imposed tariff protection.

Trump administration officials have pointed approvingly to the first Reagan administration’s policies toward Japan as a model, at times even claiming that Reagan merely threatened protection and the Japanese complied. But it goes without saying that the relationship between the U.S and China today is very different. The U.S. was Japan’s political and military guarantor in the context of the Cold War. Ultimately, Japan would comply with U.S demands in the trade sphere, however grudgingly. Today’s rivalry between the U.S. and China could not be more different.

The real issue for Asia and the rest of the world may be less in the Trump administration's first 100 days than in 2018 or 2019, when the Trump fiscal stimulus kicks in and the administration is tempted to reach for trade protection in a quixotic attempt to deal with growing trade deficits. A nation’s trade deficit fundamentally reflects the difference between saving and investment—if a nation consumes more than it produces, it runs a deficit; if it produces more than it consumes, it runs a surplus. Trade policy can affect the sectoral and geographic composition of the deficit, but in the long run, the trade balance is determined by the saving-investment balance. The most direct way to lower a nation’s trade deficit is to increase its saving rate, most obviously by reducing public dissaving. Unfortunately, U.S. fiscal policy appears to be moving in the opposite direction.

Conclusion

The U.S. benefits from international trade, and Asia and the U.S. have had a mutually beneficial and deepening economic relationship. A byproduct of that deepening economic integration, however, is a tendency toward increased income and wealth inequality within the U.S. The appropriate response is not to adopt trade protection but rather implement a package of improved adjustment measures and longer-term policies to enhance competitiveness.

The rejection of the TPP was an unforced error that damaged U.S. interests and further opened the door for Chinese leadership. The U.S. has a multifaceted economic relationship

with China, and the issues of currency manipulation, NME status, and market access are all potential flashpoints. Mismanagement of these issues could harm the U.S. economy and create collateral damage elsewhere in Asia. The pursuit of bilateral deals is likely to be difficult (because of the perception of their zero-sum nature) and have relatively limited impact. Rather than retreating or pursuing bilateralism, a re-examination, revision, and expansion of a regional agreement along the lines of the TPP is more likely to generate substantial and sustained benefits to the U.S. economy.

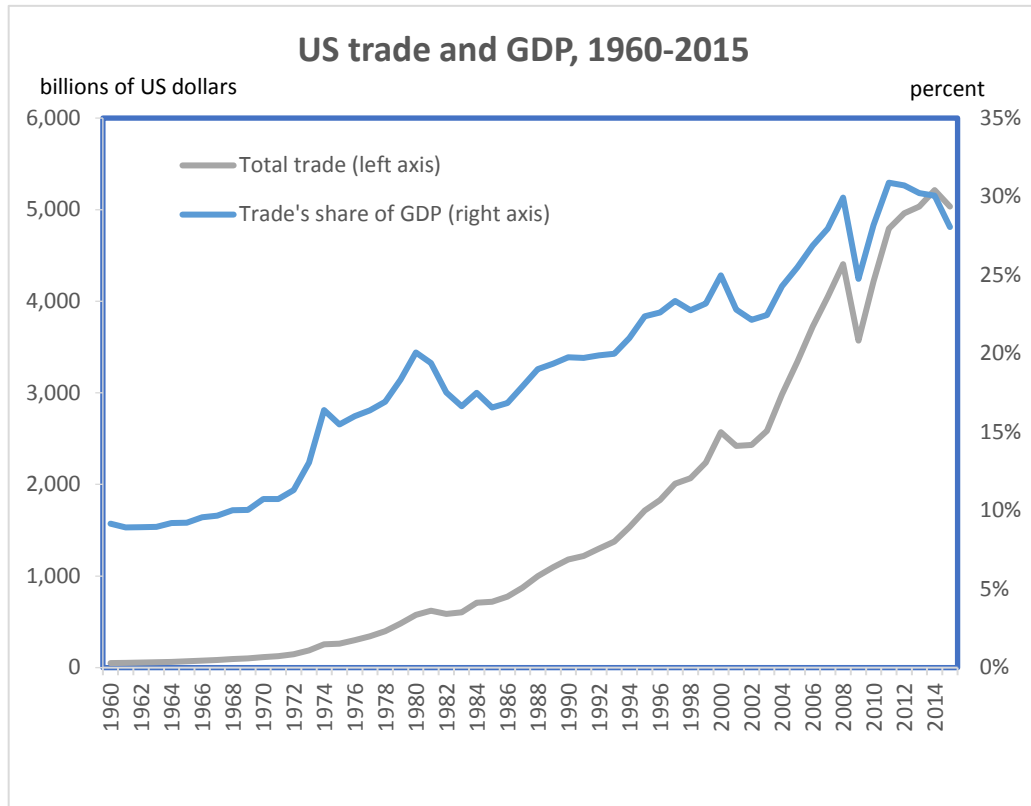
THE ECONOMIC DIMENSIONS OF U.S. ENGAGEMENT IN EAST ASIA

Marcus Noland

Peterson Institute for International Economics and the East-West Center

March 2017

Figure:



Source: US Bureau of Economic Analysis.

The Changing World Trading Environment: A View from East Asia

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Sluggish Growth of the Chinese Economy

The world economy is still staggering. Not only the global economy but also global trade does not seem to recover from the recession. Although trade, in the past, used to lead world economic growth, current growth rates of world trade are lower than those of world economic growth. China, which used to be known as the world's factory, has lost its two-digit growth rates and now its economy grows at the 6% level. This kind of change in the world economy is referred to as the "new normal," implying that the Chinese economy will not be able to get back to its glorious track of growth. Chinese leaders have also acknowledged their revised core economic policy stance to put a priority on enlarging the domestic market as well as the development of the Western region in China.

In fact, Chinese rapid economic growth for the past 20 years was led by its amazing export performances of foreign firms invested in China. They have been importing various production inputs (such as capital goods, parts and components and materials) from their home countries in order to assemble them into final goods to be exported to the world market. Therefore, the rapid expansion of Chinese exports not only benefitted Chinese economic growth but also the economic growth of those countries which provided production inputs. For example, Korean companies invested in China imported most of their production inputs from their parent companies in Korea and exported final goods

produced in China to the world market. In other words, most foreign companies in China have supplied processed exports to the world market, not to the Chinese domestic market.

Consequently, recent retraction of Chinese exports due to the global recession is also causing an overall reduction in Chinese imports from countries that provided various production inputs. Examples of such phenomenon can be found in the cases of Korean,¹ Japanese and most of South East Asian countries' exports towards China. Moreover, since China attempts to produce key production inputs locally, its trading partner countries are experiencing more difficulties in exporting production inputs to China.

This trend is likely to continue for the coming years. Furthermore, many East Asian countries which have sustained their economic growth from exports to the most of the developed economies such as the United States, the EU and Japan are also facing further challenges due to the continued sluggish growth of the world economy. At the moment, the world economy does not look to fully recover anytime soon and most of the East Asian nations' economic growth will not bounce back in the foreseeable future. In the meantime, some Korean and foreign companies are trying to penetrate into the Chinese domestic market, which is growing at a 6.5% per annum, placing some hopes for moderate increases in their exports to China.

¹ Korea's exports to China declined by 5.6% and 9.3% in 2015 and 2016, respectively.

Trade Integrations in the Asia-Pacific Region

The current world trading regime is facing a deep crisis. The multilateral trading system, centered by the World Trade Organization, is going through the most critical difficulties since its establishment in 1995, due to the stalemate of the Doha Round, launched in 2001. As a response, several plurilateral trade negotiations on specific topics, such as a trade in services agreement (TISA)² and an environmental goods agreement (EGA), are on the way, but only selected WTO members are participating in these negotiations. In addition, regional trade agreements (RTAs) with more than two participants are recently under negotiations. In the Asia-Pacific region, the Trans-Pacific Partnership (TPP), where 12 countries including the U.S. participate, the Regional Comprehensive Economic Partnership (RCEP), where a total of 16 countries participate including 10 ASEAN countries and Korea, China, Japan, Australia, New Zealand, and India, and a China-Japan-Korea (CJK) trilateral Free Trade Agreement are simultaneously being pursued.

Among them only the TPP finalized the negotiations and the participating countries had started to take the domestic ratification process.³ However, the implementation of the TPP has been stopped since the U.S. decided to withdraw from the TPP as the new U.S. President Trump had promised during the presidential campaign. The withdrawal of the U.S. from the TPP was disappointing news since the TPP was expected to play a catalytic role for both the multilateral and other regional trade negotiations, especially in the midst of the uncertain world trading environment.

At the moment, we do not know ultimately what will happen to the TPP in the future. Some trade experts still argue that the U.S. could change its position and decide to participate in the TPP in the future. Even in this case, the U.S. may have to

request for additional negotiations for some amendments on the final text in favor of its domestic industries. However, it will be extremely difficult for the U.S. to accommodate 11 other countries for additional negotiations.

As to the RCEP and CJK trilateral FTA, negotiations are moving very slowly without substantial progress. Regarding the RCEP negotiations, at the East Asian Summit held in Laos in September 2016, leaders confirmed that the RCEP negotiations would not be completed before the end of 2016.⁴ Likewise, CJK trilateral FTA negotiations are also moving slowly due to difficult political relations among the three countries. At the moment, we do not know when these negotiations will be actually completed.

Economic Effects of Asia-Pacific Trade Integration

The completion of the ongoing negotiations and the actual implementation of the regional trade agreements in the Asia-Pacific region will take quite some time. Meanwhile, the effects from such RTAs, if implemented, on East Asian economies could be foreseeable. First, it is hard to imagine that the RCEP and CJK FTA are to be quality FTAs with high level concessions. Notably China, India, and also some ASEAN member countries are still reluctant in liberalizing their domestic markets. Therefore, even if the RCEP and CJK FTA negotiations are finalized, their economic impacts on both participating and non-participating countries would be hardly significant.

Even though the TPP agreement will not be implemented, it would be useful to explore its potential economic impacts. First of all, since economies of the most TPP participating countries except Vietnam and Malaysia are already quite open, the economic impacts will not be that significant. Furthermore, it is often pointed out that the TPP's economic effects would be limited

² Currently 23 WTO members are participating in the negotiations. Among the 23 participants China was not included.

³ The TPP negotiations among 12 participating countries were concluded on October 5 2015 and formally signed on February 4 2016.

⁴ The initial deadline for the RECP negotiations was the end of 2015.

since it did not embrace some major economies of East Asia, such as China, Korea, Indonesia, Thailand, and the Philippines. Therefore, trade experts often suggest that right after the implementation starts, the TPP should consider expanding its membership by accepting additional countries in East Asia such as some countries mentioned above. The TPP, however, is known as a high standard RTA, and if the integrated rules of origin are accepted, non-participating countries may face some challenges of trade diversion.

It is predicted that Vietnam would be the greatest beneficiary upon the entry into force of the TPP. Vietnam has abundant cheap and quality labor, so that not only firms of the TPP participating countries but those of non-participants will rush to the country to invest. Final goods assembled and parts and components produced in Vietnam can be exported to other TPP member countries with preferential treatment. It is thus expected that a number of firms will carry out processing trade in Vietnam. It has already been witnessed that a large number of manufacturing bases are moving to Vietnam as a part of such trends.

If these trends continue, China might be the biggest loser of the TPP. Korea is no more different than China for parts and components from Korea would be replaced by those from TPP member countries.⁵ Fortunately, as Korea has already achieved bilateral FTAs with 10 of the 12 TPP participating nations, the economic damage would be minimized. Nevertheless, Korean firms would get an advantage in production and trade from participating in the TPP, for they can avoid the “spaghetti bowl” problems through using the integrated rules of origin. In this line of reasoning, the Korean government has expressed its interest in joining the TPP when the right time comes.

Future World Trading Environment

The outlook of the global trading system will be continuously uncertain. As mentioned earlier, the multilateral trade negotiations of the Doha Round are failing without any concrete plan for the future. Also there are no clear pictures on the current RTAs, which implies that the idea of forming a Free Trade Area of the Asia-Pacific (FTAAP) seems to be a remote possibility.

In addition, U.S. President Trump has been announcing numerous trade policy measures including the withdrawal of the U.S. from the TPP and the renegotiations of NAFTA. President Trump is also seriously considering the imposition of some kind of additional taxes on imports, particularly from countries who have larger bilateral trade surpluses against the U.S. In relation with this, the U.S. would designate “currency manipulating countries.” Furthermore, the U.S., along with the EU, has decided not to grant market economy status to China—which is being challenged by China at the WTO.⁶

At the same time, public sentiment on free trade is becoming extremely negative as can be seen in the “Brexit” decision and the presidential campaign in the U.S. If such sentiment spreads globally, it is certain that protectionism will rise. In fact, protectionist trade measures are actually on the rise. Nontariff measures such as anti-dumping, countervailing and safeguard measures, SPS regulations and various technical barriers are frequently imposed.⁷

Trade experts are concerned that the world trading environment could be driven into some kind of trade war in which major economies invoke relentless retaliatory trade measures against each other. Notably, the trade frictions between the U.S. and China could get aggravated. Although such extreme incidents are unlikely to

⁵ Korea’s export share of intermediate goods is very high (67.6%), compared to Japan (58.9%), China (39.2%), Mexico (34.1%), Vietnam (21.6%).

⁶ China considers taking up the challenge to the WTO dispute settlement body as the U.S. and the EU did not grant China “market economy” status in December 2016 on the 15th anniversary of China’s membership in the WTO.

⁷ According to ‘2015 Global Trade Alert’ reported by the Center for Economic Policy Research (CEPR), more than 3,500 protectionist measures have been undertaken in the G20 countries since 2008.

happen, it seems that any supportive voice for free trade will be hardly heard for quite some time in the future.

Yet one must understand that when protectionism gets rampant, it is everyone who suffers from it. Particularly, it should be noted that the Smoot-Hawley Tariff Act of the 1930s resulted in grave inefficiency instead of a recovery of the U.S. economy. At this very critical moment, the importance of going back to the basics, such as strengthening the multilateral trading system, must draw more attention. Nevertheless, it is very unfortunate that the world economy is still in recession, which seriously impairs the significance of free trade.

A Few Thoughts on the Global Trading System

Now a few suggestions on the future global trading system could be suggested. First of all, the WTO members developed and developing alike should seriously discuss how to save the multilateral trade negotiations. All of us must understand the far-reaching implications of the failure of the multilateral trade negotiations. In October 2016, an informal gathering of the WTO trade ministers was held in Oslo, Norway but not much was discussed about the future Doha Round. To save the Doha Round, it would be necessary to revise the agenda which was written 16 years ago to be compatible with the current and future trading environment. The middle power members of the WTO including Korea can earn the mandate from all members and play a constructive role in revising the Doha Round agenda. Then we can resume the multilateral trade negotiations at the WTO. There is no need to hasten, but at least one track for the multilateral trade negotiations should be maintained.

The WTO members should also think about delivering another meaningful agreement at the

next ministerial conference (MC11) to be held in Argentina in December this year. Issues like e-commerce, facilitation of trade in services,⁸ dispute settlement understanding and possibly investment could be the good candidates. Related to the small packages, faithful implementation of the trade facilitation agreement (TFA) achieved at the Bali MC 9 in 2013 would be extremely important.

Also, ongoing negotiations on TISA (trade in services agreement) and EGA (environmental goods agreement), should be completed as early as possible. With regards to TISA negotiations, major participants like the U.S. and the EU should seriously consider inviting China to the negotiations. In so doing, uncertainties in the world trading environment could be reduced to a certain extent.

Next, it should be urged that the on-going RTAs should be concluded and implemented as early as possible. It is also important that that these RTAs should aim for a high-standards FTA and be compatible with the multilateral trading system. In this context, the WTO's Committee on RTAs should strengthen its role in collecting information on and monitoring the major RTAs. As mentioned earlier, it may be suggested that the U.S. reconsider its role in integrating trade in the Asia-Pacific region by encompassing as many economies as possible in the region. The proposal of forming the FTAAP is still viable.⁹ Trade experts are advocating that a mega-RTA in the Asia Pacific region, although it may not be the first-best solution, would make positive contributions to the world trading environment.

It will be also important to draw political leaders' attention on the global trade issues. Efforts of ambassadors in Geneva and trade ministers are not enough to make ground-breaking decisions. Politicians should exert their political leadership by constantly reminding themselves

⁸ It would be useful if the WTO members could deliver an agreement on the facilitation for trade in services like the "Trade Facilitation Agreement (TFA)" achieved at the MC 9 held in Bali in December 2013. The TFA is dealing with only trade in goods.

⁹ There have been many discussions on the possibility of forming the FTAAP by integrating the TPP and the RECP. Another option, which was often mentioned, was the expansion of membership of the existing TPP.

that trade can generate economic growth and create jobs. For that, various leaders' forums such as the G20, APEC, ASEM and East Asian Summit meetings can be utilized. It was good news that leaders agreed to collectively deal with rising protectionism in the G20 Summit held in Hangzhou, China in September 2016.¹⁰

After hearing that the U.S. will not participate in the TPP, some news media and trade experts suggest that China's role in the world trading system will be increased. In particular, they argue that China can show its leadership in the trade integrations in East Asia and even the Asia-Pacific region. President Xi of China made a speech at the 2017 World Economic Forum in Davos last January and emphasized that China will be the defender of economic globalization and free trade. It can be expected that China could show effective leadership in the multilateral as well as regional trade negotiations. This argument seems to be reasonable and legitimate.

However, China has not yet showed much leadership in the CJK FTA as well as the RCEP negotiations. To some extent, the Chinese government is still somewhat reluctant to open its markets to foreign goods and services. In this context, it is important for China to proactively participate in the negotiations of the CJK FTA and the RCEP in order to make them achieve the high-standards RTAs. Now may be the critical time for Chinese leaders to seriously consider its role in stabilizing the rapidly changing world trading environment.

Last but not least, it would be important to seriously think about how to compensate losers from trade and globalization even though it could be hard to distinguish between losers from globalization and those from technological development. Without sincere efforts to deal with losers, the legitimacy of either the government trade policies or the protectionist political arguments would not be supported by the general

public. The political parties and the policy makers should design inclusive policy measures to help losers. A number of policy schemes could be suggested including retraining, vocational education, health investment, better housing and low barriers to entry into new business. At the same time, it should be noted that losers' demand for assistance could be ever increasing. Considering the budget constraints, the government should critically evaluate the results of the various compensation policies and select the most effective policy schemes. It is also important for the government to disseminate the results to the general public, politicians and the nongovernmental organizations.

¹⁰Korea will host the ASEM (Asia-Europe Meeting) economic ministers' meeting in September this year. Korea would like to suggest ministers of Asia and Europe to include the global trade governance issues in the agenda for the next ASEM Summit meeting to be held in Brussels in 2018.

The Future of Economic Cooperation and Conflicts Between China and the U.S.

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with Guan Tao, Xiong Aizong, and Su Qingyi

Economic cooperation used to be the foundation of the Sino-U.S. relationship. After the global financial crisis, the economic ties between China and the United States has evolved to a stage where mutual interests are now co-dependent and intertwined. Both countries' economic growth models undergo transformations along with adjustments to their domestic economic policies. This may create more opportunities for bilateral cooperation, or induce more potential conflicts. Apart from long-running conflicts surrounding trade imbalances and exchange rate issues, China and the United States have also seen growing disagreements and frictions in an array of other areas, despite deepening economic relations. The way in which China and the United States choose to solve these problems will determine the future of China-U.S. relations.

Chinese Economy in the Coming Five Years

After 30 years of rapid growth, China's economy is undergoing a slowdown. The traditional export-driven and investment-driven development strategy is no longer sustainable. China's economy now enters a "new normal" of medium to high-speed growth. In 2016, China's economic growth rate fell to 6.7 percent, and may fall even lower in the coming years (see Figure 1).

There are also sea changes of China's economic structure. First, China will rely more on domestic demand rather than external demand. Exports' contribution to economic growth is gradually diminishing. If this trend continues, in the next five years the era of

China's high dependency on foreign demand may come to an end. Second, manufacturing's share of the economy is dropping, while the service industry's share continues to rise. In 2015, the service industry exceeded 50 percent of economic growth for the first time, marking an important turning point in China's economy, and it is expected that the service industry's share of GDP will continue to rise in the coming years.

Over the next five years, China will continue its policy of opening up to the outside world. The Fifth Plenum Report of the 18th Communist Party of China National Congress, which outlined the blueprint for China's development strategy, proposed a higher standard of openness to the outside world. The plan also put forward concrete policy measures for promoting foreign trade, improving the system that regulates foreign businesses and investments, increasing the level of market openness and promoting openness of the finance industry and other sectors in two directions, both domestic and foreign. Beginning in 2018, China will also formally implement the "market access negative list" system, meaning that foreign investments will be allowed in all industries except those expressly forbidden on so-called "negative lists".

China's service industry will be the focus of reform and opening policies in the future. The Chinese government is encouraging a pilot project aimed at opening the service industry in four major free trade pilot zones. Opening up the service industry, however, is more complicated than the opening up of the manufacturing

industry, as there are complex interests, multiple systems involved, and greater risks associated with the policy. As such, a rapid opening up of the service industry may not be advantageous to the stability of the Chinese economy.

As per capita disposable income rises, China will import more, presenting more opportunities for the rest of the world, including the United States. As China's industry structure is upgraded, there will be more demand for high value-added products and services, accompanied by a shift away from primary goods. There will also be a shift toward "soft goods," including digital and high value-added products; this too will present an opportunity for the United States and other developed economies.

Some potential risks within China's economy may become more prominent in the coming five years. Debt is accumulating rapidly, especially corporate debt. This will become a major risk inhibiting future economic growth in China. Meanwhile, the widening income gap, worsening environmental pollution, and other problems will also harm growth. At the international level, the global economic slowdown has brought about decreased external demand, emerging trade protectionism, increased fluctuations in international capital flows, and other issues that to a certain extent have blurred China's growth prospect.

The Chinese economy is currently transitioning from a period of high-speed growth into a period of moderate-to-high-speed growth. Nevertheless, China will continue to be one of the fastest growing economies in the world. Maintaining an annual growth rate of more than 6 percent for the next five years will not only provide support for the country's economic transformation, but will also contribute significantly to the growth of the global economy.

American Economy in the Coming Five Years

The U.S. economy may enter a period of moderate growth in the coming five years. Annual average growth of the U.S. economy began falling in the 1980s. Particularly in the

wake of the global financial crisis, the American baseline for economic growth continued to fall, hovering at a low level of between 1.5 to 2.5 percent from 2010 to 2015, much lower than the pre-crisis level, of 3 percent and more. In the coming five years, moderate or sluggish growth may become the defining theme of the American economy. Plus, the U.S. labor productivity rate has been restricted by such unpredictable factors as population aging, technological innovations, and immigration reforms.

Some other structural changes took place within the American economy after the crisis. First, America's role as a consumer of finished goods diminished. The crisis damaged the American growth model that is driven by credit consumption. Secondly, the U.S. government has been trying to revive manufacturing, in an attempt to solidify the economic rebound and spur employment. Domestically, the government has rolled out a "reindustrialization" strategy, and President Trump has put forward a "Buy American, Hire American" slogan and been actively encouraging manufacturers who have moved operations abroad to return home.

The U.S. economy will also face a degree of risk in the coming five years. The U.S. economy is currently plagued by a host of problems, including a decreasing labor productivity rate, a worsening state of fiscal affairs, insufficient investments in infrastructure, income inequality, and severe political polarization. As the U.S. labor productivity rate has fallen, so too have investments in research and technology compared to pre-crisis levels. This demonstrates that the drop in the U.S. productivity rate may not be merely cyclical, but rather structural. This may lead the American economy to slow down further in the long term.

U.S. wealth disparity is also growing. A survey conducted by the U.S.-based Pew Research Center indicates that in 2013, the median household wealth of high-income families in the United States was \$650,074—6.6 times the median of middle-income households (\$98,057) and nearly 70 times the median of low-income households (\$9,465).¹ The disparity

¹ Pew Research Center, "The American Middle Class Is Losing Ground: No longer the majority and falling behind financially."

is now at its highest point since the U.S. Census Bureau began collecting this data in 1967. The United States now has the most unequal income distribution of all developed nations.

