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JOINT U.S.-KOREA ACADEMIC STUDIES

A WHIRLWIND OF CHANGE IN EAST ASIA:
ASSESSING SHIFTS IN STRATEGY, TRADE,
AND THE ROLE OF NORTH KOREA

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KEI KOREA ECONOMIC INSTITUTE
OF AMERICA | 한미 경제 연구소



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KEI's signature activities include:

- Publishing three celebrated annual volumes—On Korea, Joint U.S.-Korea Academic Studies, and Korea's Economy—used by experts, leaders, and universities worldwide.
- Bringing Korea experts and government officials to colleges and civic groups across America to discuss timely events related to the Korean Peninsula and Northeast Asia.
- Exploring contemporary issues with Korean and American policy, civic, and cultural leaders through KEI's podcast, Korean Kontext.
- Engaging leaders across the country through the annual Ambassadors' Dialogue program, in which the Korean Ambassador to the United States and the U.S. Ambassador to South Korea embark on a series of private and public outreach programs throughout the United States on U.S.-Korea relations.
- Hosting a premier luncheon program every year on Korean American Day to recognize the contributions of the Korean American community to the U.S.-Korea alliance and to honor prominent Korean Americans who have excelled in their field or career.

For more information about these programs and upcoming events at KEI, please visit our website, www.keia.org.

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Preface

At the Korea Economic Institute of America (KEI), we foster connections to advance United States-Republic of Korea ties. Through bringing together people with an interest in topics of importance to this relationship, KEI works to further mutual understanding between our two countries. With a whirlwind of new developments in the region, sharing ideas now is of even greater importance. Our 2018 Academic Symposium, through which we endeavor to bridge the academic and policy communities, contributes to understanding crucial questions in the Asia-Pacific.

KEI held parts of our Academic Symposium at two conferences this year for the first time. We were pleased to return to the International Studies Association (ISA) annual conference for two panels in San Francisco, California. The conference featured over 6,000 international affairs scholars from around the world with a wide range of research interests and regional specializations to present papers and hold discussions on contemporary issues. We were also pleased to contribute a panel presentation to the Association of Asian Studies (AAS) conference in Washington D.C., which included nearly 4,000 researchers from various disciplines focusing on Asia throughout history. And, for the third year as part of our Academic Symposium, KEI hosted a fourth panel in our own conference room.

Marking seven years of collaboration, KEI again turned to the skills and insights of Dr. Gilbert Rozman, the emeritus Musgrave Professor of Sociology at Princeton University, to serve as the Editor-in-Chief for this Joint U.S. - Korea Academic Studies volume and as an advisor to KEI's programs at the ISA and AAS conferences. This partnership has once more brought together an excellent group of scholars and practitioners.

The experts in this volume have thoughtfully addressed themes that are pervasive throughout Asia and are timely for the U.S.-Korea alliance. South Korean President Moon Jae-in took office in May 2017 with ambitious plans for diplomatic initiatives, but faced challenges from both home and abroad in implementing them. How President Moon has pursued his foreign policy options so far is explored in the first section. As China looks ahead to playing a larger role in region, the second section reminds us of how Beijing's past relationships on the Korean Peninsula play a pivotal role in its outlook towards Seoul and Pyongyang. The penultimate section examines how key regional stakeholders are seeking to advance their trade interests in the wake of U.S. President Donald Trump's break with international economic policy norms. In the final section, the authors attempt to make sense of North Korea's outreach in 2018 by each analyzing its possible strategies.

Whether our connection with you is new or continuing, we hope you enjoy the 29th edition of the Joint U.S.-Korea Academic Studies volume.