Possible Future Trends in Sino-American Economic Relations

Potential economic growth of both China and the United States will diminish, to differing extents, as compared to pre-crisis rates. In the coming five years, China's potential economic growth rate will further decrease, and structural reforms will become more difficult, at which point potential financial risks will multiply. Although the U.S. economy has continued to rebound, there are many unpredictable factors, and its potential economic growth rate may also fall from previous levels. Economic growth may stabilize in both countries, particularly when compared to the period from 2008 to 2015, but deep-seated problems continue to accumulate, and will present challenges and risks to both countries.

Changes to either the American or Chinese economies will spur increases in both cooperation and competition between the two. China's shift from growth driven by foreign demand toward growth driven by domestic demand will promote bilateral trade equilibrium and present more opportunities to further develop trade relations, in turn making the relationship closer. But as the economic structures of both countries become increasingly similar, there may be increased competition in areas such as manufacturing.

New changes to the global economy will drive cooperation between China and the United States. As the world's number one and number two economies, they will both be negatively influenced by the tide of anti-globalization movements, increasing income disparities, intermingling political and economic issues, and other factors.

The Chinese and U.S. economies are mutually dependent, with cooperation

outweighing competition. The overall trend of the co-evolution of their economies has been good, but conflicts of interest in specific areas have been exacerbated. At the same time, political factors will come to exert a growing influence on economic relations, further increasing the complexity of bilateral relations.

Even though China's trade surplus has become much less the source of economic growth after the crisis, and the share of its export to the U.S. also saw a general trend of decline over the past decade (see Figure 2), some politicians kept blaming China for causing a massive trade deficit of America and stealing jobs from Americans. It would be no surprise for the U.S. to increasingly take protectionist measures against China by raising tariffs, imposing anti-dumping and anti-subsidy restrictions, and labeling Beijing as a currency manipulator. In light of this trend, many international media outlets and political observers are concerned about an imminent trade war between the two countries.

China's direct investment in the United States has grown rapidly. According to the U.S. Rhodium Group, Chinese enterprises' combined investment in the United States tripled from 2015 to 2016, reaching \$45.6 billion.² This growth trend will continue in the future. However, Chinese enterprises face obstacles when investing in the US. If the Trump administration escalates these barriers by taking targeted moves against Chinese enterprises in order to protect American companies, consumers, and national interests, it will dampen Chinese companies' enthusiasm to invest in the United States.

There is a misconception among some people in the U.S. that trading with China adversely affects the American labor market because Chinese exports cause American workers to lose their jobs. This perception, far from reflecting the facts, will create a huge impediment to China-U.S. economic cooperation if it is represented in American

Report, December 2015.

² Thilo Hanemann and Cassie Gao, Rhodium Group, "Record Deal Making in 2016 Pushes Cumulative Chinese FDI in the US above \$100 billion." Note, December 30, 2016.

policies. Data from China's Ministry of Commerce shows that, from 1979 to 2016, the amount of China-U.S. bilateral trade has increased from \$2.5 billion to \$519.6 billion, an increase of more than 200 times in 38 years. Meanwhile, bilateral trade in the services industry with the U.S. has a surplus of more than \$100 billion. Cross-border investments in both directions have surged, accumulating to more than \$170 billion as of the end of 2016. According to a report jointly published by the U.S.-China Business Council and Oxford Economics, trade and investment with China created approximately 2.6 million jobs in the United States in 2015 and contributed \$216 billion to the growth of the U.S. economy, equating to roughly 1.2 percent of its GDP in the same year.³ Additionally, because of exports from China, consumer price levels in the United States were 1-1.5 percentage points lower than if the goods were not imported.

The work of many researchers indicates that the U.S. aggregate welfare improved as a result of trading with China⁴. Besides, American academics have found that, apart from causes associated with industrial competitiveness, unemployment in the United States is actually caused by industrial upgrading and transformation, not a trade deficit with other nations. According to the studies, the U.S. net trade deficit with all countries explains about only 16.3 percent of its unemployment (the contribution of its trade deficit with China have been lower), while a faster improvement in manufacturing productivity relative to that of the service sector contributed the most to factory layoffs, accounting for more than 80 percent of manufacturing unemployment⁵. In fact, most unemployment in the United States has been caused by higher productivity.

Potential Responses in Sino-American Economic Relations

The United States was the primary beneficiary of globalization. The U.S. guided and also benefitted from post-war institutional arrangements, for example, the establishment of the Bretton Woods System, which imposed institutional barriers on the flow of products and capital at the global level. China's accession to the World Trade Organization and other recent actions indicate that China has come to accept such institutional arrangements. Embracing the current global economic order, China has made the most of it.

Chinese President Xi Jinping pointed out in his speech at the World Economic Forum in Davos in January, "Whether you like it or not, the global economy is the big ocean that you cannot escape from. Any attempt to cut off the flow of capital, technologies, products, industries and people between economies, and channel the waters in the ocean back into isolated lakes and creeks is simply not possible. Indeed, it runs counter to the historical trend."⁶

The United States and China can strengthen their cooperation in many areas, especially the following ones:

First, constructively alleviate friction in trade relations. A trade war will have no winners, because both China and the United States will either prosper or lose together. China has been keen on increasing its imports from the United States. If Washington can remove unnecessary trade restrictions, American exports to China will surge. President Xi Jinping said at the Davos forum that China plans to import \$8 trillion of goods over the next five years, attracting \$600 billion of foreign investment, making \$750 billion of outbound investment, and achieving 700 million overseas visits. This will undoubtedly provide foreign countries, including the United States, with greater market

³ The US-China Business Council, "Understanding the US-China Trade Relationship." Report, January 2017.

⁴ Hsieh C T, Ossa R. A global view of productivity growth in China [R]. National Bureau of Economic Research, 2011.

Di Giovanni J, Levchenko A A, Zhang J. The global welfare impact of China: Trade integration and technological change [J]. American Economic Journal: Macroeconomics, 2014, 6 (3): 153-183.

⁵ Kehoe T J, Ruhl K J, Steinberg J B. Global imbalances and structural change in the United States [R]. National Bureau of Economic Research, 2013.

⁶ http://news.xinhuanet.com/english/2017-01/19/c_135997350.htm

opportunities, more capital and products, and better opportunities for cooperation.

Second, strengthen cooperation in investment. Foreign investment can help to create more jobs for both the United States and China. Investment agreements will provide institutional safeguards to the proliferation of foreign investments. Concluding talks on the Bilateral BIT between China and the United States as quickly as possible is in the interests of both countries, and this agreement will lay the foundation for a set of rules for global and multilateral investments.

Third, strengthen cooperation in global infrastructure construction. China hopes to collaborate with the United States in promoting infrastructure development in both countries and in third-party countries, and so contribute to the sustainable development of the global economy. China has remained open to the United States joining the Asia Infrastructure Investment Bank and proposals related to the Belt and Road initiative. Chinese enterprises are also willing to seek participation in American infrastructure construction projects promoted by President

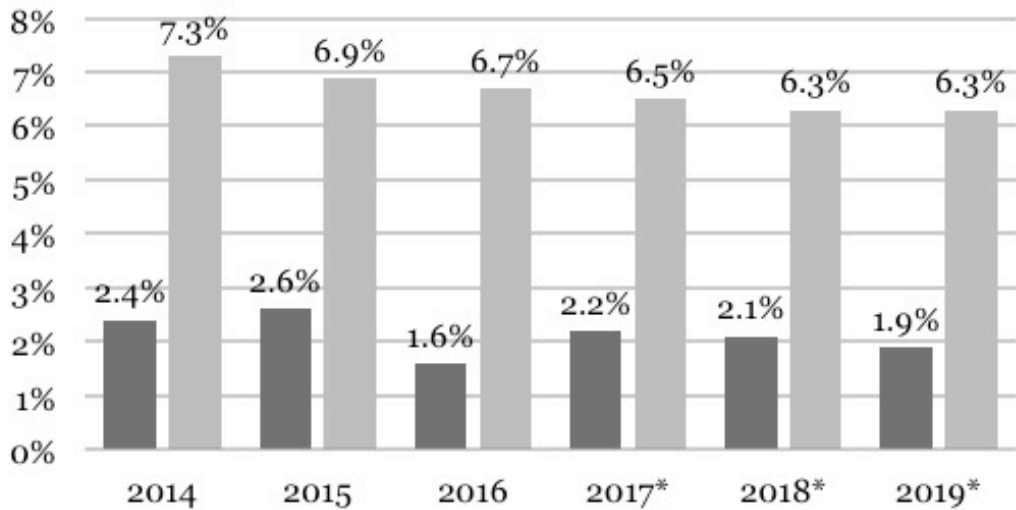
Trump on the basis of equality and mutual benefits.

Fourth, increase coordination and cooperation in macroeconomic policies. Cooperation between the United States and China, the world's largest and second-largest economies, is extremely important for stabilizing the worldwide economy. We have noted that in 2016, close cooperation between China and the United States in the G20 and other forums played an important role in stabilizing world financial markets. Officials in China and the United States should pay attention to the spillover effects of their policies, and use policy tools to identify an equilibrium point between domestic needs and international objectives.

List of Acronyms:

BIT - Bilateral Investment Treaty
CPC - Communist Party of China
GDP - Gross Domestic Product
SOE - State Owned Enterprises
WTO - World Trade Organization

Figure 1: The Growth Prospect of China versus U.S.



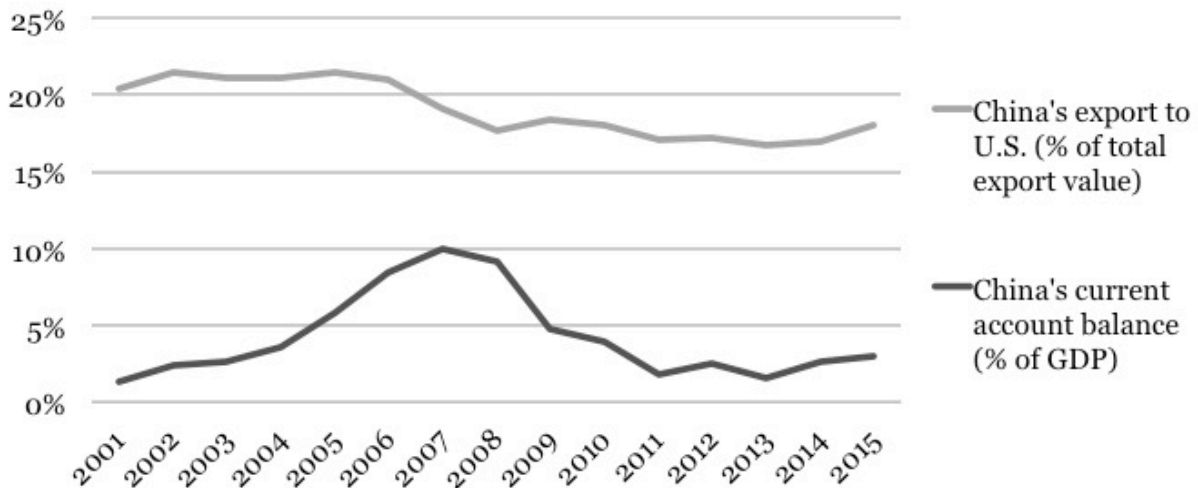
Source: Global Economic Prospects, World Bank, January 2017

Note: the number is an estimate for 2016 and projections of World Bank for 2017, 2018, and 2019.

■ U.S. real GDP growth

■ China real GDP growth

Figure 2: The Trend of China's Trade Surplus and Export to U.S. between 2001 and 2015



Source: current account balance data from World Development Indicator Data Set, China export (all products) data from International Trade Center, the share of export to U.S. by author's calculation

Do We Have a Bright Future for Regional Security?

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Shinzo Abe's Long-Term Administration

Japan's political scene has significantly changed. After Prime Minister Junichiro Koizumi resigned in September 2006, six prime ministers took office in turn during six years until December 2012. Surprisingly enough, the average duration of their offices was just one year. This political instability was followed by the birth of Shinzo Abe's long-term stable administration. Abe regained his force and succeeded to take the second office as the prime minister in December 2012. In March of this year, the ruling Liberal Democratic Party (LDP) voted to allow Abe the possibility of the third consecutive term as the president of the party. This could give Abe another four years and half to stay in power until September 2021.

Prime Minister Abe had his first official meeting with President Trump in February over two days. They issued a joint statement affirming their strong determination to further strengthen the Japan-U.S. alliance and economic relationship. "The U.S. commitment to defend Japan through the full range of U.S. military capabilities, both nuclear and conventional, is unwavering." This was the first time that Japan and U.S. political leaders directly confirmed, in their formal joint statement, the U.S. commitment to defend Japan by nuclear weapons. The strong tone of the statement must have taken China by surprise (The last time the United States overtly expressed such strong intention was 40 years ago in 1975 in the 'Press

Statement' between President Ford and Prime Minister Miki).

One of the reasons President Trump treated Mr. Abe in such a warm and engaging manner is because Abe is leading his long-term stable administration. Abe along with Chancellor Merkel is now the most senior leader of the G7 countries establishing strong connections with world leaders for over four years. Abe can be a valuable 'usher' for Trump in the global community.

DPJ to Regain Power is Unlikely

Of six Japanese prime ministers during the six years from 2006 to 2012, the last three were from the Democratic Party (DPJ). During the 2009 general election, several financial scandals of the LDP's administration led to a major departure of voters, and over 40 percent of voters chose DPJ candidates, who insisted the reform of LDP politics. Yet, soon after coming into power, the DPJ administration, which had neither experience nor a strategy of governance, failed to conduct government affairs and caused serious political stagnation. As a result, it suffered a terrible beating in the 2012 general election. High voter expectations for the DPJ government turned into deep disappointment and frustration.

One of DPJ's serious failures was that the party took a wrong approach to the Japan-U.S. alliance in the beginning of its power. Prime Minister Hatoyama who was first to lead the DPJ administration, cast doubt on the close Japan-U.S. relations, and instead emphasized the

importance of Japan-China relations when 80 percent of Japanese were in favor of Japan-U.S. security relations. When seeing the current Chinese diplomatic and military offensive with its aggressive nationalism, Hatoyama's intended departure from the U.S. was a failure. Moreover, he made the solution of the 'Okinawa Problem' nearly impossible by trying to scrap the existing agreement with the U.S., creating a political chaos.

The DPJ has not been able to paint itself as a credible alternative even up to this point. On the other hand, the Abe administration has been recording several achievements in both domestic and security policy matters since Mr. Abe regained power. The administration has pushed the stock price up through 'Abenomics,' and strengthened the security relationship with the U.S. by the enactment of the Legislation for Peace and Security.

At present, the approval rate of the Abe Government is 58 percent, while the DPJ's support rate remains at a low of six percent according to a NHK survey. This is because DPJ's policies still lack the reality. The DPJ will most likely not be able to take office again in the near future until it fixes the system within the party. Rather, it is more likely that the realignment of parties will take place led by moderate conservatives such as the Japan Restoration Party. This will not weaken the Abe administration's power. Conversely, such realignment would work for Mr. Abe to revise the Constitution, which is Mr. Abe's long-cherished ambition.

The World in Transition and Japan's Role

The world is in the process of a fundamental transformation. The last significant transformation occurred around 1989-91. During that time, the global conflict structure was changed by a series of significant incidents such as the fall of the Berlin Wall, the unification of Germany, the dissolution of the Soviet Union

and the Gulf War. At around the same time, the Tiananmen Square incident forcibly transformed the nation's economic structure. The Chinese government accelerated its economic reform thereafter and made itself enter the capitalist market. These transformations signified the bright side of the future. There was a thought that the world was converging into a new order under the values of peace, democracy, liberalism, human rights, rule of law, market economy, multilateral economic system, and globalism—the global common goods.

In contrast, the present paradigm shift of the world is dividing the world into fragments. It presages that we are entering a hazy era where countries emphasize not the international order or ideals but the use of force and self-interests. And this trend may continue for more than a decade. The new era of imperialism led by Russia and China has already begun. On the other hand, President Trump has declared an 'America first' policy prioritizing the U.S. self-interest and turning its back to contributing to the public good. If no country comes to provide support for the international public good, the world will lose its destination.

In addition, 'Brexit' is weakening the European Union which held a high level of awareness toward the protection of the liberal world order. The adverse effect of the North Atlantic alliance affected by the EU's decline and the Trump policy will be a damage to the group seeking the status quo of the international order. With Russia's and China's offensive, Japan's living sphere in the global community will be compelled to get narrower.

The Japanese public opinion criticizes the 'America first policy' but Japan must ask itself whether it has not been behaving rather egotistically under "Japan first" policy. For instance, Japan has accepted a very low number of refugees—of 10,901 applications for refuge in 2016, only 28 refugees were accepted. Moreover, Japan has decreased its Official Development Assistance (ODA) budget by

nearly one half compared to the level of 1997. Japan's defense budget is still below one percent of its GDP, which is ranked 102th of all countries.

On the other hand Japan's contribution to international security has started to advance in a right direction with the enactment of the Legislation for Peace and Security in 2015 by the Abe Government. The new legislation permits the Japan Self-Defense Forces (JSDF) to engage in collective self-defense in limited circumstances.

Paradoxically, the advent of President Trump should be a good opportunity for Japan to alter its national posture in the global community. Now is the time for Japan to become a nation that embodies international public goods. In so doing, Japan should encourage the Trump administration to return to the path of promoting the global public goods. If Prime Minister Abe proposes President Trump to take a joint endeavor towards this direction, the President cannot reject the proposal even though he must continue to optimize his populist rhetoric for the domestic audience.

The Increase of Security Risks in East Asia

The geopolitical climate surrounding Japan has been getting bleaker. Four of the top six largest militaries in the world are concentrated in East Asia. Even with a minor contingency in the region, the situation will develop into a major crisis very fast. The talks to contain territorial ambitions and military expansion of China and North Korea have not produced results. After all, the East Asian security depends on the U.S. strategy of extended deterrence and both Japan's and South Korea's defense capacities, which supplement the U.S. strategy in the region.

Under the unsettled geopolitical situation, Asian countries are splitting into two groups. One group, 'Maritime Asia', focuses on retaining freedom of the sea and status quo in the region such as Japan, Taiwan, Philippines,

Vietnam, Singapore, Indonesia, Australia and the United States. Another group, 'Continental Asia', includes China and several continental Asian countries influenced by China. While distinctions of the two groups are getting more apparent, Japan must take on a role to establish a single security structure in the Western Pacific region including the South and East China Sea.

'Clear and present danger' is in the South China Sea. China has already been illegally constructing artificial islands on seven of the islets and reefs there, equipping many with military constructions. In July 2016, the Permanent Court of Arbitration ruled that China had no legal basis to claim historic rights to the South China Sea. Nonetheless, China has remained in defiance of the arbitration. It would be difficult to rip off those China's constructions, but at least we need to prevent the deterioration of the situation further. It became clear that China takes no notice of accusation based on the international legal order. The question is whether one could use tougher measures to prevent a new China's construction in the South China Sea. Only the U.S. has such capability.

Japan-South Korea Relations

In this severe geopolitical situation, Japan needs to improve the relationship with South Korea in a hurry in order to maintain the liberal order in East Asia. But while Japan-China relations have been slowly improving since the 70th anniversary of the end of World War II in 2015, the Japan-South Korea relationship has still no prospect of improvement. While the gradual generational change of Chinese policy decisions would contribute to the improvement of the Japan-China relations, the generational change in South Korean may make its relations with Japan even more tense than today.

It is one of the toughest issues for Japanese diplomacy to improve the relationship with South Korea where the majority Koreans bear sense of vengeance called 'han' against Japan.

‘Reconciliation’ is the concept that can only take place when the ‘apology’ of the perpetrators is met with the ‘forgiveness’ of victims.

Japan had a historical issue with the United States too. In April 2015, Mr. Abe made a speech at the U.S. Congress as the first Japanese Prime Minister. This provided the basis for President Obama’s visit to Hiroshima in May 2016 and Abe’s visit to Pearl Harbor in December 2016. The main cause for the success of such historic events was that the U.S. accepted Japan’s apology.

On the other hand, Japan’s apologies have not been accepted by South Korea although the Japanese government has repeatedly apologized to Korea. The fact remains that the mutual distrust probably will continue for decades, and Japan must still figure out how to cooperate with South Korea, especially in the field of regional security.

The most problematical between Japan and South Korea is the comfort women issue. The Korean attitude aside, Japanese governments have not tackled this issue squarely. The comfort women issue is not the problem only with South Korea. The Japanese government has not restored the honor of Japanese women who accounted for approximately half of the comfort women during the wartime.

The Potentiality of the Japan-U.S.-South Korea Trilateral Cooperation

The Japan-U.S. and the U.S.-South Korea alliances have developed respectively to strengthen the deterrence against North Korea. There is a need to enhance the Japan-U.S.-South Korea trilateral security cooperation which is now at a standstill when the threat of North Korea has been getting intensified. North Korean leader Kim Jong-un is said to have executed 340 people including his elder brother Kim Jong-nam since taking power at the end of 2011. This erratic and cruel young dictator has also resorted to the threatening diplomatic policy, conducting missile and nuclear tests

repeatedly. The three countries should start to hold regular trilateral dialogues like the Japan-U.S.-Australia Trilateral Strategic Dialogue.

The Japanese government has increased the defense budget for five consecutive years, if only slightly. In addition, the government has tried to substantiate security-related legislation contributing to peacekeeping in the global community. It is not until these steps are completed that Japan can claim to be really building peace for the global community.

Troublesome Governance and Foreign Policy Challenges: A Survey of Korea

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Declining Governability

South Korea has consolidated a liberal democracy with accountable institutions, power regulated by the rule of law, and liberal values cherished by the public. Its democratization stands up as a remarkable example of a transition that followed from authoritarian-state led economic development. Despite this achievement, South Korea is facing a series of governance challenges. Public mistrust in the National Parliament and politicians in general is high. The government based on strong presidential power is being questioned over its capability and accountability in meeting ever-demanding public services. A contentious civil society seeks more direct participation in politics and policy processes. But social divisions across generations, classes, regions, and ideologies make compromise within civil society itself difficult and, therefore, undermine effective responses from government.

This overall picture of weak governance seems to be common in many of today's established democracies. Rising economic inequality, intensifying political divisions, and increased populism now plague many democracies, making democratic and effective governing difficult. The Korean case has several elements aggravating the situation.

The first is Korea's system allowing only a single 5-year presidential term. This system was designed in 1987 to prevent an authoritarian leader from ruling the country for an extended period of time. However, having a single term has had the unanticipated effect of placing each seemingly

“imperial” presidency into an early lame duck period. Although the incumbent president controls the most powerful institutions—such as the prosecutor's office, the National Intelligence Services, and the National Police Agency—and influences the ruling party, the incumbent's political clout becomes weaker at the end of their term as power shifts towards the candidates in the following presidential election. Furthermore, the cycle mismatch between a five-year presidential term and a National Assembly election every four years has resulted in every Korean president adjusting national policies to the general election cycle to a great extent. Since democratization in 1987, only the two presidents from the progressive party have started their presidencies with the National Assembly under the control of the opposition party, while all of the conservative presidents began their terms with the legislature under the control of the ruling party. However, presidents from the conservative party have also encountered opposition from the legislature, even when it was under conservative control. Although this opposition has not been to the same degree of legislative gridlock confronted by liberal presidents who entered office with a conservative-majority National Assembly, it did stem from the problem of the single-term presidency.

The second factor is uncompromising politics that derive from power competition between two major political forces. This political cleavage plays along the three lines of division that separate the electorate by ideology, region, and generation and sustain the conservative and progressive forces. Simply put, the conservative force receives support from all of the electorate located in the southwestern region of Korea and older voters across the country.

The progressive force receives strong support from Korea's southeastern region and younger voters throughout the nation. The Seoul metropolitan region is a mix of these two forces. The conservatives support pro-market, growth-oriented economic policies and prioritize a national security policy based on a continued strong alliance with the U.S. On the other hand, the progressives emphasize fairer income distribution and promote better relations with North Korea. These forces are represented by two major parties whose names change all the time. There have been separatist third parties that represented isolated regions or to claimed to be centrists or far to the left. But they have been less successful in sustaining the political momentum necessary to emerge as a ruling party and usually either remain a small party or become absorbed by one of the two major parties. The conservatives have thus far prevailed in Korean politics, but the last two decades were divided with ten years of progressive rule followed by ten years of conservative rule.

This power competition between the two major parties does not allow any elected president to enjoy nationwide support. Kim Young-sam and Kim Dae-jung, who fought for the democratization of South Korea, were elected as president with 42% and 40.3% of the vote respectively. Only Park Geun-hye won the 2012 election with a simple majority of 52%. However, her winning margin over the progressive party candidate Moon Jae-in was a mere 3.5%. Lee Myung-bak won the 2007 election with an exceptional margin of 22.5% due to the weakness of the opposition candidate. If these percentages are recalculated by weighting them against the total participation rate, which was in the mid-70 percent range, then it appears that most Korean presidents were elected by a third of the total voting population. Due to this narrow victory, presidential power becomes vulnerable to attacks when the opposition force mobilizes public support. President Roh was impeached by the National Assembly in March 2004 for violating the election law requiring political neutrality from the president in the general election. President Park was impeached in December 2016 for neglecting presidential duties and a misuse of power. The Constitutional Court overturned the first impeachment decision, but recently upheld the second. An alternative that would avoid this kind of challenge from the opposition would be a sharing of

power with other political parties. However, the Korean presidential system is based on winner-take-all practices. Accordingly, the opposition tends to seek opportunities to undermine and weaken the institutionally strong presidential power in order to augment its chances of winning in the next election.

The third factor is the disproportionately high public expectations of the government. Although Korea's conventionally strong administrative power is increasingly checked by the legislative branch, the executive branch and the president in particular are regarded as primarily responsible for governing the country. Local governments are still dependent upon financial subsidies from the central government and are subject to the central government's regulations. Accordingly, most Koreans turn to the central government to lead the country by solving a variety of social problems directly. As low growth, poor employment prospects, and welfare demands for the aging population increase, the anxious public is easily dissatisfied with the performance of the government and demands more responsive policies. At the same time, the public in South Korea wants the president to communicate more directly with it regarding their concerns. The overburdened Korean government is becoming less capable of meeting these rising public demands while the president can no longer govern with strong authority without the endorsement of the public.

All of these factors are contributing to the trend of declining governability inside South Korea.

The Impact of Weak Governance upon Foreign Policy

Since democratization, the number of Koreans who speak out, in both the online realm and in the streets of downtown, has continued to rise. This is a natural phenomenon for a mature democracy as its citizens want to either oppose or advocate for certain policy options. Foreign policy decisions are no exception. Of particular focus are the resolution of historical matters with Japan, with civic movements often taking actions contradictory to official government positions. For example, in December 2016, a civic group installed a statue symbolizing the women who were forced to work in Japanese wartime military brothels, or "comfort women", in front of the Japanese consulate in Busan. This move was intended to protest the agreement that the two

governments had reached the previous year which included the removal of a comfort woman statue that had been erected outside the Japanese embassy in Seoul in 2011. The Busan ward office announced it would remove the statue if installed, but reversed its decision in response to lively civic protests. The Ministry of Foreign Affairs also lacked the political capital to forcibly remove this new statue in the face of domestic public opposition. This incident resulted in the Japanese government recalling its ambassador and consulate general back to Japan. This episode illustrates the challenges faced by democratic government when implementing controversial foreign policy deals if even one civic group is determined to oppose the move.

The second example illustrates that opposition to the government's foreign policy is driven by mistrust in government. The Lee Myung-bak administration encountered a political crisis when a massive number of citizens protested over the April 18, 2008 agreement with the U.S. government lowering inspection criteria for imported American beef.

¹ The so-called "mad cow disease (Bovine Spongiform Encephalopathy) candle light protests" continued for more than two months and were quieted only after the government renegotiated and reshuffled the presidential aides in the Blue House. While it was the sensitive health issues that drew citizens onto the streets, the opposition took advantage of this event to destabilize the Lee government.

The following incident provides an example of how the government, being overly conscious of backlash, was unable to push through a policy decision. The General Security of Military Information Agreement (GSOMIA) between South Korea and Japan had the support of security experts from both countries, particularly in the face of rising nuclear and missile threats from North Korea. In June 2012, the two governments came close to signing the agreement. However, the Lee government, conscious of severe opposition from the National Assembly, unilaterally withdrew at the last minute. The agreement was proposed at the Cabinet level and did not actually require approval from the

National Assembly. At that time, the ruling Saenuri party enjoyed the majority with 152 seats out of the 300 total—the opposition Democrats had 127 seats. Despite this, Park Geun-hye, likely conscious of public opinion ahead of her candidacy in the presidential elections of 2012, insisted the deal be approved at the legislative level. After she was elected and inaugurated, the assertiveness of Prime Minister Abe regarding historical issues between the two countries contributed to the worsening of Korea-Japan relations. However, with strong encouragement from the U.S., a mutual ally of both countries, a military information cooperation agreement was forged in 2014 under the form of a tripartite MOU (Memorandum of Understanding) that included the U.S. After Korea-Japan relations improved, the bilateral GSOMIA was once again put on the table in order to make this military information cooperation more general and more legally binding. The Korea-Japan GSOMIA was finally concluded in November 2016. However, the ruling party lost heavily in the April 2016 elections, putting the legislature under the control of the opposition. After President Park's impeachment on December 9, 2016 the Korea-Japan GSOMIA fell under the category of one of her major projects that should be rejected. Most candidates who have announced their intention to run in the upcoming presidential election have expressed their will to either renegotiate or nullify the agreement.

These episodes illustrate that the Korean government's foreign policy deals are increasingly politicized and subject to change when the top political leadership appears weak or control of the legislative body turns to the opposition. The government is frequently blamed for lacking transparency in its decision making process or for making illegitimate deals that ignore public opinion. To override these challenges, the government needs to first persuade the legislature to back its proposals and garner favorable public opinion through effective communication prior to the passage of any new policies. Within this political environment, the government is increasingly restrained in its ability to strike controversial but necessary foreign policy deals.

¹South Korean and the U.S. governments concluded the negotiation for South Korea allowing almost all parts of U.S. beef from the cows aged 30 months or less to be

imported without inspection. In case of the cows aged 30 months and over, the specified risk material was banned.

How will U.S. Military Base Issues affect National Politics in Korea?

The presence of U.S. military bases inside South Korea, which hosts approximately 50 bases and 26,000 U.S. soldiers, has raised two types of issues. The first is related to environmental degradation as a result of this military presence including noise from drills, land pollution, and so on. Conflict arises when the rights of resident groups to a safe and healthy environment are encroached upon by the presence of military bases. These environmental disputes were more common in the 1980s and 1990s than they are today. While the nature of the disruption is local, these issues can and do draw the attention of the wider public when civil society organizations join forces with affected residents and highlight the clash. The second type of issue relates to crimes committed by American GIs, who are regulated by the Status of Forces Agreement (SOFA). This has been more explosive, since an accident or a specific crime against a Korean national upsets sovereignty-conscious Koreans. The killing of two schoolgirls by a U.S. armed vehicle in 2002 brought on massive anti-American protests. Korean demonstrators demanded the Korean government renegotiate the “unequal” SOFA. This popular protest overlapped with the presidential campaign period and gave the opposition an advantage, bringing them to power. This incident marked a turning point for American military leadership, who subsequently took a more proactive public relations approach and created numerous community outreach programs. Since that incident, American base issues have been managed quite well. Currently, with the relocation of more than 90% of American bases to the central hub of Pyeongtaek, the management of base issues is expected to become easier.

The recent introduction of a new weapon system to the U.S. forces has stirred up a large controversy. While the matter should be limited to an internal agreement between the U.S. and South Korean militaries, the deployment of the Terminal High Altitude Area Defense (THAAD) has spiraled into a foreign policy issue with China accusing South Korea of deploying a U.S.-led missile defense system harmful to Chinese security interests.

Following Commander General Scapparrotti’s suggestion of this idea in 2014, the Korean government took a position of “3 no’s (no request, no consultation, no decision)” in consideration of China’s concerns. From the year she was inaugurated, Park Geun-hye’s government has warmed up South Korean relations with China owing to its influence over North Korea, and postponed the THAAD decision. However, alarmed by North Korea’s increasingly powerful nuclear capabilities signaled through its test on January 6, 2016, the Korean government began to change its position. Following a series of North Korean nuclear tests, the U.S. and Korean militaries announced on July 13, 2016 their intention to introduce the THAAD system by 2017. Still, the Korean government has clarified that this decision does not mean Korea is joining a U.S.-led missile defense system. Caught between the U.S.-China rivalry, the Korean government has pursued the development of its own missile defense system. Whether or not this pursuit of the construction of an independent missile defense system is technically plausible remains dubious, particularly with regards to lingering questions over the interoperability between the weapons systems of the two countries.

The THAAD issue has thus become a complex one, with three major factors driving its opposition. The first factor is local politics, with residents of the proposed area of deployment registering NIMBY (not in my backyard) opposition. The official decision to deploy THAAD soon invited opposition from the safety conscious residents surrounding the proposed site of installation. This site issue was settled after the Korean government agreed to move the location. The second dimension is the controversial deterrence effect of THAAD. Some argue that adding THAAD will be beneficial in defending South Korea from North Korea’s missile attacks, while others argue that any benefit will be negligible. An additional North Korean nuclear test on September 9, 2016 increased support for THAAD to 59 percent, up from 53 percent in February. In the most recent poll taken in the early March of 2017, however, support had declined slightly to 56 percent. Despite this reduction, supporters still outnumber the 33% who registered their opposition to the system.² The third dimension is South Korea’s relations with

²Chosun Ilbo, March 3, 2017.

the U.S. and China. The pro-THAAD side perceives part of the system's value as deriving from the symbolic value it holds of South Korea's alliance with the U.S. Accordingly, they argue that political considerations valuing the U.S. alliance should be prioritized over any economic costs incurred from China's reprisals. However, the controversy over THAAD ended abruptly with the introduction of its launchers to Korean soil on March 7, 2017.

Structural Factors for Declining South Korea-Japan Relations: How is Anti-Japanese Sentiment in Korea Managed by Political Leaders?

No Korean political leader has managed anti-Japanese sentiment well. One aspect of Korean nationalism is anti-Japanese sentiment. Most Koreans think Japan has not "genuinely" apologized yet for the occupation and war atrocities, and that Japanese right-wing political leaders whitewash their historical wrong doings. Nevertheless, until the end of the Cold War, Korea-Japan bilateral relations grew continually stronger with Japan's economic influence and the need for security cooperation. As South Korea developed into one of the world's richest countries and narrowed its economic gap with Japan, a more equal partnership was called for. The 1998 Joint Declaration for a New Partnership between Kim Dae-jung and Obuchi Keizo reflected this change. History issues were sidelined in favor of reconciliation and efforts to promote stronger bilateral relations. However, bilateral relations between South Korea and Japan have been deteriorating since the 2000s.

There are structural reasons for this deterioration. Like any other nationalist sentiment, the anti-Japanese sentiment present in South Korea is an undercurrent that is not usually openly manifest but rather latent. This undercurrent erupts when certain speeches or actions rouse nationalistic feelings and pride. Korean sensitivity towards the Japanese handling of history and territorial issues has grown as Koreans stopped perceiving Japan as a dominant neighboring power. While Japan's economy is about five times the size of Korea's, the per capita purchasing power income gap between the two countries is closing. Moreover, as China emerges as a regional power, it has begun to pull South Korea closer, distancing Korea from Japan.

Japan and Korea were able to announce a new, forward-looking partnership in 1998 owing to their mutual perception of the other as an equal. This "forward-looking" posture meant that the Korean government would leave history issues out of its usual bilateral agenda. This proved unsustainable for two reasons. First of all, the Japanese political atmosphere has become increasingly conservative in connection with a movement pushed by right-wing groups writing "new history." Denouncing the existing history textbooks as dictated by postwar defeatism, they advocated new historical interpretations to imbue patriotism and national pride in the Japanese public. Japanese politicians were swept along in this tide, and their statements and actions grew bolder, drawing criticism from Korea. On the other hand, as Korea's democracy grows deeper, the government has grown more sensitive to public opinion. The Korean public and politicians constantly criticize any incumbent government for being too soft on Japan. A similar situation has played out in Japan, especially after 2007 when Japanese anti-Korean sentiment began to rise. In other words, Korea-Japan relations have become vulnerable to domestic politics and bipartisan management of political relations has grown more difficult than it was in the past.

In order to manage the undercurrent of anti-Japanese sentiment, the Korean president needs to exhibit strong leadership in quelling partisan opposition and persuading the public. Framing South Korea's Japanese policy agenda wisely is especially important in order to guide public opinion towards favoring cooperation with Japan. The current prospects for this are tentatively positive, as recent polls indicate that many Koreans view maintaining good relations with Japan as important.

Prospects for Close Security Cooperation between Korea and Japan Mediated by the U.S.

Security cooperation between Korea and Japan is possible, and the U.S. can serve as an effective mediator in facilitating this cooperation as it is a trusted ally of both countries. However, its effectiveness as a mediator depends on the purpose of cooperation. In the face of the shared threat of nuclear and missile attacks from North Korea, closer security cooperation has been always called for

within both countries. Tripartite security cooperation on North Korea between the U.S., South Korea, and Japan has been in operation since the 1990s. However, bilateral security cooperation between South Korea and Japan has not been easy. Many Koreans do not favor Japanese support of U.S. forces in the event of a conflict on the peninsula. A majority of Koreans view an enhanced Japanese security role in the region as dangerous. This skepticism even extended to the sharing of information about North Korea, and the U.S. had to step in and mediate to facilitate tripartite cooperation. The resulting bilateral GSOMIA continues to receive criticism from South Koreans.

A more promising area for the bilateral security cooperation between South Korea and Japan is in peacekeeping and human security operations in other countries and regions. U.S. mediation in these non-traditional security areas will also make it much easier to achieve security cooperation between South

Korea and Japan.

The most salient area where the U.S. mediation is needed is the resolution of long-standing disputes over history. The Obama administration softly but persuasively encouraged South Korea and Japan to settle the wartime comfort women conflict, as this issue had progressively worsened their bilateral relations for several years. With encouraging signals and a more overt push from the U.S., Japan and Korea were able to conclude the December 2016 agreement, which stipulated the provision of compensation for Korean victims with Japanese taxpayer money and an end to mutual criticism regarding this issue in the international community. Although this agreement has continued to invite further controversies focused around a statute issue and the “final and irreversible” resolution issue, U.S. mediation in the comfort women issue as a neutral but principled third party was important in putting a halt to this thorny issue.

Domestic Politics and Governance in Japan, South Korea and China: Implications for U.S. Alliance Policy

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Northeast Asia is an increasingly fraught region, and since 2010, U.S. allies have confronted a complex array of governance challenges. Perhaps the most compelling are the strategic shifts that affect allied defenses. China's increasing military power and its willingness to use it to shape the choices of Japan and South Korea create new demands on the U.S. alliances. Beijing has territorial disputes with both, but China's claims on the Senkaku Islands (or Diayoyu Islands for Chinese) resulted in a marked deterioration in Japan-China ties. North Korean nuclear and missile proliferation continues to be a source of regional instability. In 2010, Pyongyang sank a Republic of Korea (ROK)'s naval ship, killing 48, and several months later, shelled an inhabited island, causing both military and civilian casualties. As a result, South Koreans today are far more sensitive to the potential for war on the peninsula. Furthermore, Pyongyang's increasingly frequent missile launches into the Sea of Japan (or East Sea for Koreans) have put Japanese and South Korean air defenses on alert.

Domestic politics shape how states in Northeast Asia manage these strategic interactions. For U.S. policymakers, four issues related to governance deserve particular attention. First, a new generation of leaders has arrived in power in Northeast Asia, bringing with them fresh ideas about their country's ambitions and especially about the future order in Asia. Second, popular sentiments have become deeply sensitive to the changing geostrategic balance in the region. Related to these sensitivities is the lingering political salience of war memory in Asia. Nationalism has had diplomatic consequences. Finally, as China's power has risen, uncertainty about the future U.S. role in the Asia Pacific has

grown, especially among our allies in Japan and South Korea. Will the United States continue to be a strong leader in regional politics, or will it cede leadership to China in the years ahead? Will Washington continue to provide the military presence that has underpinned regional stability since the end of World War II, and will it confront China should the security of its allies be challenged? The rhetoric of the 2016 election campaign has intensified this debate as the Trump Administration assumes power.

New Leaders and Transitions to Come

All Northeast Asian nations have had significant leadership transitions over the past five years. Most of these transitions marked the arrival of a new generation of leaders. Xi Jinping came to power in China in 2013, perhaps the most significant political transition since Deng Xiaoping initiated market reforms in 1978. Today, Xi is looking ahead to his successor, a topic of interest in this year's Party Congress this fall. In South Korea, the first woman president, Park Geun-hye, was elected in 2012, but just last week, Korea's Constitutional Court impeached her and a new election will be held for her successor on May 9. In Japan, Prime Minister Abe Shinzo returned to lead his country in late 2012, and is now to continue in office until 2021. Finally, Kim Jung-un became the third in his family to lead North Korea, and at 33 years old, Kim will likely remain at the helm of his isolated nation for decades to come—barring a violent end to his time in office.

Japan seems today to offer the most stable leadership. Abe's coalition government, comprised of the conservative Liberal Democratic Party (LDP)

and their junior partner, the Komeito, has maintained a two-thirds majority in the Lower House since 2012, giving the Abe Cabinet a comfortable legislative foundation for governing Japan. In 2016, the ruling coalition won a majority in the Upper House, and with other pro-revision parties, the Abe Cabinet now has the ability to move forward with amending the Japanese constitution. In September, the LDP is expected to make an exception to its policy of limiting the party presidency to two terms so that Abe can continue as Japan's prime minister until 2021.

In stark contrast is the current political vacuum in Seoul. On March 10, the Korean Constitutional Court unanimously voted to impeach President Park, the first South Korean president removed from office since democratization. Impeachment proceedings were initiated after a corruption investigation involving a close friend and confidante, which spread to include the leaders of most of Korea's corporate leaders, coupled with lingering public outrage over the president's absence during critical hours after the Sewol Ferry sinking caused the deaths of 304—including 250 school children—in 2014. May 9th is the date of the presidential election, and four candidates, almost all identified with liberal or leftist parties, are shaping up to compete. According to a recent poll, Moon Jae-in (64), a former member of the Democratic Party, is in the lead with 32%; followed by An Hee-jung (51), the former chief of staff to President Roh Moo Hyun and a self-described "Obama of South Korea," with 17%; Ahn Cheol-soo (55), a former doctor and IT businessman, comes in third with 9%; and finally, Lee Jae-myung (52), the Democratic Party's mayor of Seongnam City and a self-styled Bernie Sanders drew 8%. With the conservatives widely seen as out of contention in this race, foreign and security policy shifts should be expected. Moon, for example, argues for delaying the Terminal High Altitude Area Defense (THAAD) deployment until the National Assembly can vote on it. Moreover, South Korea's relations with Japan are also liable to worsen. Almost all candidates advocate for re-opening dialogue with North Korea.

The two authoritarian states in Northeast Asia, North Korea and China, may not be as easily swayed by public outrage, but they face considerable domestic demand for economic prosperity. North Koreans have been barred from any interactions with

the outside world that might lead to a challenge to the Kim family dynasty. Nonetheless, broader trade with China has increased expectations of what a relaxation of state control over the market might look like. The young Kim has brought some innovations to the daily lives of those who live in Pyongyang, allowing cell phone use and increased access to goods and restaurants. For those out in the countryside, however, poverty and malnutrition remain pervasive. The recent assassination of his half brother, Kim Jong-nam, in Malaysia is widely interpreted as yet another brutal attempt by Kim Jong-un to eliminate anyone who might be able to contend for influence.

While Xi Jinping will remain China's leader for some time, he is expected to name his choice to succeed him at this year's Party Congress scheduled for the fall. The Chinese Communist Party is facing mounting pressures on its leadership as economic growth slows and as many in China decry the social costs of rapid growth, particularly the environmental damage that endangers their health.

Public Opinion and the Alliances

Popular support for the alliances with the United States remains high in both Japan and South Korea. A governmental survey in March 2015 finds that 82.9% of Japanese think their security treaty with the United States enhances the nation's peace and security. According to a poll by the Asan Institute for Policy Studies taken in April 2014, 93.3% of South Koreans also thought the alliance was a necessity.

Yet in each country, there are differences over how to implement security cooperation. Historically, citizens of Japan and South Korea have been sensitive to the presence of U.S. forces on their soil. Crimes and accidents caused by U.S. military personnel have harmed relations in the base communities, and at times, caused nation-wide outrage. A rape of a 12-year-old school girl in Okinawa, Japan, prompted mass protests in 1995 and the deaths of 2 schoolgirls hit by a U.S. military vehicle in South Korea produced similarly large national demonstrations in Seoul in 2002. Extensive efforts have been made by the host governments, as well as by U.S. Forces Japan and U.S. Forces Korea, to mitigate the impact of U.S. forces on citizens in local base communities.

In addition, recent large-scale projects for base consolidation have sought to reduce the U.S. military's footprint in both countries. But these plans have also raised difficult questions over land expropriation, pitting local municipal governments and landowners against the national governments and slowing or even stopping construction. The shift of U.S. forces from areas near the Demilitarized Zone in South Korea to the Pyongtaek area south of Seoul met with fierce resistance from the farmers whose land was expropriated for base expansion. Similarly, the consolidation of U.S. military bases in Okinawa after the 1995 rape also ran into similar difficulties as the relocation of Marine Corps Air Station Futenma to the north of the island has been met with local opposition.

As North Korea and China exert greater pressure on their defenses, South Korean and Japanese governments have also sought to enhance their own military capabilities. In Japan, this has provoked popular dissent. Prime Minister Abe reinterpreted the Japanese constitution in 2014 to allow the Self Defense Force (SDF) to work alongside and possible use of force in coalition with other national militaries, most importantly with U.S. forces. Diet debate over the legislation to expand security cooperation in 2015 drew angry protests attended by students as well as by older Japanese, and housewives and other citizens, who felt that Abe was taking steps that would once again put their country on the path to war.

Finally, public attitudes in Japan and South Korea towards each other are perhaps at their worst in a generation. Northeast Asia remains deeply affected by the politics of war memory, but the sensitive domestic politics surrounding the Japan-South Korean relationship have had a particularly deleterious effect on strategic cooperation between the United States and its Northeast Asian allies. The seventieth anniversary of the end of World War II in 2015 was commemorated across the region, raising yet again the costs of that war for those who were victims of Japanese aggression. Summit meetings with both Abe and Park in Washington, DC allowed the U.S. policymakers in the executive and legislative branches to express their concerns about the difficult relationship. The Obama Administration facilitated contact between Abe and Park after a protracted estrangement, including President Barack Obama's meeting with both leaders at the Nuclear

Summit at The Hague in March 2014 and the subsequent trilateral dialogue initiated by Deputy Secretary of State Anthony Blinken in April 2015. An agreement to resolve the outstanding Korean grievances over the women forced to work in wartime brothels run by the Imperial Japanese army, concluded between Park and Abe in December 2015, seemed to finally put some of this contention behind the two U.S. allies. However, implementation has run into hurdles, and when a new statue of a so-called "comfort woman" was erected in Busan City, Japan withdrew its ambassador in protest. While military cooperation continues, the resolution of these soured political relations is likely to be exacerbated by the election in Seoul.

Uncertainty about the United States

Finally, the future role of the United States in Asia is increasingly questioned in the region, and anxiety among U.S. allies is running high. U.S. alliances in Asia made headlines during the 2016 presidential campaign as Donald Trump upended the longstanding assumption that Washington benefitted from strategic cooperation with Japan and South Korea. Once in office, the Trump Administration has reversed that position, and has taken conspicuous steps to reassure Tokyo and Seoul of their importance to the United States, yet the anxiety persists in both countries that the United States may not be as reliable a partner as it has been in the past.

The Transpacific Partnership (TPP) was seen as a strong anchor for the United States in Asia, and was welcomed across the region as a sign that Washington was deeply committed to leading, alongside Japan, the economic future of the region. While the differences within the United States, especially on Capitol Hill, were widely recognized, U.S. allies and partners advocated strongly for ratification. From Japan to Singapore to Australia to Vietnam, the other nations in the TPP talks saw U.S. participation as the catalyst for trade liberalization and economic growth across the Pacific. Needless to say, the decision by President Trump to withdraw from the TPP so early in his presidency came as a shock, and many countries are considering how to respond. For some, moving ahead without the United States seems best, while others view this as a signal that the time has come to follow Beijing's call for a regional economic pact, the Regional

Comprehensive Economic Partnership (RCEP), that does not include the United States.

Yet for both Japan and South Korea, there are deeper questions about the future of their alliances with the United States that bear scrutiny. North Korean nuclear capabilities and the proliferation of missiles capable of delivering a miniaturized nuclear warhead pose a serious challenge to the U.S. extended deterrent. While experts believe the acquisition of an intercontinental ballistic missile (ICBM) remains some years in the offing, the idea of Pyongyang being able to threaten the United States with a nuclear attack creates for the first time a serious risk to their reliance on Washington's nuclear umbrella. Today, however, North Koreans do have the capacity to threaten U.S. military bases in both Japan and South Korea, and recent salvos of multiple missile launches towards Japan indicate that Pyongyang has the capability to overrun Japan's missile defenses. Similarly, on the Korean peninsula, Pyongyang's missile proliferation has prompted the THAAD deployment. In short, the United States remains at the center of the military balance in Northeast Asia.

Missile defense systems in Asia have been the preferred response to the North Korean threat, but the time for a broader discussion on strike capability may be at hand. South Korea has active defenses, in other words missiles capable of reaching the North. Japan has not pursued this option, but is prepared to move with the United States to build a capability to preempt missile launches from North Korea as a means of strengthening the alliance's deterrent.

China's rising influence, and its military reach, poses perhaps the greatest challenge for the U.S. and its allies. In 2015, I published a book, entitled *Intimate Rivals: Japanese Domestic Politics and a Rising China*, which looked carefully at the various ways in which Japanese governance has been affected by an increasingly wealthy and militarily powerful China. Today the Japan-China relationship is far more contentious than ever, and the risk of an inadvertent crisis in the East China Sea—whether between coast guards or between militaries—remains high despite efforts by Tokyo and Beijing to conclude a military risk reduction agreement. The United States and Japan have devised an Alliance Coordination Mechanism to help cooperate in the case of a crisis and avoid escalation to conflict.

South Korea maintains a constructive diplomatic and economic relationship with China, but has felt the brunt of Chinese reaction to the decision to deploy the THAAD. Focused primarily on North Korea, the South Korean military has little direct interaction with the Chinese military that could be seen as dangerous. Nonetheless, China's growing strategic influence in the region has complicated Seoul's decision making in the alliance.

Concluding Thoughts

The geostrategic shifts underway are particularly evident in Northeast Asia, and U.S. policy towards the countries of this region will be driven largely by security concerns. Ensuring the security of U.S. allies will require more agile alliance management than ever before, but so too will diplomacy with China. The United States must navigate this systemic impact of China's rise carefully, neither provoking Beijing into an arms race nor ignoring the serious vulnerabilities in alliance defenses. As the Trump Administration's Secretaries of Defense and State have already demonstrated, the driver for the foreseeable future in U.S. policy towards the region is likely to be the effort by North Korea to change the status quo through the acquisition of a viable nuclear arsenal. For Washington's non-nuclear allies, this will pose the first real test of the nuclear umbrella. Perceptions of a decline in U.S. interest in the region continue to infuse popular as well as expert debate on the future of Asia. If past is prologue, the Trump Administration will likely face multiple crises in the years ahead.

Domestic Politics, Nationalism and China's New Diplomacy

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China's rise in world affairs is one of the most significant and challenging developments in global politics. As China becomes a major global leader, a vital question for the U.S. is how to understand and respond to China and its new global role. This enormous and rapid change has created difficulty to fully understand China and its policies, people too often view China from the outside looking in, using their own institutional experiences and cultural frameworks when trying to interpret China's actions.

There exists a major perception gap between people inside and outside China over China's foreign policy and its relations with neighboring countries. People living outside of China often disagree with China's maritime claims in the South and East China Sea and tend to see China's recent foreign policy behavior as aggressive bullying. However, many Chinese genuinely believe that their maritime claims are rooted in history and are therefore valid. They actually see themselves as victims rather than aggressors. Moreover, China's policy is often ambiguous and opaque. Therefore, it has been difficult for the outside world to decipher China's true policy and intention. It is crucial for American policymakers to understand that Chinese foreign policy is not driven purely, or even primarily, by a desire for power and resources. It is also an extension of domestic politics, social discourse and nationalism. The next two to four years will be particularly dangerous as both China and U.S. are undergoing major political transitions. Issues related to North Korea, the South China Sea and Taiwan will become high risk.

China's Rise and New Diplomacy

China has developed at an unprecedented rate over the past three decades. For example, China's economy is 24 times larger than it was in 1990. China's per person Gross Domestic Product is now more than \$8,000 in comparison to 1989, when it was just \$307. At the same time, Chinese military capability has realized major modernization and growth. Every single day, one military-use vessel is being produced for the People's Liberation Army Navy (PLAN).ⁱ

China's rise has raised questions about peace and security as well as development and prosperity in the 21st century. Will its rise be peaceful? Will it produce more cooperation and opportunities with the rest of the world or more conflict? All these questions call for a better understanding of China, what factors determine its foreign policy, and how China sees itself in relation to the world. However, there are major challenges for understanding such a large and fast-changing country. The country has undergone the greatest social transformation of its history. But it remains tremendously varied from region to region, in culture and in economy. All these have created immense difficulty for outsiders to be successful in their attempt to understand China.

As China continues to undergo one of the biggest social transformations in its history, there is still no consensus on how U.S. policy makers should perceive this change or proceed in dealing with it. The policy community has been debating whether a conflict between the U.S. and China is inevitable, a repeating model between an existing

superpower and a rising power. It is being debated if the U.S. should welcome China's rise and greet it as an opportunity for global cooperation and engage China as a responsible stakeholder, or if the U.S. should prepare to contain the major challenges a powerful China may bring. There is a range of views regarding how to better understand China, but there is a complete lack of consensus on what direction U.S. policy should take in dealing with China's rising power. While having many different views on foreign policy issues is nothing new in the U.S., it is however, unusual and alarming for one country to have such divergent opinions. Despite this, there are a few converging viewpoints within the U.S. policy community regarding China: (1) the U.S.-China relationship is the most important bilateral relationship for the U.S. and its impact is not limited to foreign policy alone; (2) the biggest future security challenge for the U.S. comes from China; and (3) uncertainty about China's path forward is now greater than at any time over the past 30 years.

While the policy community debates, China has just made its biggest foreign policy adjustment in 25 years. President Xi Jinping's rise to power in 2012 has been followed by a series of ambitious new initiatives that are being referred to as "China's Marshall Plan." China has also been working hard to create new institutions and organizations. At the same time, Beijing has dramatically changed its policy toward the South and East China Sea, boldly pushing forward some aggressive behavior including massive land reclamation in the South China Sea and the establishment of the Air Defense Identification Zone (ADIZ) in the East China Sea. The two maritime conflicts have become focal points and flashpoints, drawing global attention. The high potential for conflict escalation could end the East Asian period of peace and prosperity that has lasted over the past few decades.

The two maritime disputes in the South and East China Sea challenge America's foreign policy, and have stimulated major debates within the U.S. policy community. On the one hand, the U.S. has a responsibility to protect its allies and partners in the region. On the other hand, the tension in the two Seas has already become the

predominant source of friction in the Sino-American relationship. Furthermore, the South China Sea is also a relatively new component in U.S.-China relations, in comparison to long-term U.S. foreign policy concerns such as Taiwan and North Korea. It is an issue with which the U.S. policy community is not adequately familiar, especially given the complex geopolitical issues at play in the region and the lack of understanding of the Chinese perspective.

Two-level Games

The tensions in East Asia are two-level games for all involved parties. The governments of each state not only need to negotiate with each other, but also with their own domestic constituents. Domestic politics has a huge influence on international relations in this region. For example, the two presidential elections in the U.S. and the Philippines in 2016 have brought dramatic changes to the South China Sea dispute. Even before taking office, President-Elect Donald Trump challenged four decades of U.S. policy toward China and roiled bilateral relations with just a few tweets and a single phone call with the Taiwanese leader. Even though the new administration is just beginning its work, the new President, the Secretary of State, and other appointed officials have already made strong and aggressive comments regarding China and the South China Sea, indicating a major policy change in the Asia-Pacific, particularly with the South China Sea. In the Philippines, new President Duterte has dramatically changed the Philippines' foreign policy. All of this has created a new reality and context for the South China Sea disputes.

As for current priorities, President Trump and Chinese President Xi Jinping are in the same situation—2017 is also a power transition year for the Chinese leadership, as China will hold the 19th Party Congress of the Chinese Communist Party (CCP).ⁱⁱ The Communist Party convenes its national congress every five years to determine the leadership change at the top. This is China's closet equivalent to an election year in democratic countries. A majority of the Politburo Standing Committee is expected to retire at this

incoming congress. Xi's priority this year is to make sure of the smoothness of the Congress and to use the Congress to consolidate his power base as China's "core leader." One of Xi's main goals is to reform the Party's leadership transition system and prolong his term. In post-Mao China, the CCP disfavored a strongman politics and followed a "collective leadership system" for a group of 7-9 standing committee members of Politburo to run the country. The "core leader" title will give Mr. Xi special stature and will reinforce his authority to push through policies in the face of doubts and foot dragging. Therefore, Xi also wants to focus on domestic issues and avoid distractions from any external incidents.

Considering the history of the Congress, the year of the party congress has always been a very special and sensitive time in Chinese politics, a time when Beijing made unusually tough responses to external incidents to appease domestic nationalism. The most recent example is China's furious reactions to Japan's national purchase of the Senkaku/Diaoyu Island during the last Party Congress in 2012.ⁱⁱⁱ Until today, the Sino-Japanese relationship has not gotten over the 2012 crisis.

The legitimacy of China's ruling party does not come from popular elections, but from construing itself as a liberator of an independent China, and as the defender of China's national interest. This has been the central myth of the ruling party. When the central myth and legitimacy of the government are highly dependent upon ending China's history of humiliation and safeguarding state sovereignty, it became quite natural that the party would need to construct itself as the guardian of Chinese integrity of territory and sovereignty. For example, in the early 1990s after Tiananmen Square and the collapse of communist ideology in the Soviet Union and Eastern Europe, Chinese leaders faced a huge crisis of legitimacy. Nationalism is what filled the space and gave the Chinese Communist Party its legitimacy—Beijing really had no choice. Under this historical context and political realities, the Chinese government needs to be "tough" in regards to

dealing with any territory disputes as part of their legitimacy.^{iv}

For Beijing, this is a dilemma between domestic politics and foreign policy. In terms of domestic politics, the tougher and more assertive foreign policy behavior will certainly be more helpful to the regime in building support at home. This has already happened as Xi Jinping's South China Sea policy has been widely supported by both China's officials and Chinese social media. On the other hand, the rising tensions created by such assertive policies have created huge difficulties for China's diplomacy. There is strong criticism within international society which has created immense pressures for Chinese diplomats.

The Clash of Dreams

Donald Trump's election slogan, "Make America Great Again" is actually the exact same as Chinese president Xi Jinping's favorite slogan of "realizing the great rejuvenation of the Chinese nation." In fact, "make my country great again" is actually a popular political slogan globally. Japan's Shinzo Abe, India's Narendra Modi, and Russia's Vladimir Putin all frequently mention something similar to this. What we are actually experiencing is a "make my country great again" nationalism that exists in several major world powers.^v

Around the world people always speak of China's rise, but the Chinese like to use a different word: "rejuvenation." Xi called it the greatest dream of the Chinese nation. This slogan, referred to as the "China Dream," has become the political manifesto and signature ideology of Xi's administration since he came into power three years ago. The use of the word "rejuvenation" underscores a very important point: the Chinese see themselves as returning to greatness or a past glory, rather than rising from nothing.

It is completely understandable that each country strives to make itself better and greater for its people. However, there are two concerns in terms of "make my country great again" nationalism. First, the varying contents of each

nation's dream could lead to a "clash of dreams." When countries' dreams differ, and particularly when nations view one another as being an obstacle in the path of their rejuvenation, there exists the possibility of conflict. We can see this clash of dreams now between China and Japan, and China and the United States. The second concern is that while strong leaders may play a very powerful role in moving their country forward, when there exists a group of ambitious leaders in power at the same time, history states that there could be dangerous outcomes.

The true meaning behind the slogan of "make my country great again" is that a group of countries are actually not satisfied with their current status and condition and want to change the situation. In other words, their dissatisfaction with the status quo has led these states to advocate for revisionism. In the past, conflict has often arisen between revisionist and status quo nations. But now the situation is even worse because no country seems fully satisfied with the status quo. Moreover, each country has a different agenda, priorities, and methods for its idea of revision. This is a huge problem for the future of international relations.

In fact, each East Asian country is striving to become a "normal country." In other words, they are unsatisfied with their current status and positions. The meaning of "normal country" may be different for each of them. It could mean reunification, democratization, abolishing constitutional limitations, or national rejuvenation and restoration.^{vi}

However, the varying contents of these countries' dreams could lead to a clash of dreams. In particular, the real danger posed by the clash of dreams may include one country blaming the other as being an obstacle in the path to its search for greatness or past glory. Many of the problems in East Asia are represented by territorial disputes, such as those between China and Japan and South Korea and Japan. Tensions can also be generated by the words and actions over historical symbols, such as the controversy over Japanese Prime Minister Shinzō Abe's visit to the Yasukuni Shrine. The fundamental source of

these conflicts, however, is a clash of national dreams and identities.

Conclusions

People have good reason to be concerned about the current situation in East Asia. Based on the above discussions, there are several issues that policy makers in this region should pay special attention to and develop a sophisticated plan to deal with the specific challenges in this region.

First, a higher level of awareness of the perception gap is a necessary starting point for any serious deliberation of the South and East China Sea disputes. In trying to understand China's reasons for acting as it does, people often overlook the importance of perceptions and identity in forming China's worldview. Historical legacies, education, and domestic narratives contribute to widening gap. These narratives form deeply ingrained mind-sets, which make it unrealistic to expect quick changes in China's foreign policy. For people of this region, especially for policymakers, what it is very important, however, is to be aware and mindful to the existence of such a gap. This is important because perception and understanding guide actions.

Second, the two maritime conflicts are also identity-driven disputes. Undoubtedly, these two maritime disputes signify security crises encompassing many complex geo-political and economic factors. But the sources of these conflicts are also identity-based in that the involved parties' divergent perceptions, attitudes, and intentions interact intensely with one another. Identity-driven conflict is much more complicated than interest-based conflict. Different identities often generate divergent perceptions. In fact, East Asian countries often base their perceptions of their neighbors on misperceptions. For example, both China and Japan consider themselves peace-loving and the other aggressive. The same event can have different interpretations depending on which side you are on. Recent tensions and the rise of

nationalism in this region have worked to further strengthen each claimant's identity and position. In such a situation, all parties must act with caution to avoid any conflict escalation due to misperception and misunderstanding.

Third, when a conflict transforms from a diplomatic dispute to a domestic political issue, domestic politics only further contributes to more complications and uncertainties in finding a resolution. Based on this understanding, the future of East Asian security is not very optimistic. With a strong nationalism sentiment, people's opinions on the maritime issue will become more extreme and any negotiation to find a compromise will become more challenging. This is a truly unfortunate development. It may not be very difficult for a government to change its stance on a position and make a compromise, but it is much more difficult to change the contents of textbooks that have been promoting

this for years especially considering the shift in social discourse and cognitive beliefs that have been so deeply developed. But without changing the social discourse and education, people at home simply consider any compromise over the territorial issues as an unacceptable diplomatic failure—this is actually the real challenge in the Asia Pacific region.

Beijing is at a crossroads of making important strategic decisions and foreign policy adjustments. The nature of the tensions and conflicts in this region requires new interpretations of problems and innovative solutions. The vast differences among the regional countries over rights, interests, and perceptions can be bridged only when the involved parties have had adequate time to build up a mutual understanding. The various actors involved must demonstrate patience, wisdom and resolve.

ⁱ Zheng Wang and Joseph O'Mahoney, "China's 1989 Choice: the Paradox of Seeking Wealth and Democracy." *Wilson Quarterly* 40:2 (2014).

ⁱⁱ Zheng Wang, "Trump and Xi Need a Time-out," *Foreign Policy*, January 4, 2017.

ⁱⁱⁱ Zheng Wang, "Perception Gaps, Identity Clashes." In *Clash of National Identities: China, Japan and the East China Sea Territorial Dispute*, edited by Tatsushi Arai, Shihoko Goto and Zheng Wang, 9-19. Washington D.C.: The Woodrow Wilson Center, 2013.

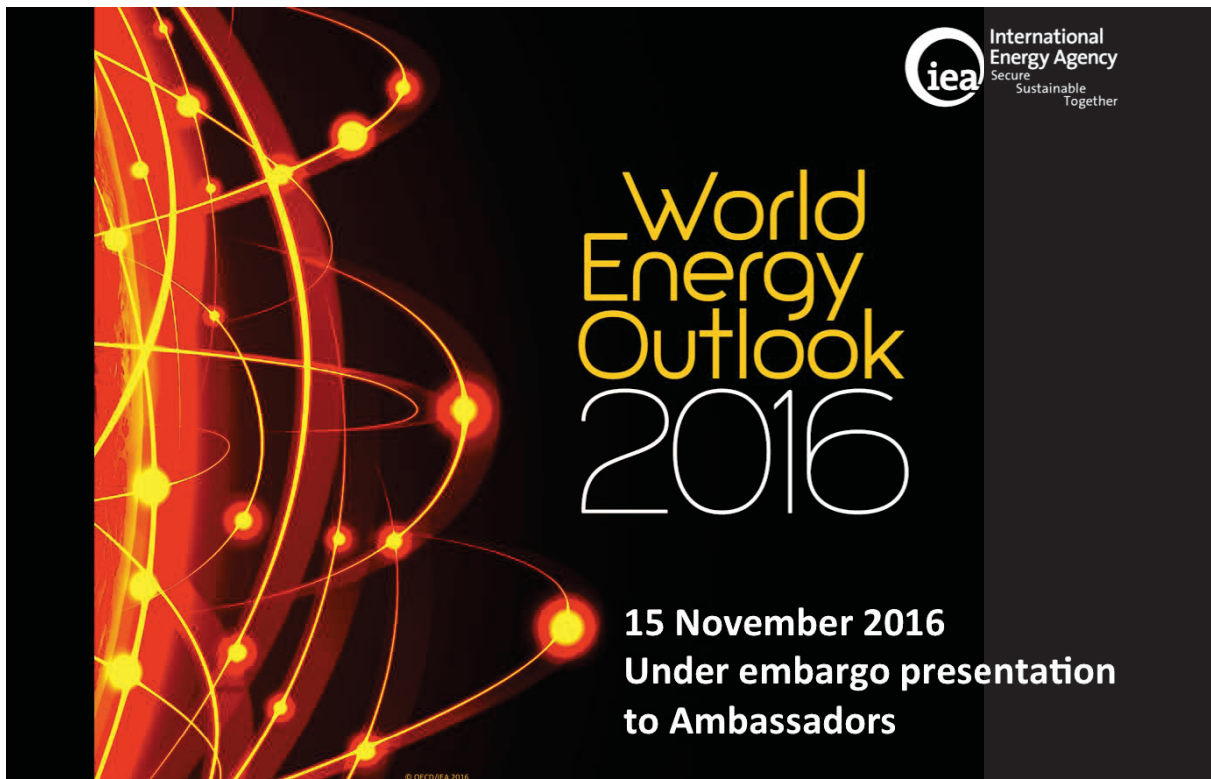
^{iv} Zheng Wang, *Never Forget National Humiliation: Historical Memory in Chinese Politics and Foreign Relations*. New York: Columbia University Press, July 2012.

^v Zheng Wang, "The New Nationalism: 'Make My Country Great Again'," *The Diplomat*, May 10, 2016.

Stormy Energy Future and Role of the Sustainable Nuclear Power

2017-4-12 Aspen Institute.

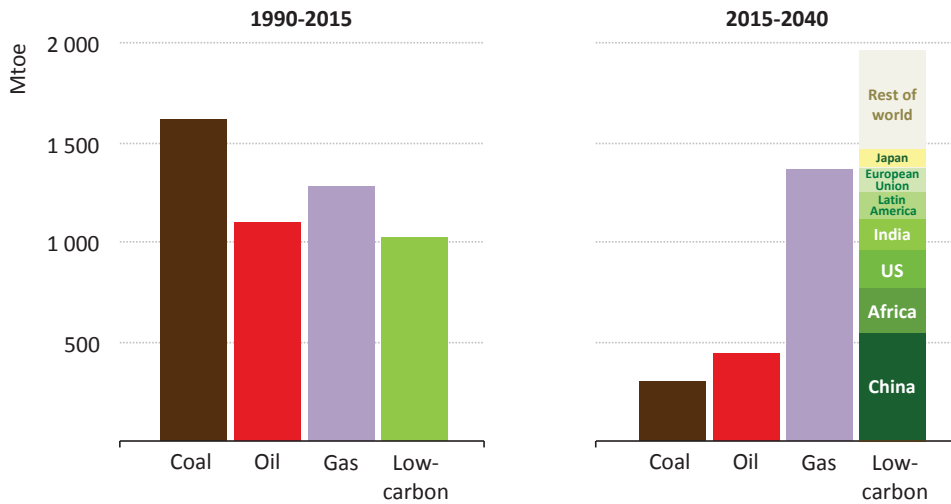
Former Executive Director, IEA
Chairman, the Sasakawa Peace Foundation
Nobuo TANAKA



A new 'fuel' in pole position

WEO2016

Change in total primary energy demand

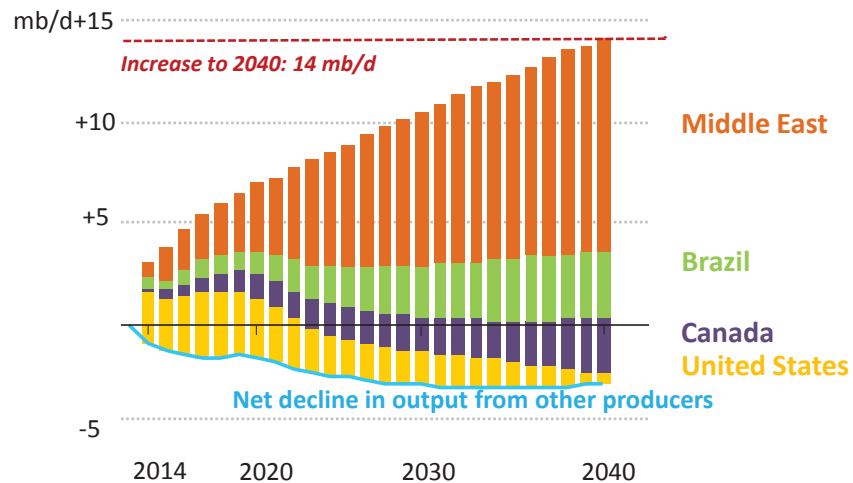


Low-carbon fuels & technologies, mostly renewables, supply nearly half of the increase in energy demand to 2040

Instability in the Middle East a major risk to oil markets

Oil production growth in United States, Canada, Brazil & the Middle East

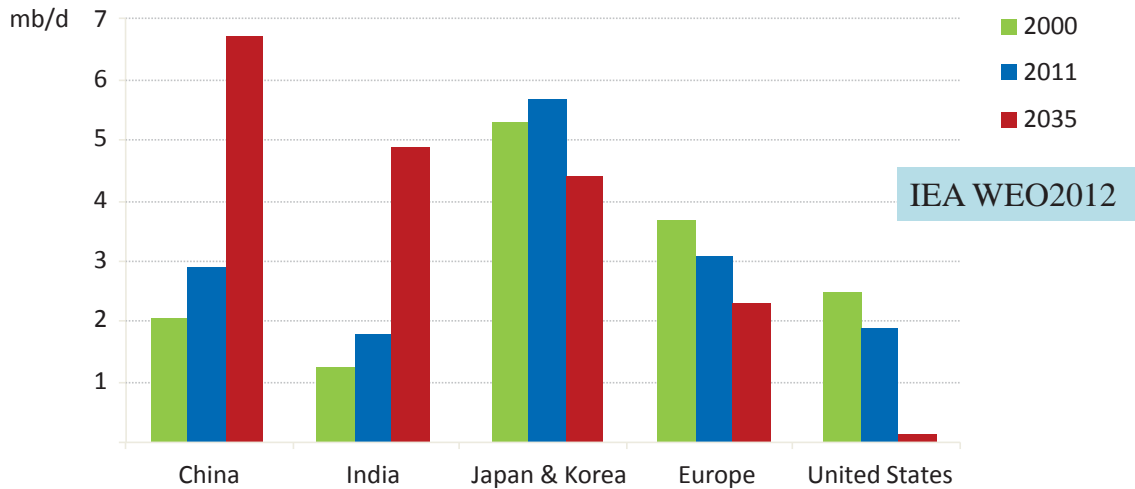
IEA data



The short-term picture of a well-supplied market should not obscure future risks as demand rises to 103 mb/d & reliance grows on Iraq & the rest of the Middle East

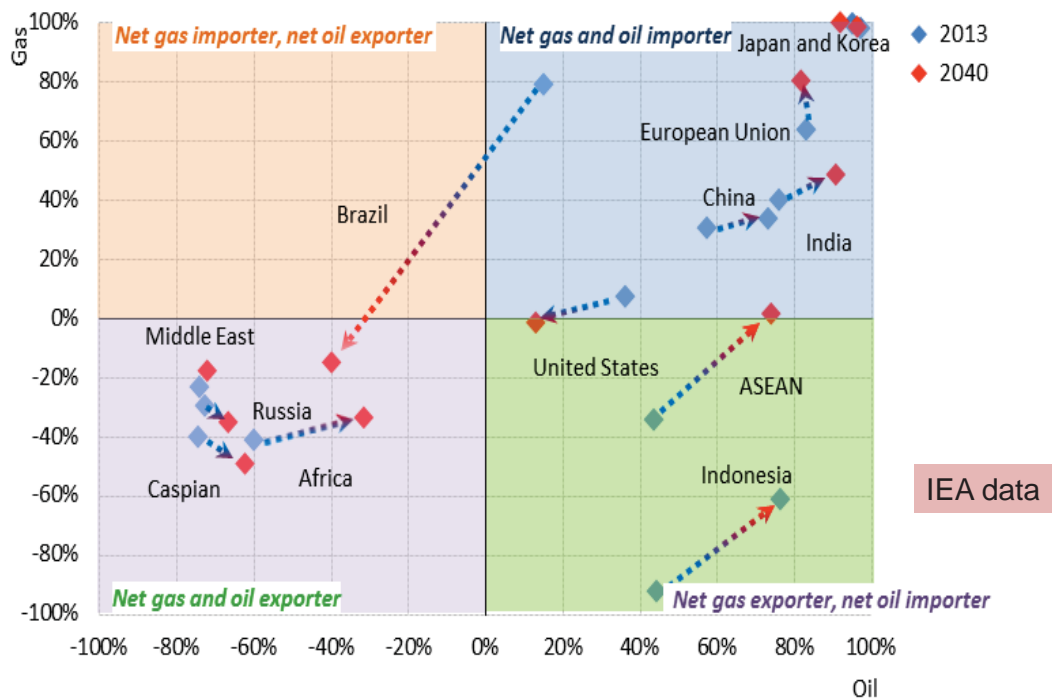
North American Energy Independence and Middle East Oil to Asia: a new Energy Geopolitics

Middle East oil export by destination



By 2035, almost 90% of Middle Eastern oil exports go to Asia; North America's emergence as a net exporter accelerates the eastward shift in trade

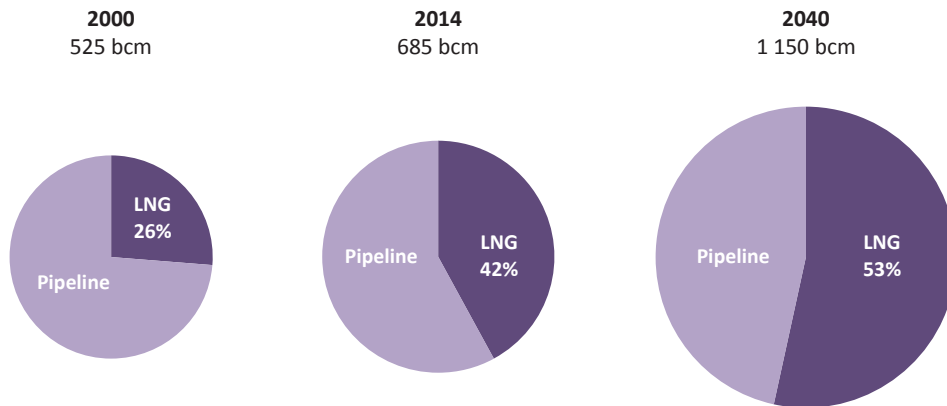
Geopolitics of the Shale Revolution: Strategic Positioning of Oil / Gas exporters and importers.



A wave of LNG spurs a **second** natural gas revolution

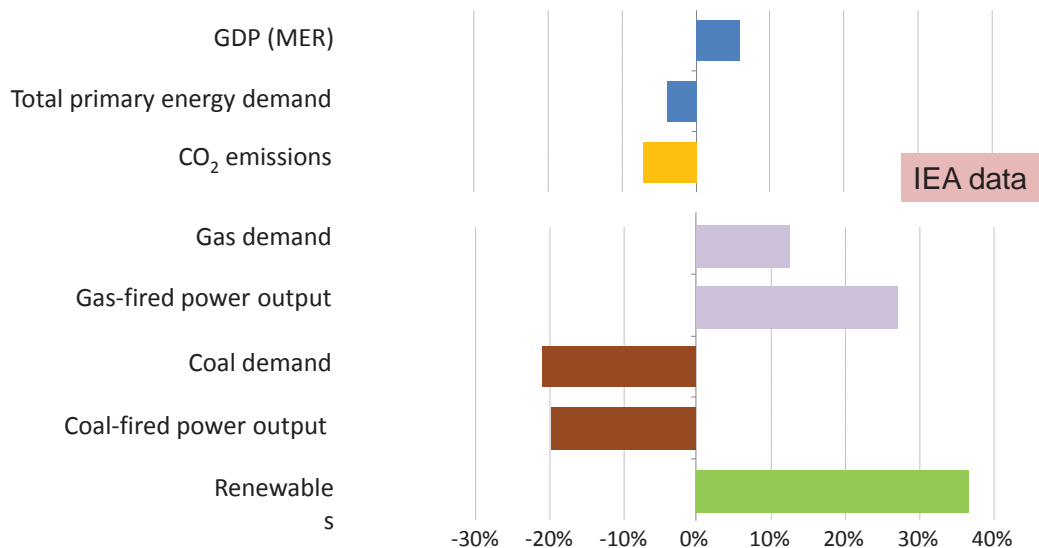
WEO2016

Share of LNG in global long-distance gas trade



Contractual terms and pricing arrangements are all being tested as new LNG from Australia, the US & others collides into an already well-supplied market

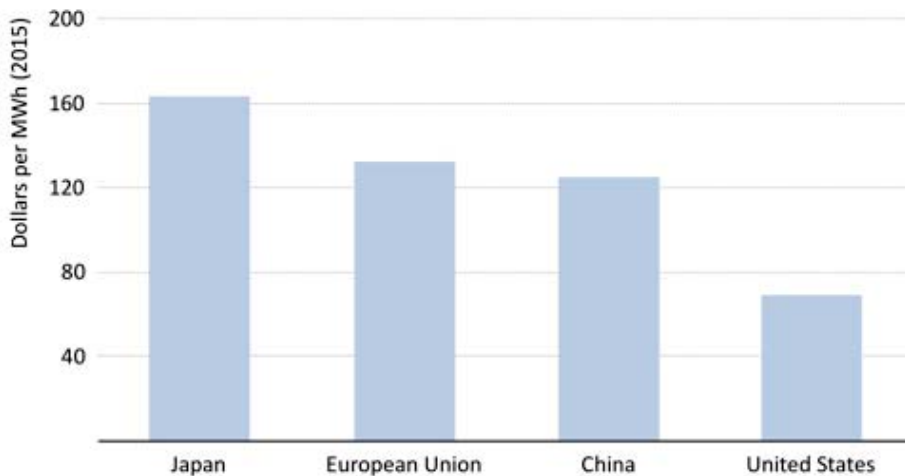
The Shale Gas revolution in the US achieved Win-Win-Win.
The US is the sole winner of the energy market.



From 2008-2013, United States CO₂ emissions went down by 7% due to coal-to-gas fuel switching, power generation efficiency gains & increased renewables output

Energy costs remain critical to international competitiveness

Average industry electricity prices, 2015



Relative electricity prices are important factors in industrial competitiveness & trade, & will continue to be determined by energy fundamentals & government policies

© OECD/IEA 2016

Russian Gas Pipelines Will Extend to the East: Recent China Deal

Russian Gas Infrastructure

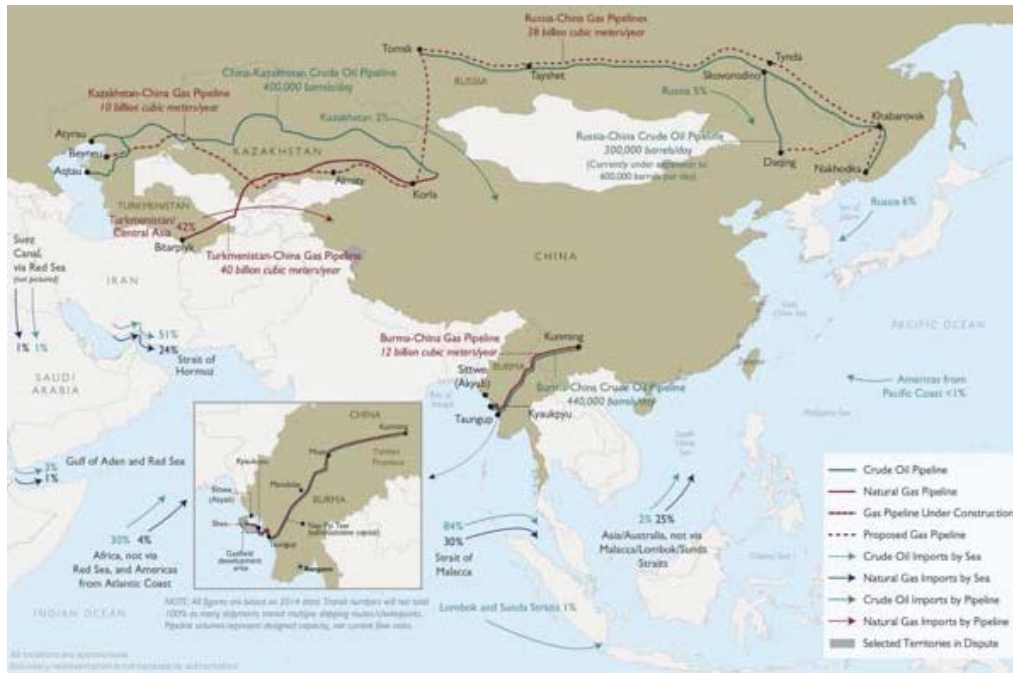


The boundaries and names shown and the designations used on maps included in this publication do not imply official endorsement or acceptance by the IEA.

Source: IEA

Mid-Term Oil & Gas Market 2010, IEA

China's Oil and Gas Import Transit Routes: One Belt and One Road (一帶一路)



USDOD China Report 2016

Collective Energy Security and Sustainability by Diversity, Connectivity and Nuclear

Energy self-sufficiency* by fuel in 2013

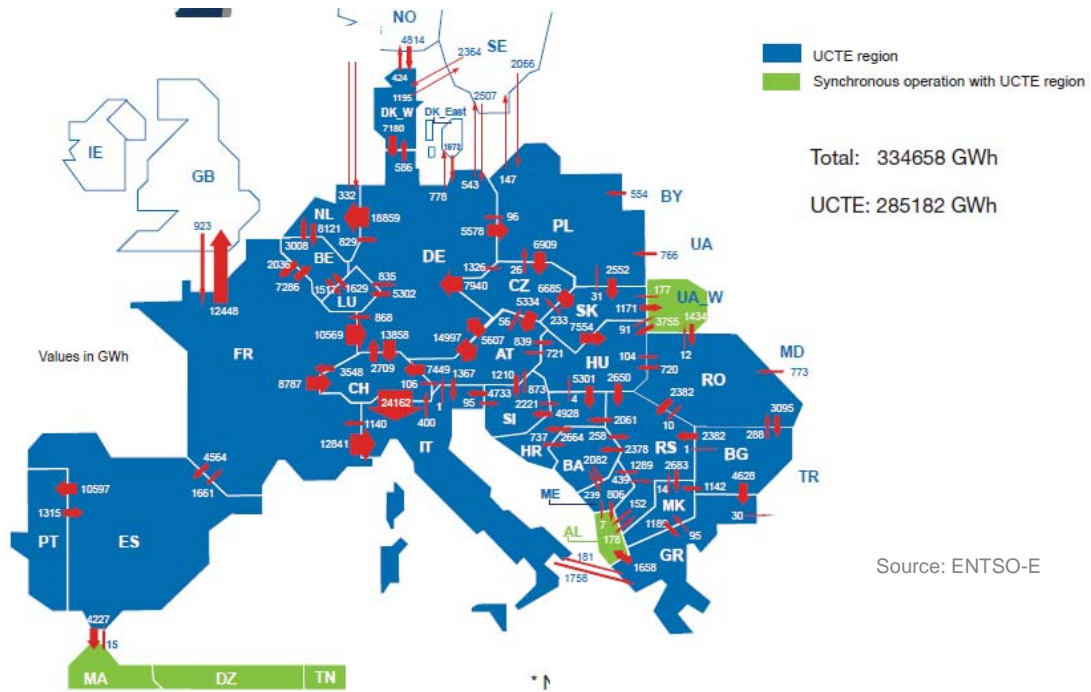


Source: Energy Data Center, IEA.

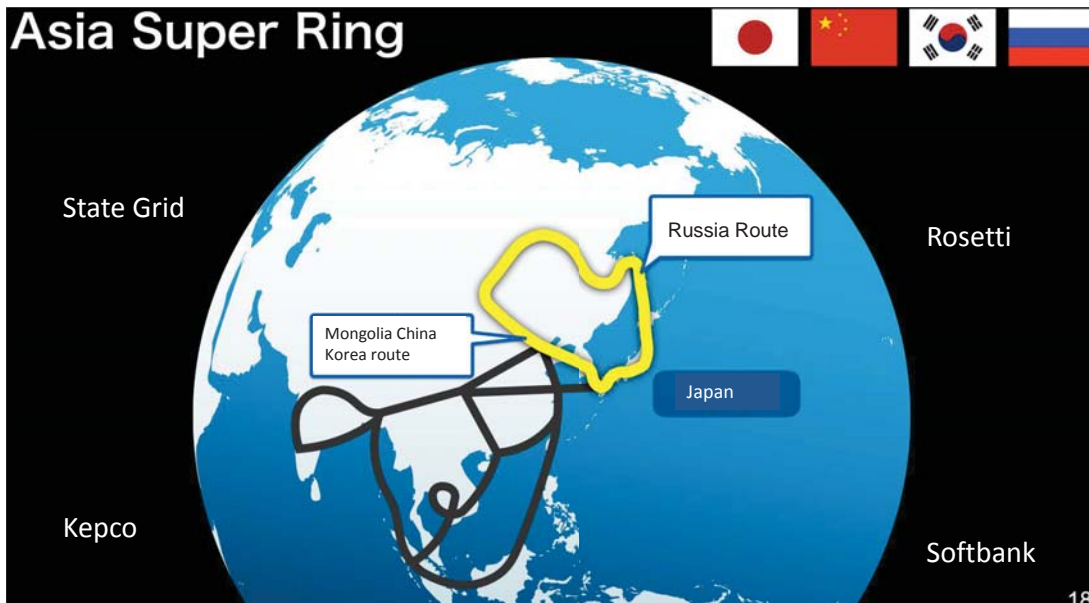
Note: Does not include fuels not in the fossil fuels, renewables and nuclear categories.

Power Grid Connection in Europe: Collective Energy Security and Sustainability

Physical energy flows between European countries, 2008 (GWh)



Asia Super Ring



Masayoshi SON's proposal

Sustainable Nuclear Power

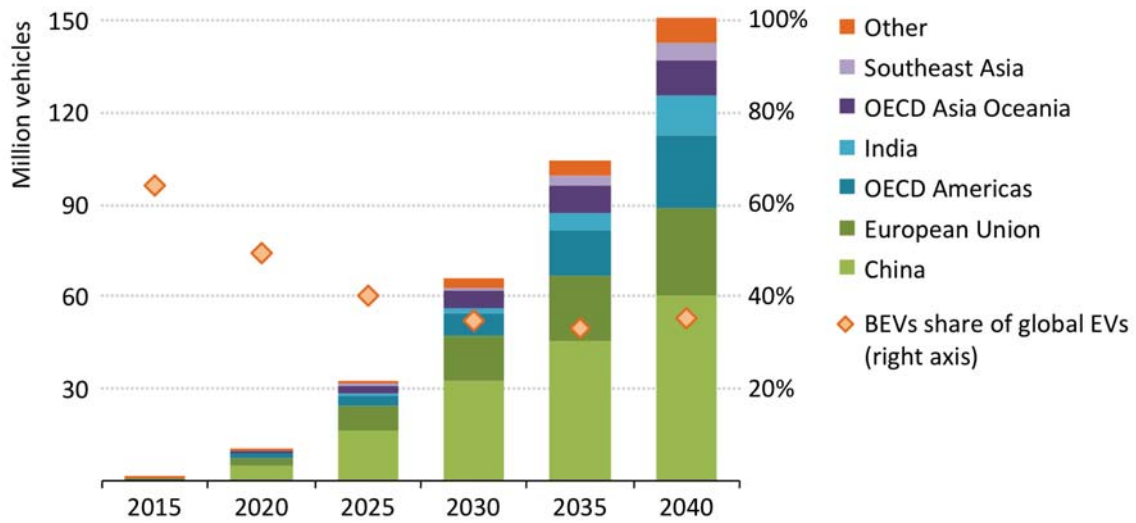
ETP2016

iea.org/statistics.

Key point *Today fossil fuels dominate electricity generation with 68% of the generation mix; by 2050 in the 2DS, renewables reach a similar share of 67%.*

- 2013 Generation share
 - Fossil fuels: 68%
 - Renewables: 22%
 - Nuclear: 11%
 - 2DS 2050
 - Renewables: 67%
 - Fossil fuels: 17% (CCS12%)
 - Nuclear: 16%
- 

Figure 3.3 ▷ Electric vehicles in circulation in the New Policies Scenario



Electric vehicles grow from 1.3 million in 2015 to over 150 million by 2040

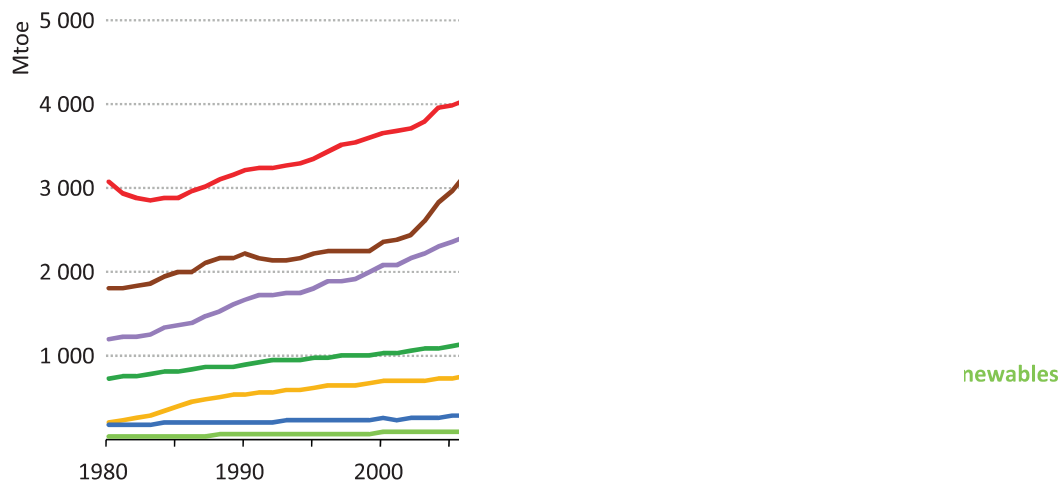
In the 450 Scenario, for example, the global stock of EVs rises to over 710 million by 2040, displacing more than 6 mb/d of oil demand.

WEO2016

Impact of 450 ppm Scenario on Oil Market

WEO 2013

Figure 2.5 ▷ World primary energy demand by fuel in the New Policies Scenario

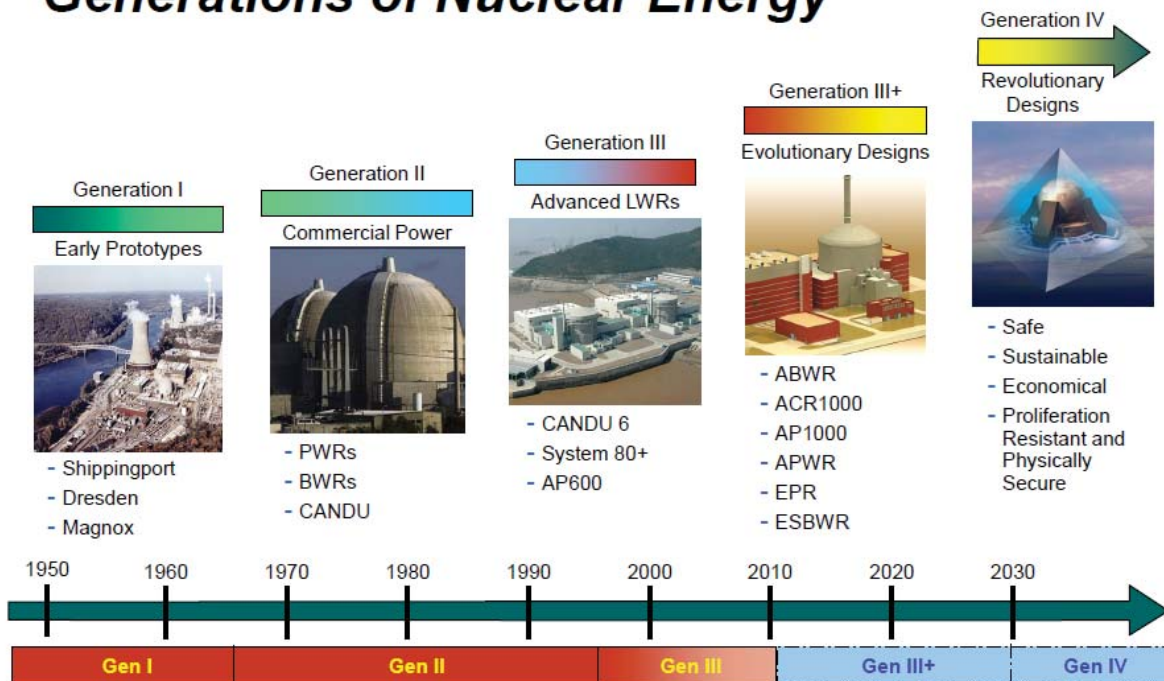


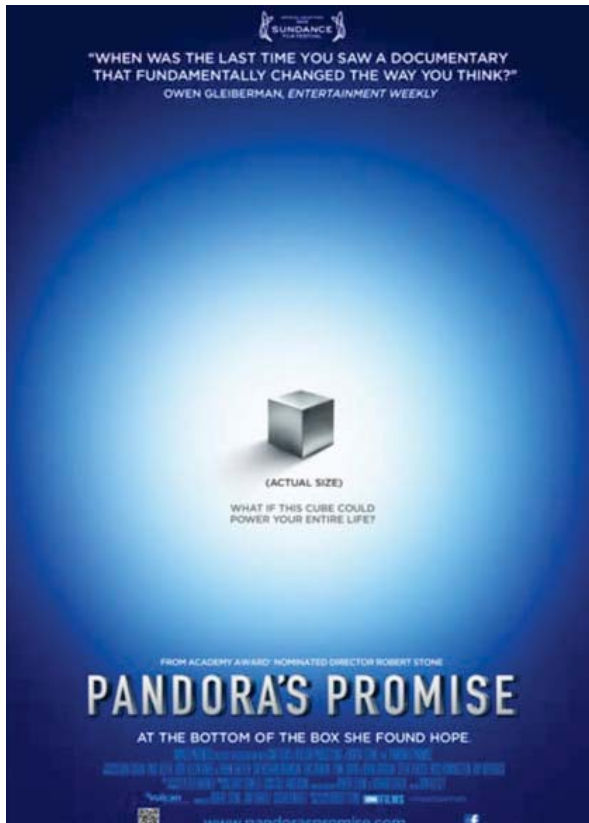
The Stone Age didn't end because we ran out of stones.

History of Construction of Nuclear Reactors

WEO2014

Generations of Nuclear Energy

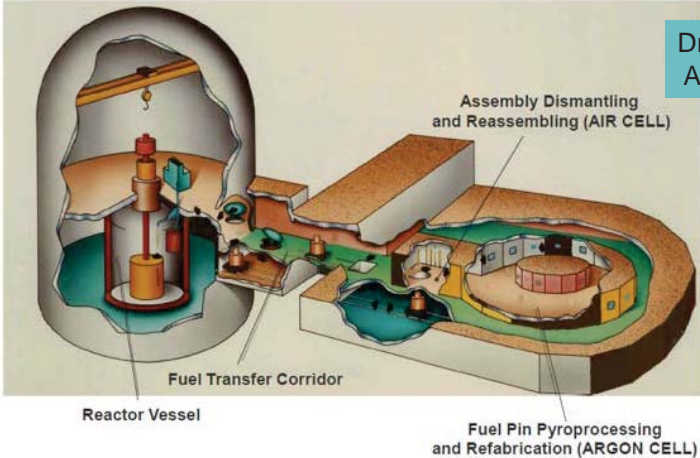




"Pandora's Promise", a movie directed by Robert Stone, is a documentary of environmentalists who changed their views about Nuclear Power. IFR (EBR2) story comes up as missed opportunity.

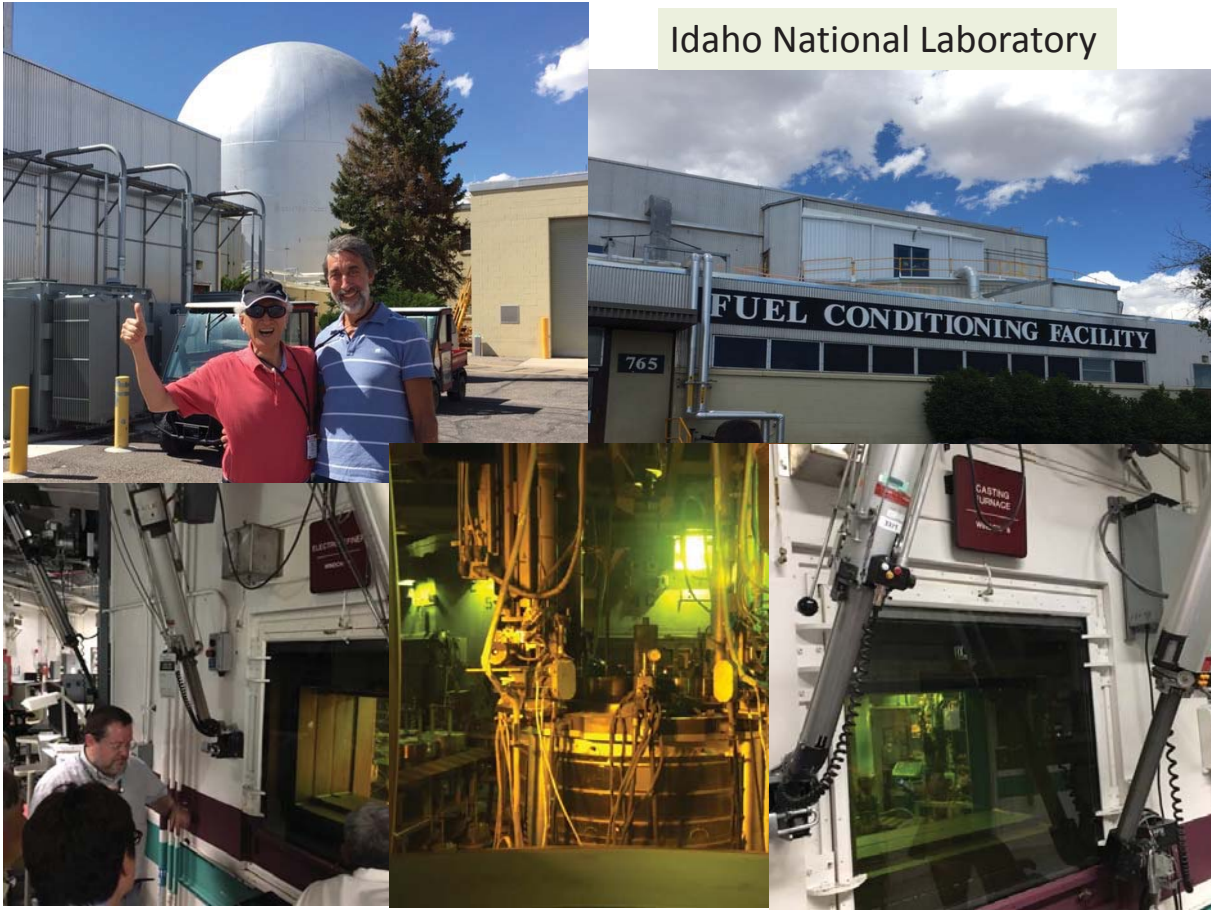
Time for Safer, Proliferation resistant and Easier Waste Management Paradigm:
Integral Fast Reactor and Pyroprocessing

Pyroprocessing was used to demonstrate the EBR-II fuel cycle closure during 1964-69



Dr. YOON IL CHANG
 Argonne National Laboratory

IFR has features as Inexhaustible Energy Supply ,Inherent Passive Safety ,Long-term Waste Management Solution , Proliferation-Resistance , Economic Fuel Cycle Closure. High level waste reduces radioactivity in 300 years while LWR spent fuel takes 100,000 years.



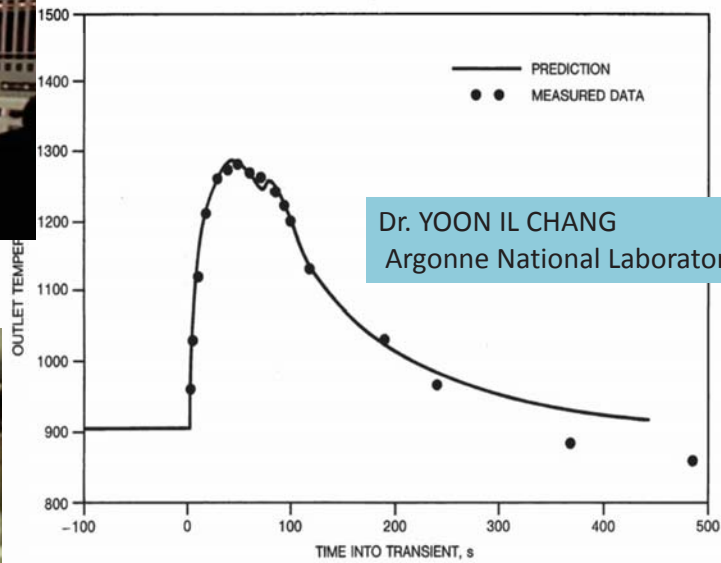
Technical Rationale for the IFR

- ✓ Revolutionary improvements as a next generation nuclear concept:
 - Inexhaustible Energy Supply
 - Inherent Passive Safety
 - Long-term Waste Management Solution
 - Proliferation-Resistance
 - Economic Fuel Cycle Closure
- ✓ Metal fuel and pyroprocessing are key to achieving these revolutionary improvements.
- ✓ Implications on LWR spent fuel management

Dr. YOON IL CHANG
Argonne National Laboratory

Passive Safety was proven by the 1986 Experiment very similar to the Fukushima event.

Loss-of-Flow without Scram Test in EBR-II



Dr. YOON IL CHANG
Argonne National Laboratory

Pyroprocessing equipment and facility are compact
More favorable capital cost and economics



Pyroprocessing



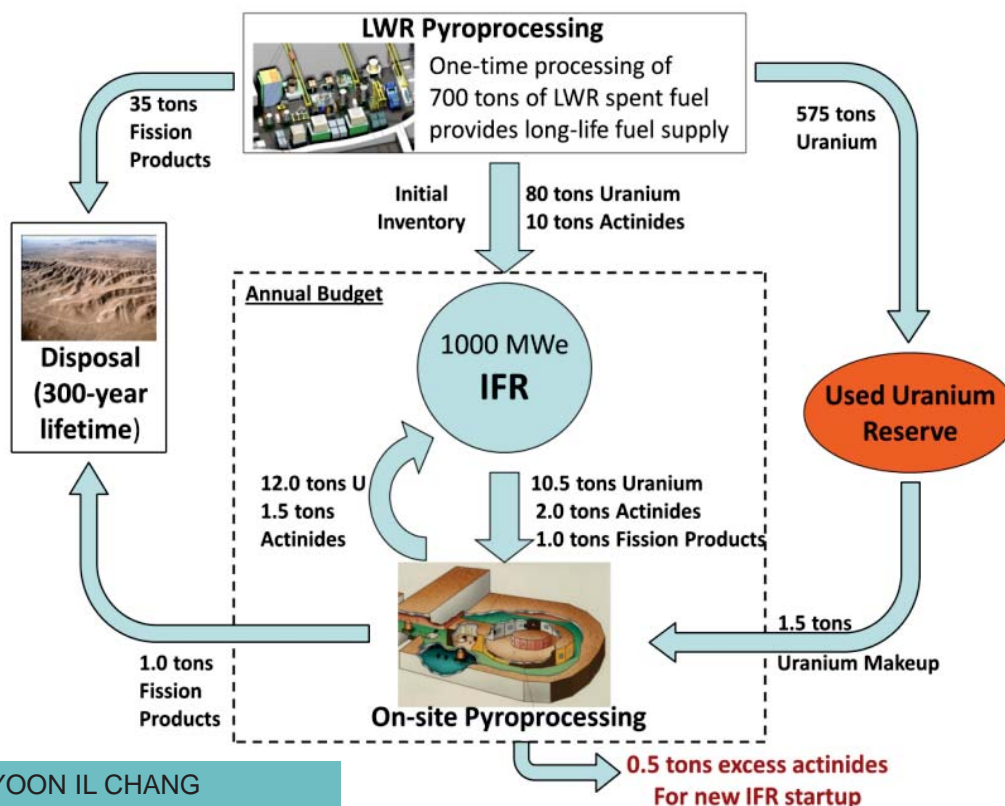
Aqueous Reprocessing

Pyroprocessing costs much less than Aqueous Reprocessing

Capital Cost Comparison (\$million) Fuel Cycle Facility for 1400 MWe Fast Reactor

	Pyroprocessing	Aqueous Reprocessing
<u>Size and Commodities</u>		
Building Volume, ft ³	852,500	5,314,000
Volume of Process Cells, ft ³	41,260	424,300
High Density Concrete, cy	133	3,000
Normal Density Concrete, cy	7,970	35-40,000
<u>Capital Cost, \$million</u>		
Facility and Construction	65.2	186.0
Equipment Systems	31.0	311.0
Contingencies	<u>24.0</u>	<u>124.2</u>
Total	120.2	621.2

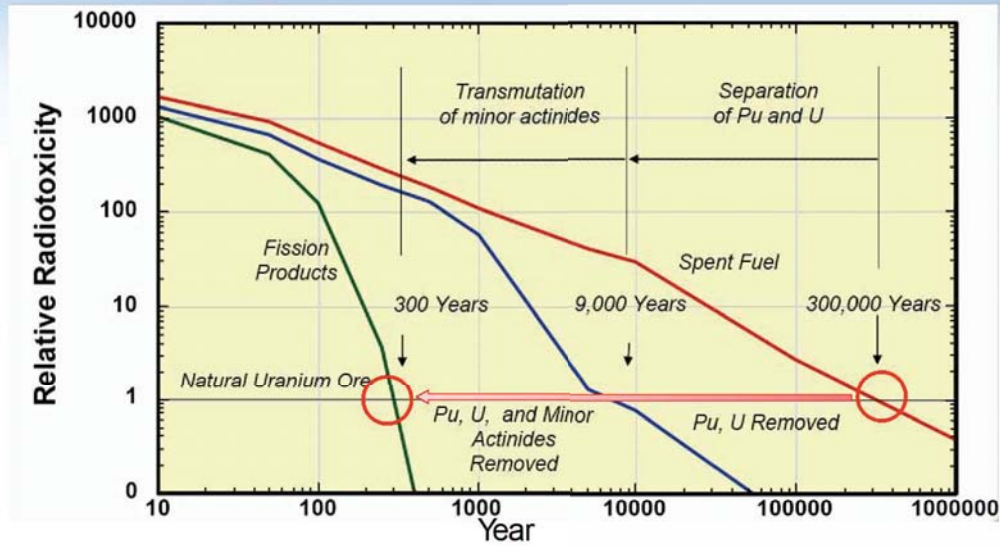
Dr. YOON IL CHANG
Argonne National Laboratory



Dr. YOON IL CHANG
Argonne National Laboratory

Transuranic disposal issues

The 1% transuranic (TRU) content of nuclear fuel is responsible for 99.9% of the disposal time requirement and policy issues

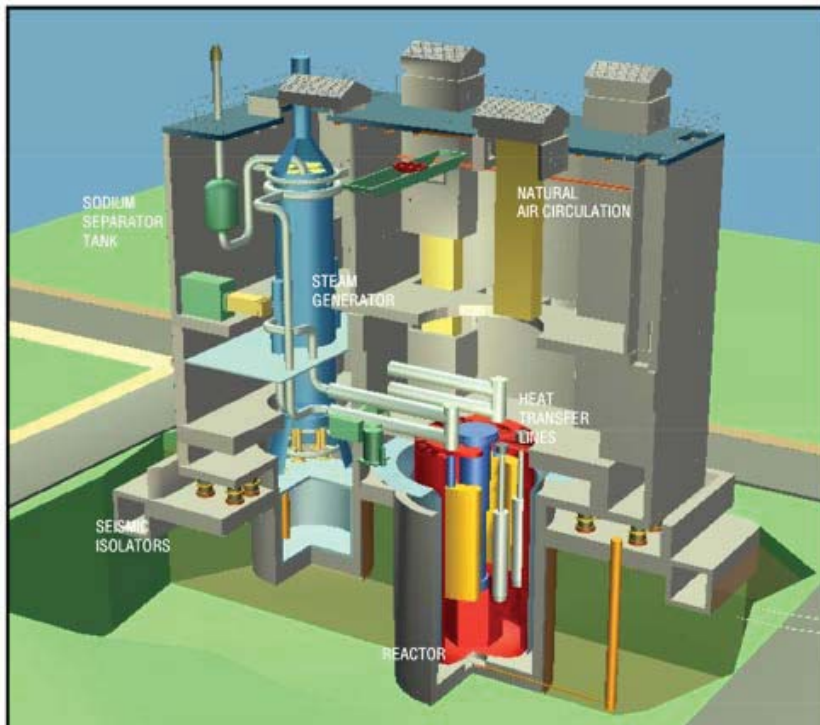


HITACHI

Removal of uranium, plutonium, and transuranics makes a 300,000 year problem a 300 year problem

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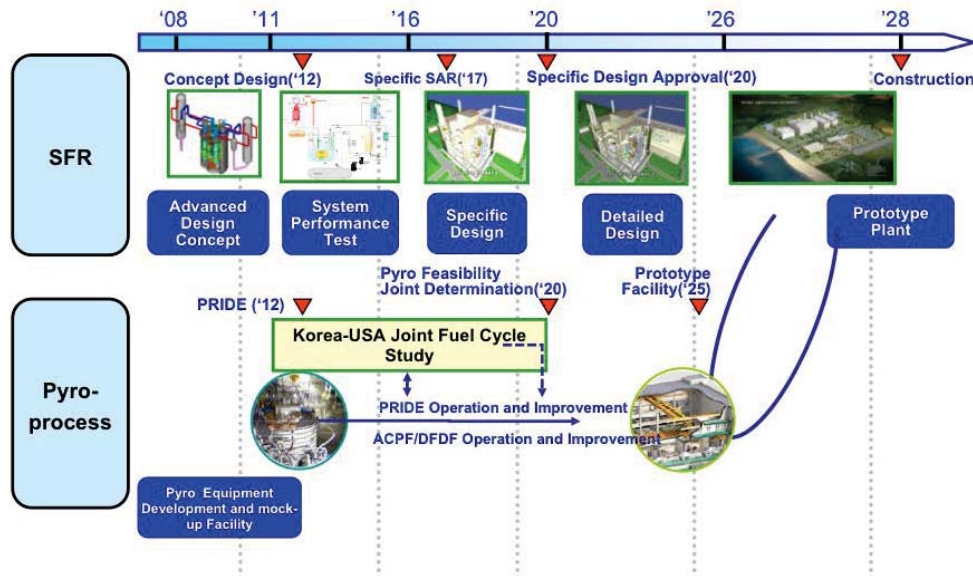
S-PRISM Nuclear Steam Supply System



GE-Hitachi

Korea is eager to build fuel cycle by IFR under the revised 1-2-3 Agreement with US

Long-term Plan for SFR and Pyroprocess



SCGI Conference, UC Berkeley, October 2-3, 2012

Proposal: Japan-US Cooperation to Demonstrate IFR for the SF & Debris at Fukushima Daiichi

- Melted down fuel debris and contaminated Spent fuels will likely stay in Fukushima, though nobody so admits.
- Pyroprocessing is the most appropriate method for treating spent fuels and debris.
- Pu and MA from Debris and Spent fuels be burned in IFR. Electricity is generated as by-product.
- High level waste of 300 years be stored rather than disposed geologically while decommissioning of units be cemented for years.
- Fukushima Daiichi (Second) Nuclear Plant of TEPCO is best located to demonstrate GE's extended S-PRISM.
- International joint project of Japan-US-Korea will provide complementing regional safeguard for global non-proliferation regime.
- Provides ground for extension of Japan-US 1-2-3 Agreement in 2018 by demonstrating complementary fuel cycle options.

Technical Feasibility of an Integral Fast Reactor (IFR) as a Future Option for Fast Reactor Cycles -Integrate a small Metal-Fueled Fast Reactor with Pyroprocessing Facilities -

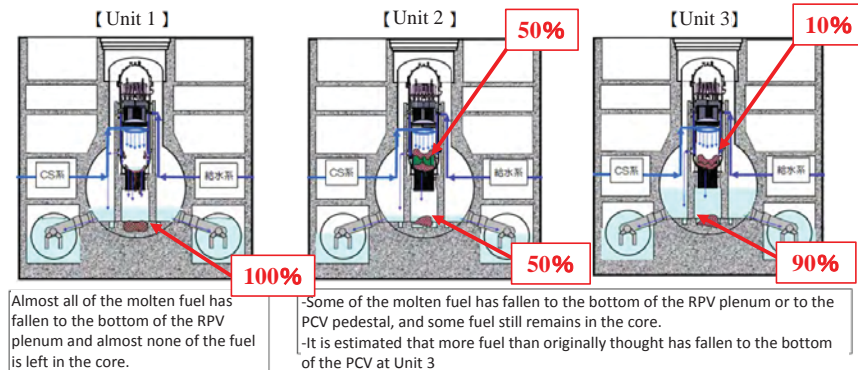
November 18, 2016

Nuclear Salon

5. Research Results

Amounts of fuel debris and nuclear materials from the TEPCO Fukushima Daiichi NPS (estimated)

The distribution fraction of heavy metals (TRU+U+FP) is estimated to be as shown by the numbers to the right in red based on analyses using the SAMPSON code^{*2}



Assumed states of the Unit 1~3 cores/containment vessels^{*1}

The amount of debris and primary composition has been estimated as follows based upon the amount of fuel, number of control rods, and the remaining amount^{*3} of structural material in each reactor.

	【Unit 1】	【Unit 2】	【Unit 3】
Amount of core region debris (Approx. 120 tons):	0	Approx. 100 tons	Approx. 20 tons
Amount of MCCI debris (740 tons):	Approx. 260 tons	Approx. 170 tons	Approx. 310 tons
• Main composition of core region debris that fused/mixed with core structure material (SUS, Zry):	(U,Zr)O ₂ , SUS-Zry alloy		
• Main composition of MCCI debris that fused/mixed with concrete outside the pressure vessel:	(Zr,U)SiO ₄ , CaAl ₂ Si ₂ O ₈ , etc.		

- As the average fuel composition for debris in Units 1~3, we used the composition at the time when void reactivity is the most severe, a maximum minor actinide ((MA) neptunium, americium, etc.) content rate and the largest number of years since the disaster within the published data.

⇒**Transuranium element (TRU:Pu+MA) mass is 1.94 tons, and heavy metal (HM) mass is 251 tons**

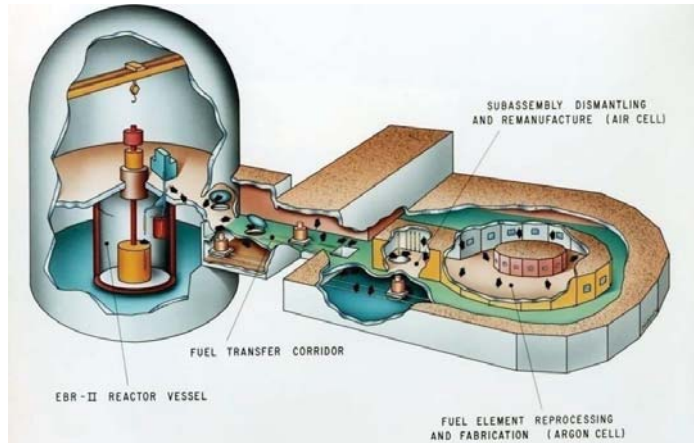
* 1: Excerpt from 1st Progress Report on the Estimate of the Status of the Fukushima Daiichi Nuclear Power Station Units 1~3 Core/Containment Vessels and the Deliberation of Unsolved Issues, from TEPCO website.

* 2: Masanori Naito, “Analyzing Accident Event Escalation using the SAMPSON Code,” Atomic Energy Society of Japan Fall Symposium, September 11, 2015.

* 3: T. Washiya et al, Study of treatment scenarios for fuel debris removed from Fukushima Daiichi NPS, Proc. of ICONE-23, May 17-21, 2015, Chiba, Japan

Technical Feasibility of an Integral Fast Reactor (IFR)

- ✓ The concept of an integral fast reactor (IFR) consists of reprocessing the fuel debris, fabricating TRU fuel, burning it in a small MF-SFR and recycling the spent fuel by reprocessing
- ✓ Amount of heavy metals (HM), such as uranium, present in fuel debris: Approx. 250tons and **TRU elements account for approximately 1.9tons.**
- ✓ Configuration
 - A MF-SFR with inherent safety features (reactor output: 190MWt)
 - Application of a metallic fuel pyro-processing method that makes debris processing possible.

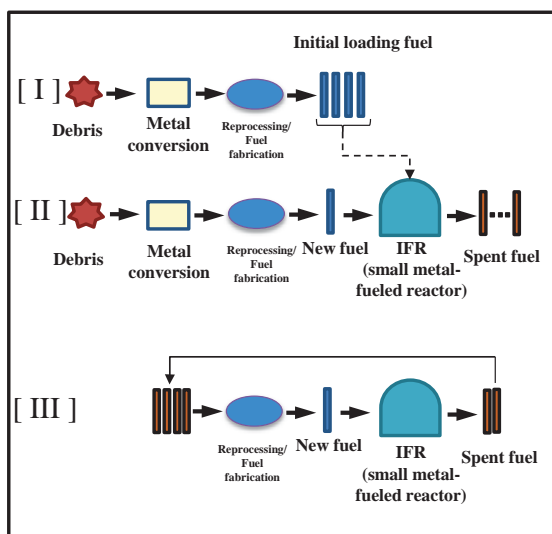


Concept diagram of an IFR that combines a fast reactor with a fuel recycling facility
(Example: Argonne National Laboratory Experimental-Breeder Reactor EBR-II and fuel cycle facility (FCF))

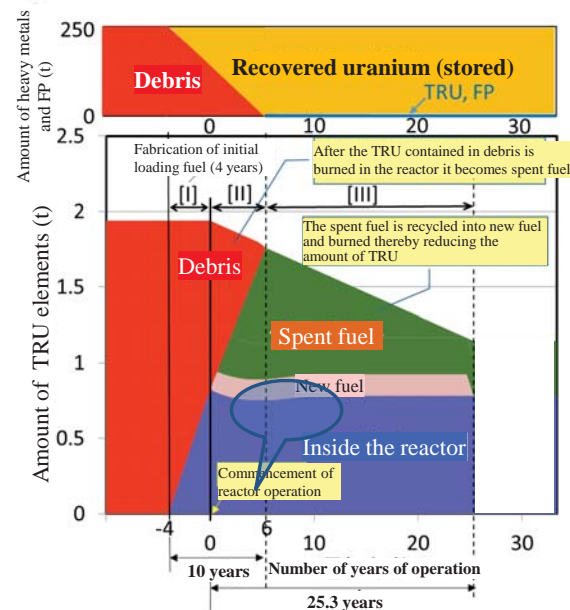
(Source: Y. I. Chang, "Integral fast reactor – a next-generation reactor concept," in Panel on future of nuclear Great Lakes symposium on smart grid and the new energy economy, Sept. 24-26, 2012.)

Debris Processing Scheme and TRU Reductions

- An assessment of TRU burn-up performances showed the originally estimated debris processing period of 15 years could be shortened to 10 years.
- The **1.9 tons** of TRU present in the debris will be reduced to a total of **1.2 tons in 25 years after the launching the IFR** including that remaining in the reactor and that existing in the spent fuel. Since the amount of TRU required to constantly fabricate fuel after this point will be insufficient, it will be necessary to procure TRU from external sources in order to continue continuous operation of the reactor.



Concept diagram of debris processing scheme



IFR operation and TRU reductions

Evaluation of Construction Costs for Reactor and Fuel Cycle Facilities

[Reactor]

- A small MF-SFR with the **thermal output of 190MWt (electrical output: 70MWe)** was estimated:
 - Decision on the major plant specifications, created general main-circuit system schematics, conceptual diagrams for reactor structures, and conceptual diagrams for the reactor building layout
 - Estimated plant commodity with referencing commodity data from past designs.
 - JAEA's evaluation code for construction cost is adopted.
- Results: **Approx. 110 billion yen** (construction unit cost: Approx. **1.6 million yen/kWe**) (However, there is much uncertainty in these values since the system design has not yet been performed.)

[Fuel Cycle]

- A tentative assessment of the overall construction costs of pyroprocessing facilities capable of **reprocessing 30tHM/y and fuel fabricating 0.72tHM/y** was done as follows:
 - The number of pieces of primary equipment were estimated based upon the processing capacity of primary equipment after determining a general process flow and material balance.
 - A general assessment was made by referencing recycle plant cell volume and building volume from past researches
- Assessment result: Whereas the construction cost of these facilities may be able to be kept at approximately **several tens of billions of yen**, there is much uncertainty in regards to reprocessing facilities and since design aspects have not been examined, it is necessary to refer to assessment values made during other design research into facilities with similar processing capabilities.

Statement by Dr. Takashi NAGAI after Nagasaki atomic bomb. "How to turn the devil to the fortune."

Dr. Takashi Nagai, a Professor at Nagasaki University in 1945 when the atomic bomb was dropped, exemplifies the resilience, courage and believe in science of the Japanese people. Despite having a severed temporal artery as a result of the bomb, he went to help the victims even before going home. Once he got home, he found his house destroyed and his wife dead. He spent weeks in the hospital where he nearly died from his injuries. But just months after the atom bomb dropped, he said:



“Everything was finished. Our mother land was defeated. Our university had collapsed and classrooms were reduced to ashes. We, one by one, were wounded and fell. The houses we lived in were burned down, the clothes we wore were blown up, and our families were either dead or injured. What are we going to say? We only wish to never repeat this tragedy with the human race. **We should utilize the principle of the atomic bomb. Go forward in the research of atomic energy contributing to the progress of civilization. Devil will then be transformed to fortune.(Wazawai tenjite Fukutonasu) The world civilization will change with the utilization of atomic energy. If a new and fortunate world can be made, the souls of so many victims will rest in peace.”**

Can Trump Manage North Korea?

Christopher R. Hill

Former U.S. Ambassador to South Korea

Dean, Josef Korbel School of International Studies, University of Denver

U.S. President Donald Trump's administration, like many before it, has had a rocky start; but the most pressing challenges are yet to come. Among them will be North Korea, whose leader, Kim Jong-un, used his New Year's Day address to announce that his country has built—and is prepared to test—an intercontinental ballistic missile capable of carrying nuclear warheads.

Trump, who was still the president-elect at the time, sprang into action, tweeting, "It won't happen!" One can only imagine how the North Korean government might have interpreted this statement. Trump may have been issuing a threat and establishing an official red line through his favorite means of communication; he also might merely have been making a prediction, and betting against North Korea's technical prowess. Or maybe he just wants to keep everyone guessing about what he will do.

Whatever his motivation, Trump has now inherited the perennial North Korea problem—a recurring global crisis that has been on every U.S. president's list of foreign-policy concerns since the 1980s. But this time, the threat is real: during Trump's watch, North Korea could very well obtain the means to strike the United States with a weapon of mass destruction.

The North Korean government is not so much interested in testing the new U.S. president as it is in testing nuclear devices and missiles. As its weapons program lumbers forward, it has made little effort to hide its periodic failures, marking a departure from past practices. Speculation about North Korea's motives for pursuing nuclear weapons is as old as the effort itself. But while it would be useful to know

North Korea's true objective—regime survival, global prestige, self-defense, and regional hegemony are the most frequent explanations—it ultimately doesn't really matter.

There are no good options for addressing the problem; and yet Trump cannot simply ignore it, or outsource it to China, as he suggested doing during the presidential campaign. An effective strategy requires that all forms of U.S. power be deployed, especially diplomacy and cooperation with China.

Beyond North Korea, Trump has also inherited difficult challenges elsewhere in East Asia. China has continued to take a hard line on its territorial claims in the South China Sea, which means that the U.S. will have to remain vigilant to ensure safe access to the region's vital shipping lanes. Meanwhile, South Korea has been mired in a corruption scandal that culminated in the impeachment of its president, Park Geun-hye. A presidential election could be held as early as May, but there is considerable uncertainty ahead. And while Japan's relationship with South Korea has improved in recent years, that might change as the latter's political situation evolves.

For Trump, any strategy to eliminate North Korea's nuclear program against this complicated backdrop should include some obvious, but crucial, elements. For starters, the U.S. must maintain strong ties with its two regional allies—Japan and South Korea. The new administration will have to be smart about pursuing other goals, such as trade and military cooperation, with these countries. Both tend to be extremely sensitive to changes in public opinion, and the U.S. must take care not to

arouse grievances over secondary issues, especially during what could be a turbulent year in South Korea.

Of course, the difficulty of managing these two alliances pales in comparison to managing the relationship with China. For China, the North Korea problem cannot be reduced to concerns about regime collapse and a resulting wave of refugees. Chinese officials' opinions about North Korea vary, and they are not all favorable; but an important one holds that North Korea's demise could affect China's core interests, if changes on the Korean Peninsula – such as South Korea's emergence as a successor state—are seen as putting China at a disadvantage *vis-à-vis* the U.S.

After the U.S. election, Trump and his advisers appeared to have concluded that the best way to upend China's strategic position was to subject all past conventions, including the "One China" policy, to reexamination. The thinking behind this approach is that China will ultimately make concessions to regain its prized status as the only Chinese government that the U.S. will recognize.

But, to use Trump's phrase: "It won't happen." China is not a subcontractor on a construction project, and it has means at its disposal to apply its own pressure on the new U.S. administration. Raising issues that have long been resolved is not conducive to bilateral cooperation, and will only exacerbate the growing strategic mistrust between China and the U.S.

Governance is about setting priorities, and U.S. foreign policy toward China has too often sought a broad array of goals, without stopping to ask if some objectives might be more important than others. For example, will major trade concessions from China really do more to advance U.S. interests than nullifying the North Korean threat?

It is now incumbent upon the Trump administration to make a clear-minded assessment of U.S. interests in the region, and to prioritize its policies accordingly. One can only hope that it will focus on the North Korean nuclear threat, which is very real—and could become acute sooner than anyone expects.

Originally published January 27, 2017 in Project Syndicate.

No Appeasement for North Korea

Christopher R. Hill

Former U.S. Ambassador to South Korea

Dean, Josef Korbel School of International Studies, University of Denver

Earlier this month, North Korea carried out its fifth nuclear test—its second this year. Judging by the tremor detected, it was the North's most powerful nuclear device ever. The question now is how the international community should respond.

That question has become all the more acute because, though North Korean reports are not exactly reliable, the propaganda that accompanied the latest test hinted that the North was testing a weapon design, not just an explosive device. And, as South Korean officials have suggested, it may not be the last test of this year. In other words, North Korea may begin to stockpile weapons of mass destruction.

Not only have the North's recent nuclear tests been more powerful than those of previous years; they have also been conducted alongside an equally robust series of tests of ballistic missiles, including submarine launches and multi-stage rocket launches, with much more powerful engines. This means that North Korea may be close to perfecting a delivery system for whatever weapons it is developing.

No one can say for sure whether a deliverable weapon will come from North Korea in the next two years, four years, or later. But there is little doubt that the North Koreans are not just seeking attention; they are seeking a powerful bomb and the means to use it.

Originally published September 29, 2017 in Project Syndicate.

Coping with the North Korean Nuclear Threat

Kim Sung-han

Former Vice Minister of Foreign Affairs;
Professor of International Relations
Korea University

North Korea's Game Plan

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

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

U.S. Reactions

Since U.S. extended deterrence is generally aimed at higher levels of conflict, the U.S. is investing in coordination, planning and joint communications with South Korea and Japan to signal to Pyongyang that the allies can effectively respond to and dominate at all levels of conflict.

Such coordination will entail U.S. allies taking on increasing and leading roles in responding to a broader range of North Korean provocations while they will be ultimately backed by the United States.

After North Korea develops capabilities to hit the U.S., the U.S. will try harder to assure its allies-South Korea and Japan-while reinforcing its deterrence and defense capabilities to North Korean nuclear missiles.

South Korea's reactions

In light of the rapidly deteriorating situation of the North Korean nuclear crisis, some South Korean media and opinion leaders suspect the reliability of U.S. extended deterrence for South Korea.

They tend to believe in North Korea's decoupling strategy: By having South Korea suspect whether the U.S. would risk San Francisco and Los Angeles to defend Seoul or Busan, North Korea could decouple the South Korea-U.S. alliance. In addition, North Korea might think that by threatening Japan with "Nodong" nuclear missiles, the U.S. would be forced to 'choose' between two allies and that the U.S. would be reluctant to risk Japan over a fight on the Korean peninsula.

Nevertheless, the South Korean government is well poised to strengthen its Precision Guided Munitions capability. For example, by utilizing the Joint Direct Attack Munition (JDAM), and the Joint Stand-Off Weapon (JSOW) rather than taking the similar path of a nuclear North Korea.

In this vein, the deployment of Terminal High Altitude Area Defense (THAAD) is inevitable.

Policy Directions

- 1) Aim at regime transformation
 - Regime security is located higher than national security in North Korea.
 - South Korean policy should be focused on regime transformation of North Korea—which means changing the behavior of the North Korean regime by threatening the regime security of North Korea.
 - North Korean leader Kim will only accept denuclearization if he perceives his nuclear development as choking his own regime. Therefore, South Korea has to weaken his regime security to that extent, if not regime change.
- 2) Induce meaningful denuclearization measures.
 - At some point, if our sanctions work, North Korea could raise a nuclear freeze card. But any freeze should be done within the context of denuclearization and in the verifiable manner.
- 3) No more dialogue for the sake of dialogue.
 - We don't have to eliminate the possibility of a dialogue with North Korea, but we should avoid North Korea's tactical dialogue to buy time for its nuclear development or complete its game plan.
- 4) Sincere and lasting implementation of UN Security Council Resolutions and unilateral sanctions
 - China has to send a signal to North Korea that China's strategic calculus has changed and that China will implement stronger sanctions on another nuclear test and/or long-range missile launch.
- 5) The U.S. should implement "secondary sanctions" that will punish the entities trading with North Korea in violation of UNSCR.
 - 6) If North Korea conducts complete and verifiable freezing or disablement within the context of denuclearization, we could start discussing how to establish a permanent peace regime on the Korean peninsula through four-party talks while continuing nuclear SPT.
 - A Peace treaty (ending the Korean War legally) should be distinguished from a peace regime (mechanism) which includes denuclearization, North-South conventional arms control, peace treaty, U.S.-North Korea/Japan-North Korea diplomatic normalization, etc.
 - Main parties of the peace treaty should be the two Koreas while China and the U.S. may endorse the treaty when the two Korea agree on it.
 - 7) The U.S. and South Korea should tell China that THAAD will be withdrawn from South Korea when North Korea is denuclearized.
 - China might have strategic concerns about THAAD, but she needs to understand that South Korea and the US forces in Korea are in dire need of improving their defensive systems against North Korea's ballistic missiles.

Trump and North Korea: Reviving the Art of the Deal

John Delury

Associate Professor of Chinese Studies
Yonsei University, Seoul

In the next four years, North Korea is poised to cross a dangerous threshold by finally developing the capability to hit the continental United States with a nuclear missile. That ability would present a direct threat to the United States and could punch a hole in the U.S. nuclear umbrella in Asia: Japan and South Korea, doubtful that Washington would risk U.S. cities to defend Tokyo or Seoul, might feel they had no choice but to get their own nuclear bombs. U.S. President Donald Trump, while still president-elect, drew a redline at Pyongyang's feet, tweeting, "It won't happen!" But the real question is how to stop it.

Hawks argue that Washington should act now by imposing harsh new economic sanctions or undertaking preemptive military strikes. But neither option would end well. Slapping Pyongyang with still more sanctions would only encourage it to sprint toward the completion of a nuclear-tipped intercontinental ballistic missile. And military action could lead to the destruction of Seoul (which sits within range of North Korean artillery) and expose U.S. forces in Guam, Japan, and South Korea to devastating retaliation, potentially triggering a catastrophic war in one of the world's most populous and prosperous regions.

If the United States really hopes to achieve peace on the Korean Peninsula, it should stop looking for ways to stifle North Korea's economy and undermine Kim Jong Un's regime and start finding ways to make Pyongyang feel more secure. This might sound counterintuitive, given North Korea's nuclear ambitions and

human rights record. But consider this: North Korea will start focusing on its prosperity instead of its self-preservation only once it no longer has to worry about its own destruction. And North Korea will consider surrendering its nuclear deterrent only once it feels secure and prosperous and is economically integrated into Northeast Asia. What's more, the world can best help most North Koreans by relieving their deprivation and bringing down the walls that separate them from the outside world. Washington's immediate goal should therefore be to negotiate a freeze of North Korea's nuclear program in return for a U.S. security guarantee, since that is the only measure that could enable Kim to start concentrating on economic development and the belated transformation of North Korea.

Trump seems open to this approach to the North Korean conundrum. Even in his most hawkish moment, when he threatened to bomb North Korean targets during his failed presidential bid in 2000, he insisted, "I'm no war-monger," and argued that only negotiation would bring a lasting solution. And last year on the campaign trail, he said that he "would have no problem speaking" to Kim. A businessman at heart, Trump will not be likely to turn down a good deal.

Kim also appears ready to do business. After taking power in 2012, he unveiled a new national strategy that put equal emphasis on security and prosperity. So far, however, he has focused primarily on consolidating his domestic power and building up the country's nuclear

arsenal. Trump can now help him pivot to the economy, as Kim appears to have wanted to do all along. However unlikely a pair the two might seem, Kim and Trump are well positioned to strike the kind of deal that could lower the grave risks both their countries (and the region) now face. Such a move would also allow Trump to reaffirm U.S. leadership in a region critical to U.S. interests, and to finally start resolving a problem that has bedeviled every U.S. president since Harry Truman.

Sins of the Father

In order to understand why such a deal could work, consider how far North Korea has come over the past two decades. In 1994, the year Kim's father, Kim Jong Il, came to power, the country was heading into a perfect storm. The collapse of the Soviet Union three years earlier had abruptly ended Moscow's previously generous support. North Korea's other erstwhile Cold War benefactor—China—also cut back on its subsidies and even normalized relations with the North's principal enemy, South Korea. When massive floods hit, North Korea's already-stagnating economy went into a tailspin. Before long, the country was suffering a horrific famine that, according to the most conservative estimates, would take many hundreds of thousands of lives. Scrambling to survive, Kim called on his people to endure an "arduous march" through an era of "military-first politics." Kim gave power to his generals and rations to their troops, at the expense of party cadres and the rest of the population. He boosted defense spending even as his people starved. And he abandoned tentative reforms under pressure from hard-liners. His military-first strategy kept the regime alive and the country intact—but at a brutal cost.

By the time Kim died, in 2011, North Korea had recovered considerably—enough so that Kim Jong Un could use his inaugural address to signal an end to his father's military-first policies. Never again, he promised, would his people have to "tighten their belts." A year later,

Kim launched a new doctrine, which called for "simultaneous progress" on nuclear deterrence and economic development. It was "a new historic turning point," Kim told the Party Central Committee in 2013, when North Korea could develop its economy and improve its living standards.

Kim's interest in economic progress goes beyond mere sloganeering. At the same time that he unveiled his strategy of "simultaneous progress," he appointed Pak Pong Ju, a reformist technocrat, to be the country's top economic official. To improve efficiency, Kim decentralized control over management decisions to farms and factories. He set up a dozen "special economic zones" and has largely left the country's extensive informal markets alone to work their magic. Through high-profile visits to new shopping malls, high-rise apartments, and pop music concerts, he has publicly embraced Pyongyang's emerging consumer class. All these measures have helped the North Korean economy grow by a modest one to two percent per year since he took power—despite tight sanctions and limited foreign investment—and the capital city is booming, although much of the population elsewhere still languishes at near-subsistence levels.

Yet belying these efforts, Kim has focused his energy more on nuclear than on economic development. In 2016 alone, he staged two nuclear and 24 missile tests. Kim seems to be sticking to a general principle of international politics that puts security before prosperity. North Korea's leader will put the economy first—and open up the country in the way this would require—only if and when he starts feeling confident that he has secured his position at home and neutralized the threats from abroad. After five years in which he demoted generals, reshuffled top cadres, and even executed his own uncle, Kim seems to have accomplished the former goal. But so far, the latter remains out of reach.

Let's Make a Deal

To get there, Pyongyang will need a breakthrough in its relationship with Washington. That was unlikely to happen as long as U.S. President Barack Obama remained in office: because of his belief that the regime could not outlive Kim Jong Il's death, and then the wishful notion that Beijing could solve the problem for him, Obama never showed much interest in striking a grand bargain with Pyongyang. Such indifference only encouraged Kim to maintain his father's reliance on nuclear weapons as a guarantor of his security.

With Kim now feeling far safer at home, the United States needs to help him find a nonnuclear way to feel secure along his borders. A comprehensive deal is the best way to accomplish this, but it will require direct dialogue with Pyongyang. Trump should start by holding back-channel talks. If those make enough progress, he should then send an envoy to Pyongyang, who could negotiate a nuclear freeze (and, perhaps, as a goodwill gesture on the part of Pyongyang, secure the release of the two U.S. citizens imprisoned in North Korea). Trump could then initiate high-level talks that would culminate in a meeting between Kim and himself.

In order to convince Kim to freeze the development of North Korea's nuclear weapons and the missiles that carry them, Washington will need to design a package of security guarantees and political incentives, along with the practical means to verify Kim's compliance. Trump should offer Kim substantive concessions, well beyond the food aid that Obama proposed to send in the 2012 Leap Day Deal (scuttled almost as soon as it was announced by a new North Korean satellite test). Trump could offer to scale back or suspend U.S.–South Korean military exercises and delay the deployment of new U.S. military assets to the Korean Peninsula. As long as the diplomacy moved forward, the United States could safely postpone these military moves. Trump could

also suggest convening four-power talks among China, North Korea, South Korea, and the United States to negotiate and sign a treaty formally ending the Korean War, as Pyongyang has long demanded. Trump could further consider offering symbolic actions that would give Kim room to maneuver, such as setting up liaison offices in Washington and Pyongyang and moving toward the normalization of diplomatic relations.

Direct negotiations are the only way to find out just what steps Kim is ready to take now and which will have to wait until mutual confidence grows. Whatever Kim's comfort level, however, Washington should, in the first phase, ask Pyongyang to halt further development of its nuclear and long-range ballistic missile programs and allow International Atomic Energy Agency inspectors back into the country to verify compliance. Negotiators would also have to tackle the dual-use dilemma: North Korea currently insists on its right to launch satellites, which the United States considers de facto ballistic missile tests. To separate the two issues, Trump should ask Kim to let Russia launch all his satellites for him (a solution Kim's father suggested to Russian President Vladimir Putin back in 2000). In return, the United States would officially acknowledge North Korea's sovereign right to a peaceful space program.

The bilateral discussions should go beyond nuclear security, however. Trump should press Kim to take concrete steps to improve North Korean human rights, such as relaxing restrictions on travel abroad, allowing foreign humanitarian organizations more freedom in North Korea, and closing political prison camps. Discussing how to manage the rise of China, meanwhile, might yield some useful surprises, since both Kim and Trump want to keep Beijing guessing. Making progress on these issues would prove the wisdom of Trump's campaign promise to talk to Kim so long as there was "a ten percent or a 20 percent chance that [he could] talk him out of those damn nukes."

The Next Asian Tiger

Initiating talks on a nuclear freeze would immediately relax tensions between Washington and Pyongyang and lower risks in the region. But even if both sides agreed on new security arrangements, that would not solve the long-term threat posed by North Korea's nuclear arsenal. It would, however, create an opening for further negotiation. The United States would then need to use it by moving swiftly to the crux of the deal: helping Kim plot a path to prosperity by integrating North Korea's economy into the region.

If the United States were to loosen sanctions in step with Kim's initial freeze and subsequent moves, North Korea's location at the crossroads of Northeast Asia would give it a natural advantage. Businesses in China's northeastern provinces and the Russian Far East would readily ship their goods through North Korea's ice-free port at Rason, a short trip from Busan, South Korea's international shipping hub. Building an oil and gas pipeline through North Korea would allow Russian energy companies to reach South Korean consumers more cheaply. International financial institutions could help Pyongyang stabilize its currency and improve its data collection, as well as providing development assistance. North Korea could also become a popular place for light industrial manufacturing, given its low wages and its industrious, disciplined, and educated work force (as demonstrated by the productivity of North Korean factory workers at the Kaesong joint industrial zone). Finally, Kim could attract foreign partners to help develop the country's rich natural resources, which include, by some estimates, trillions of dollars' worth of coal and iron ore, precious metals, and rare earths.

Although Kim has already enacted some basic economic reforms, détente with the United States could usher in the next phase of North Korea's development. Such development would generate powerful new domestic business interests, which would slowly push the country

toward more international cooperation. Convincing Kim to hand over his last bomb could take decades, and the world may never reach the perfect outcome of complete, verifiable, and irreversible denuclearization. But short of that, the United States could make huge progress in reversing the current trajectory of ever-rising capabilities and risks.

Critics at Home, Allies Abroad

Should Trump attempt to break the North Korean logjam, he will get plenty of criticism from multiple directions. But he will also win support in the one place that really counts: South Korea.

Hard-liners in the United States would condemn Trump for throwing Kim a lifeline when (they would claim) North Korea is tottering on the brink of collapse. But such arguments do not stand the test of history. Wishful thinking about North Korea's imminent collapse has compromised U.S. strategy for far too long. Obama, envisioning a day when "the Korean people, at long last, will be whole and free," squandered the early years of Kim Jong Un's reign in the mistaken belief that the regime would not survive long following Kim Jong Il's death.

But survive it did, and it's high time for Washington to recognize that not only is Kim's regime unlikely to collapse anytime soon but economic sanctions have done more harm than good. The Obama administration tried many times to goad Beijing into imposing sanctions that would break Pyongyang's nuclear will, and U.S. officials hailed each new UN Security Council resolution sanctioning North Korea as a game changer. Yet eight years of effort have yielded only a dramatic increase in the North's nuclear arsenal and its ability to deliver those weapons. Because of its overriding interest in a stable, divided Korean Peninsula, China will never impose an economic embargo on its neighbor. Even if Beijing did enforce comprehensive sanctions, Kim would respond by doubling down on his nuclear weapons

program. Targeted sanctions can slow proliferation somewhat, but wholesale sanctions designed to change North Korea's calculus have never worked and never will.

Another, more aggressive group of hard-liners will chide Trump for refusing to order preemptive strikes against North Korea's nuclear program. But the time for preemption passed long ago. The regime already possesses a modest nuclear arsenal and the means to hit targets in Guam, Japan, and South Korea. Its nuclear and missile programs are dispersed underground, underwater, and in other secret locations across the country.

Because the United States could not take out such weapons with a single blow, Pyongyang would almost certainly retain the ability to respond to any attack in kind—and respond it would. In a best-case scenario, Kim would retaliate by launching only conventional missiles and only against U.S. military installations in South Korea, and both Seoul and Washington would refrain from further escalation. Some Americans and South Koreans would be killed, but the fighting would at least stop there. Under an equally plausible worst-case scenario, however, the situation could quickly deteriorate into a catastrophe if North Korea unleashed artillery barrages on the civilian population in Seoul, triggering retaliatory attacks on Pyongyang. It's worth remembering that 20 years ago, General Gary Luck, then the commander of U.S. forces in Korea, estimated that a war with the North would take a million lives and do \$1 trillion worth of damage to the South Korean economy. And that was before Pyongyang got the bomb.

None of the alternatives to a deal—doing nothing (waiting for North Korea to collapse), doing too little (relying on China to impose sanctions), or doing too much (starting a second Korean War)—holds any promise for success.

By contrast, not only is the ground ripe for a grand bargain, but should Trump pursue one, he will likely find a powerful ally in Seoul. Although South Koreans live under the constant threat of nuclear attack from the North, the public there firmly opposes preemptive military strikes against Pyongyang. If the United States unilaterally bombed North Korea, its alliance with the South might be the first casualty. Thanks to the downfall of South Korea's conservative president, Park Geun-hye, liberal politicians—who embrace comprehensive engagement as the only long-term solution to the conflict—are well positioned to win back the presidency this year. But even a conservative leader may well favor a moderate approach to the North, and so Trump can probably count on whoever becomes South Korea's next president to backstop a bold approach by Washington.

In January 2016, a few days after North Korea's fourth nuclear test, Trump said of Kim: "This guy doesn't play games, and we can't play games with him, because he really does have missiles, and he really does have nukes." Trump was right. Like it or not, North Korea's nukes are a reality. The United States needs a new strategy for dealing with Kim—and Trump is well placed to deliver it.

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America's Vital Interests in Asia: Trade, Security and Resource Interests in the Pacific

THE ASPEN INSTITUTE CONGRESSIONAL PROGRAM

April 9-15, 2017

Tokyo, Japan and Seoul, South Korea

AGENDA

SATURDAY, April 8:

American participants travel to Tokyo

SUNDAY, April 9:

All American and Asian participants arrive in Tokyo

6:30-8:30 pm

Working Dinner

Scholars and members of Congress will explore topics covered in the conference. Seating is arranged to expose participants to a diverse range of views and provide opportunity for a meaningful exchange of ideas. Scholars and lawmakers are rotated daily.

MONDAY, April 10:

7:30-9:00 am

Breakfast is available

8:00 am

Breakfast Meeting for Conference Scholars

9:00 am

INTRODUCTION AND FRAMEWORK OF THE CONFERENCE

Dan Glickman, Executive Director, Aspen Institute Congressional Program

9:15 am

Roundtable Discussion

THE CHANGING SECURITY CLIMATE IN EAST ASIA AND IMPLICATIONS FOR U.S. POLICY

East Asia is the site of several territorial disputes that could become militarized at any time. China and Japan dispute control over a set of small, but strategically located islands in the East China Sea. The new U.S. Defense Secretary has reiterated longstanding U.S. policy that the U.S. defense obligations to Japan include these islands. In the Sea of Japan—what the Koreans refer to as the East Sea—two of the most valued U.S. allies, Japan and Korea, argue over sovereignty of a different island. China asserts its territorial claims in the South China Sea, threatening sovereignty of nearby nations. Japan's leaders have put forward a proposal to revise its constitution to recognize the existence of its formidable military establishment. The U.S. has a significant military presence in the region with 50,000 military personnel stationed in Japan (more than in any other foreign country) and 25,000 in Korea. The United States declared its "pivot" or rebalance to the region under the previous administration, but some in the region—including U.S. allies—seek reassurance that Washington's capabilities and commitments are reliable under the new administration.

- How does the dramatic increase in China's defense budget affect its neighbors' defense strategy and spending?
- Is it necessary for the United States to further adjust its force posture in the region, either expanding or contracting?
- What are the long term prospects for a continued U.S. military presence in South Korea, and its current basing posture in East Asia, including Okinawa?
- Is Washington doing enough to reassure its allies in East Asia?
- How can regional maritime security issues best be addressed?
- What is the nature of the changing relationship between China and Korea and between Japan and Russia and their relevance to the United States?

- How stable is China under the leadership of Xi Jinping, who has consolidated power yet depends on continued economic growth for legitimacy?
- How stable is North Korea under the leadership of Kim Jong-un, who has consolidated power by killing adversaries?
- What factor is the long-standing commitment of the U.S. to Taiwan?

Akihiko Tanaka, Professor of International Politics, University of Tokyo

Dennis Blair, former U.S. Pacific Fleet Commander, former Director of National Intelligence

Shen Dingli, Vice Dean, Institute of International Studies, Fudan University, Shanghai

Kim Sung-han, former Vice Minister of Foreign Affairs for South Korea,

Professor of International Relations, Korea University, Seoul

11:00 am	Break
11:15 am	Roundtable Discussion Continues
1:00-2:00 pm	Working Luncheon Discussion continues between members of Congress and scholars on the challenges for the U.S. policy regarding security concerns in East Asia.
2:00-5:30 pm	EDUCATIONAL SITE VISIT TO YOKOSUKA U.S. NAVAL BASE <i>(American passport holders only)</i> Yokosuka Naval Base comprises 568 acres and is located 43 miles south of Tokyo at the entrance of Tokyo Bay. It is the largest overseas U.S. naval installation in the world and is considered to be one of the most strategically important bases in the U.S. military. Yokosuka's strategic location and support capabilities allow operating forces to be 17 days closer to locations in Asia than their counterparts based in the continental United States. It would take several times the number of rotationally-based ships in the United States to equal the same presence and crisis-response capability as the forward-deployed ships in Japan.
6:30-8:30 pm	Working Dinner Scholars and members of Congress will explore topics covered in the conference. Seating is arranged to expose participants to a diverse range of views and provide opportunity for a meaningful exchange of ideas. Scholars and lawmakers are rotated daily.

TUESDAY, April 11:

7:30-9:00 am	Breakfast is available
9:00 am	Roundtable Discussion THE ECONOMIC DIMENSIONS OF U.S. ENGAGEMENT IN EAST ASIA: TRADE, INVESTMENT, GLOBAL FINANCIAL STABILITY, AND ENERGY IMPLICATIONS The United States is a major stakeholder in East Asia, the world's most dynamic economic region. In addition to the bilateral economic relationship of China and the United States, both are deeply integrated with the economies of Japan and South Korea, the world's third and eleventh largest economies. China, the United States, and South Korea are Japan's top trading partners, and China, the United States, and Japan are Korea's. This interdependent economic foundation can be a stabilizing force among countries with different political systems and foreign policy interests, but it is one that requires vigilant monitoring. <ul style="list-style-type: none"> • What are the links between regional economic interdependence and security issues? • What are the policy implications of the continued U.S. trade deficit with the region? • What are the implications of the U.S. withdrawal from the Trans-Pacific Partnership? • Does the region's increasing wealth carry commensurate global responsibilities? • Will "Abe-nomics" succeed in Japan and what is its relevance to the U.S.?

- How should the United States and its allies respond to China’s economic initiatives, such as the Asian Infrastructure and Investment Bank and the Regional Comprehensive Economic Partnership?
- How does China’s economy affect its neighbors’ prospects for growth?
- How would another regional financial crisis in Asia affect the United States?
- What are the connections of low birth rates and ageing societies to Japan, Korea and China’s economic future?

Taro Kono, Member of the Japanese Diet

Marcus Noland, Executive Vice President, Peterson Institute of International Economics

He Fan, Executive Director, Research Institute of the Maritime Silk Road, Beijing

Taeho Bark, former Minister of Trade of Korea;

Professor, Seoul National University, Seoul

11:00 am Break

11:15 am Roundtable Discussion Continues

1:00-2:30 pm Luncheon Discussion

U.S. ECONOMIC AND SECURITY CONCERNS REGARDING JAPAN

Jason Hyland, Chargé, U.S. Embassy to Japan

3:30-5:00 pm Meeting with Japan’s Premier (members of Congress only)

Shinzo Abe, Prime Minister of Japan

6:00-9:00 pm Working Dinner

Scholars and members of Congress will explore topics covered in the conference. Seating is arranged to expose participants to a diverse range of views and provide opportunity for a meaningful exchange of ideas. Scholars and lawmakers are rotated daily. During this dinner we will be joined by a diverse group of Members of the Japanese Parliament.

Members of the House of Representatives (the Lower House)

Yukihisa Fujita, Democratic Party

Keiro Kitagami, Democratic Party

Masaharu Nakagawa, Liberal Democratic Party

Yasuhide Nakayama, Liberal Democratic Party

Yasutoshi Nishimura, Liberal Democratic Party

Isamu Ueda, Komeito Party

Members of the House of Councillors (the Upper House)

Yoshimasa Hayashi, Liberal Democratic Party

Iwao Horii, Liberal Democratic Party

Kuniko Inoguchi, Liberal Democratic Party

Hiroe Makiyama, Democratic Party

Rui Matsukawa, Liberal Democratic Party

Hirofumi Nakasone, Liberal Democratic Party

WEDNESDAY, April 12:

7:30-8:55 am Breakfast is available

9:00 am Roundtable Discussion

**GOVERNANCE CONCERNS FOR THE U.S.:
A SURVEY OF JAPAN, KOREA, AND CHINA**

Japan and South Korea are each robust democracies with a free press, competitive political parties and an active civil society. Like all such political systems, they are constantly changing.

New coalitions, new parties, and new generations of leaders bring new challenges to U.S. foreign policy. In Japan, for example, the opposition that took control in 2009 quickly tilted Japanese foreign policy in China's direction. Groups in civil society became very agitated about issues such as North Korean abductions, constitutional revision, and nuclear power. Likewise, in South Korea, its former President, Ms. Park, began to steer South Korean policy toward Beijing and faced stiff resistance to efforts to improve relations with Japan. With the impeachment of Ms. Park, South Korean leadership is in a state of flux. In both countries, U.S. military bases have become central political issues. In China, the increasingly authoritarian tendencies of its current leadership pose implications for the region and the world.

- How will domestic politics affect the foreign policies of our East Asian allies?
- What are the prospects for the opposition to regain power in Japan?
- How will U.S. base issues—including the introduction of new missile defense systems—affect national politics in South Korea and Japan?
- How might anti-Japanese sentiment in Korea and anti-Korean sentiment in Japan be managed by political leaders in each country?
- What are the prospects for closer security cooperation between Japan and South Korea and between the two nations together with the U.S.?

Yukio Okamoto, former Special Advisor to the Prime Minister of Japan,
Adjunct Professor, Ritsumeikan University, Tokyo

Sook-Jong Lee, President, East Asia Institute, Seoul

Sheila Smith, Senior Fellow for Japan Studies, Council on Foreign Relations

Zheng Wang, Director, Center for Peace and Conflict Studies, Seton Hall University

11:00 am

Break

11:15 am

Roundtable Discussion

**ASIA'S ENERGY NEEDS AND ENVIRONMENTAL IMPACT:
IMPLICATIONS FOR THE U.S. AND THE WORLD**

East Asia is a populous manufacturing region, in which three nations—China, Japan, and Korea—are among the world's top five oil importers and consume more than one quarter of global energy. The larger region is also home to some of the world's most polluted cities. Energy consumption and energy-related CO₂ emissions are both expected to double over the next two decades, raising critical policy issues for the nations of the region and their trading partners. Japan's energy mix was transformed by the Fukushima catastrophe in March 2011, when it lost all its nuclear power and had to substitute imported fossil fuels. After several incidents involving falsified certificates for components of some of its existing nuclear power plants, the similarly energy import dependent South Korea also had to scale back its reliance on nuclear power.

- How will continued growth in regional energy demand affect the global energy market?
- What are the prospects for regional energy cooperation, e.g., oil, gas, and electric power connectivity?
- What are the possible sustainable non-fossil fuel energy pathways for East Asia?
- What are the obstacles to success of voluntary pledges to cut carbon emissions?
- What are the implications for Asia if the new U.S. administration backs away from the global climate agreement?
- What are the prospects for nuclear power in post-Fukushima Asia?
- Would expanded generation of nuclear energy in China, Korea and Japan pose risks of proliferation?
- The U.S. has started exporting LNG (liquid natural gas) to Japan. How significant is this development?

Nobuo Tanaka, former Executive Director of International Energy Agency;
Chairman, The Sasakawa Peace Foundation, Tokyo;
Distinguished Fellow, Center on Global Energy Policy, Columbia University

1:00-2:00 pm Working Luncheon
Discussion continues between members of Congress and scholars on the governance concerns in Japan, Korea and China and the policy implications of the energy and environmental challenges in East Asia.

4:00-4:45 pm Luggage is assembled in the lobby and loaded on the bus

5:00 pm Depart hotel for Tokyo's Haneda airport

7:30-8:15 pm Depart Tokyo

10:00-10:30 pm Arrive in Seoul

11:45 pm Arrive at hotel in Seoul

THURSDAY, April 13:

7:30-8:15 am Breakfast is available

8:30am-12:30 pm **EDUCATIONAL SITE VISIT TO THE D.M.Z.
AT THE NORTH KOREAN BORDER**

The Demilitarized Zone (DMZ) is a strip of land running across the Korean Peninsula. It was established at the end of the Korean War to serve as a buffer zone between the Democratic People's Republic of Korea (North Korea) and the Republic of Korea (South Korea). The DMZ is a de facto border barrier that divides the Korean Peninsula roughly in half. It was created by agreement between North Korea, China and the United Nations in 1953. The DMZ is 160 miles long and about 2.5 miles wide. Within the DMZ is a meeting-point between the two nations in the small Joint Security Area near the western end of the zone in Panmunjeom, where negotiations take place. Commentary will be provided on the bus in both directions by representatives of U.S. military forces stationed in Korea who will accompany the group.

General Vincent Brooks, Commander, Combined Forces Command, Korea

12:30-2:00 pm Luncheon Discussion
ECONOMIC AND SECURITY CONCERNS ON THE KOREAN PENINSULA

Marc Knapper, Chargé, U.S. Embassy to Korea

2:30-4:00 pm Meeting with the Foreign Minister of South Korea

Yun Byung-se, Foreign Minister of South Korea

5:30-6:30 pm Pre-dinner meeting with a diverse group of English-speaking members of the Korean Parliament

Chung Sye-Kyun, Speaker of the Parliament
Han Jeoung Ae, Member of the Minjoo Party
Lee Sang Don, Member of the People's Party
Na Kyung Won, Member of the Liberty Korea Party
Park In Sook, Member of the Bareun Party

6:30-9:00 pm Working Dinner
Scholars and members of Congress will explore topics covered in the conference. Seating is arranged to expose participants to a diverse range of views and provide opportunity for a meaningful exchange of ideas. Scholars and lawmakers are rotated daily.

FRIDAY, April 14:

7:30-8:55 am

Breakfast is available

9:00 am

Roundtable Discussion

U.S. SECURITY CONCERNS AND THE NORTH KOREAN NUCLEAR THREAT

North Korea has repeatedly violated UN sanctions by testing nuclear weapons and developing ballistic missile capabilities. Experts say that it is moving quickly toward a capacity to threaten the U.S. homeland. China, the United States, Japan, and South Korea each have different equities in the North Korean weapons program. China prefers a divided peninsula with a buffer and stable borders. South Korea seeks unification without major dislocations, Japan is concerned that Pyongyang not direct its weapons in its direction, and the United States is committed to the defense of both allies. The U.S. has decided to install an advanced missile defense system called Terminal High Altitude Area Defense (THAAD) in South Korea in response to North Korea's activity, despite China's objections.

- Is the authoritarian North Korean leadership best viewed as rational or irrational?
- Should U.S. policy be directed towards replacing the Kim regime or destroying the North Korean state?
- Are there reasons for the U.S. military to change its footprint on the peninsula?
- What are the implications of moving forward with the implementation of THAAD?
- What measures might Japan take if U.S. assurances regarding extended deterrence become unconvincing?
- How effective are U.S. sanctions on North Korea?
- Are South Korean aspirations of reunification plausible?

Christopher Hill, former U.S. ambassador to South Korea;
Dean, Josef Korbel School of International Studies, University of Denver

Additional Commentary:

John DeLury, Associate Professor of Chinese Studies, Yonsei University

Leif-Eric Easley, Assistant Professor, Department of International Studies, Ewha University

Kim Sung-han, former Vice Minister of Foreign Affairs for South Korea,
Professor of International Relations, Korea University, Seoul

11:00 am

Break

11:15 am

Roundtable Discussion Continues

1:00-2:00 pm

Working Luncheon

Discussion continues between members of Congress and scholars on the challenges for the U.S. policy regarding North Korea.

5:30-7:00 pm

Pre-dinner remarks

INSIGHT FROM NORTH KOREA

Thae Yong-ho, former Deputy Ambassador of North Korea to the UK,
the highest ranking North Korean diplomat to defect to South Korea

7:00-9:00 pm

Working Dinner

Scholars and members of Congress will explore topics covered in the conference. Seating is arranged to expose participants to a diverse range of views and provide opportunity for a meaningful exchange of ideas. Scholars and lawmakers are rotated daily.

SATURDAY, April 15:

American participants depart Seoul, arrive in the U.S.

America's Vital Interests in Asia: Trade, Security & Resources Interests in the Pacific

PARTICIPANTS

April 9-15, 2017
Tokyo, Japan and Seoul, South Korea

Members of Congress

Representative Nanette Barragàn
and Veronica Mono

Representative Julia Brownley

Representative Bradley Byrne
and Laura Ann Byrne

Representative Jason Chaffetz
and Julie Chaffetz

Representative Steve Cohen

Representative Gerald Connolly
and Caitlin Connolly

Representative Lloyd Doggett
and Libby Doggett

Representative Lois Frankel
and Benjamin Lubin

Representative Robin Kelly
and Nathaniel Horn

Representative Rick Larsen
and Tiia Karlen

Representative Alan Lowenthal
and Deborah Malumed

Representative Sean Patrick Maloney
and Randy Florke

Representative Greg Meeks
and Aja Meeks

Representative Kathleen Rice
and Paul Rice

Senator Pat Roberts
and Franki Roberts

Representative Mike Thompson
and Janet Thompson

Scholars & Speakers

Shinzo Abe
Prime Minister of Japan

Taeho Bark
Former Korean Trade Minister;
Professor, Graduate School of International Studies
Seoul National University
Seoul

Admiral (Ret.) Dennis Blair
Former Director of National Intelligence;
Former Commander in Chief,
U.S. Pacific Command;
Chairman and Distinguished Senior Fellow,
Sasakawa Peace Foundation, USA
and Diane Blair

Yun Byung-se
Foreign Affairs Minister of South Korea

John Delury
Associate Professor of Chinese Studies
Yonsei University
Seoul

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Assistant Professor
Department of International Studies
Ewha University
Seoul

He Fan
Executive Director
Research Institute of the Maritime Silk Road;
Economics Professor, Peking University
Beijing

Amb. Christopher Hill
Former U.S. Ambassador to Korea;
Dean, Josef Korbel School of
International Studies, University of Denver
Denver
and Julie Hill

Jason Hyland
Chargé d' Affaires, U.S. Embassy
Tokyo

Charles Lake
Vice President
American-Japan Society
Tokyo

Kim Sung-han
Former Vice Minister of Foreign Affairs
Professor of International Relations
Korea University
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Marc Knapper
Chargé d' Affaires, U.S. Embassy
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Taro Kono
Member of the Japanese Diet
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President
East Asia Institute;
Professor of Public Administration
Sungkyunkwan University
Seoul

Marcus Noland
Executive Vice President
Petersen Institute of International Economics

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Former special advisor to the Prime Minister;
President, Okamoto Associates;
Adjunct Professor, Ritsumeikan University
Kyoto

Sheila Smith
Senior Fellow for Japan Studies
Council on Foreign Relations

Shen Dingli
Vice Dean
Institute of International Studies
Fudan University
Shanghai

Akihiko Tanaka
Professor of International Politics
Institute for Advanced Studies on Asia
University of Tokyo
Tokyo

Nobuo Tanaka
Former Executive Director,
International Energy Agency;
Distinguished Fellow, Center on Global Energy
Policy, Columbia University;
Chairman, Sasakawa Peace Foundation
Tokyo

Thae Yong-ho
Former Deputy Ambassador of North Korea to the
UK who defected to South Korea

Zheng Wang
Director
Center for Peace and Conflict Studies
Seton Hall University
South Orange, New Jersey

Foundation Participants

Daniel Bob
Director of Programs
Sasakawa Peace Foundation, USA
and Amelia Bob

Jean Bordewich
Program Officer
The Madison Initiative
The William and Flora Hewlett Foundation

Junko Chano
Executive Director
Sasakawa Peace Foundation
Tokyo

Dylan Davis
Korea Representative
The Asia Foundation
Seoul

Srik Gopal
Vice President for Strategy and Learning
The Democracy Fund

Nancy Yuan
Vice President
The Asia Foundation

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Executive Director, Congressional Program
and Rhoda Glickman

Melissa Neal
Congressional Associate, Congressional Program

Bill Nell
Deputy Director, Congressional Program

Carrie Rowell
Conference Director, Congressional Program

Aspen Institute Japan, Tokyo

Ken Ito
Executive Director

Yoshihiro Hashimoto
Director

Members of the Japanese House of Representatives (the Lower House):

Yukihisa Fujita, Democratic Party

Keiro Kitagami, Democratic Party

Masaharu Nakagawa, Liberal Democratic Party

Yasuhide Nakayama, Liberal Democratic Party

Yasutoshi Nishimura, Liberal Democratic Party

Isamu Ueda, Komeito Party

Members of the Japanese House of Councillors (the Upper House):

Yoshimasa Hayashi, Liberal Democratic Party

Iwao Horii, Liberal Democratic Party

Kuniko Inoguchi, Liberal Democratic Party

Hiroe Makiyama, Democratic Party

Rui Matsukawa, Liberal Democratic Party

Hirofumi Nakasone, Liberal Democratic Party

Members of the Korean Parliament:

Chung Sye-Kyun, Speaker of the Parliament

Han Jeoung Ae, Member of the Minjoo Party

Lee Sang Don, Member of the People's Party

Na Kyung Won, Member of the Liberty Korea Party

Park In Sook, Member of the Bareun Party