Mark Tokola
Acting President, Korea Economic Institute of America
July 2018

SOUTH KOREA'S DIPLOMATIC OPTIONS UNDER MOON JAE-IN

Introduction

During his first year as president, Moon Jae-in faced a challenging strategic environment and divergent advice on how to manage it. He could cater to his progressive base and act in accord with his political lineage by renewing the Sunshine Policy toward North Korea. Alternatively, he could strive for consensus at home by reconciling the differences with conservatives in foreign policy. In diplomacy with the great powers, he also had important choices to make. He could double down on the U.S. alliance or, going further, he could agree to trilateralism with Japan. Yet, he also could be tempted by the option of balancing dependence on the United States with a closer relationship with China. Impacting all of his choices was the question of how Kim Jong-un would focus in 2018, shifting from provocations aimed at military leverage to diplomacy linked to his outlook on Moon's policies. In the following five chapters authors explore each of these options. This introduction reviews some of their findings and points to linkages among them as part of an overall assessment of how Moon has navigated among the choices he was facing.

The following chapters set forth the options that Moon Jae-in has before him. Chapter 1 by David Straub seeks to grasp the appeal of a renewed Sunshine Policy to Moon, while spelling out the implications of taking that route, warning of a breach in trust with the United States if not a temporary welcome from Donald Trump eager for a Nobel Peace Prize. Leif Eric-Easley's analysis in Chapter 2 assesses the prospects of Moon doubling down on the ROK alliance with the United States and argues that, so far, trust between allies has been sustained, including in 2018 as diplomacy intensified with summitry on the agenda. In Chapter 3 John Delury examines the domestic political environment, pointing to the impact of the Candlelight movement, which offers opportunities for Moon as well as constraints on policies he might adopt. Chung Jae Ho in Chapter 4 explores Sino-ROK relations and the prospects of Moon drawing closer to China with consequences for relations with the United States. A fifth chapter by Sheila Smith focuses on Japan-ROK relations, newly strained by different approaches to diplomacy with Kim Jong-un. Each chapter views Moon's policies and proclivities in the context of the dynamics of bilateral ties, while following closely what has been happening to those ties during the tumultuous course of Moon's first year in office, notably in the first third of 2018 as diplomacy intensified.

David Straub, "Salvaging the Sunshine Policy"

A couple of weeks before his election Moon finally detailed his North Korea policy, announcing that he would "inherit" the Sunshine Policy. This contrasted with both the UN Security Council's focus on sanctions and Donald Trump's forceful rhetoric. Reviewing the Sunshine Policy—its practice was used by previous progressive governments—and the different approach of the succeeding conservative administrations, Straub argues that Moon and many progressives continue to believe in the basic approach, even though North Korea now has a nuclear weapons capability and may soon be able to credibly threaten the United States homeland. He assesses how Moon, as president, has attempted to salvage the policy and how North Korea and other countries have responded, concluding with prospects for Moon's North Korea policy and recommendations.

Kim Dae-jung's policy was based in part on the widespread progressive belief that both South and North Korea had been victims of the great powers, including the United States, and that the North's external security concerns were understandable if excessive. Progressives tended to be more critical of the U.S. role on the peninsula than conservatives. Kim Dae-jung "bribed" the communist leader and strengthened his chances to win the Nobel Prize. Roh Moo-hyun called his approach the "peace and prosperity policy," but it was quite identical to Kim's Sunshine Policy. Kim Jong-il's response to Roh's pursuit of reconciliation with the North was confined largely to cooperating on two hard currency earners for the North—touring the Mount Kumgang area for a fee and expanding the Kaesong industrial park. Kim Jong-il agreed to a visit by Roh to Pyongyang only two months before the presidential election to influence the outcome.

Lee Myung-bak too sought improved relations with Pyongyang, including a summit meeting with Kim Jong-il. He demurred, however, when the North Koreans in 2009 demanded \$10 billion and half a million tons of food for a summit, giving Lee little political space to engage them. They also gave Park Geun-hye little leeway, committing provocations from the beginning of her term. Motivated by frustration that Pyongyang was continuing its nuclear weapons push and feeling that Seoul had to be consistent with the U.S.-led international campaign to press it to participate in good-faith negotiations, Park kept her distance before pushing back in 2016.

Moon Jae-in was not only involved with most of the Roh administration's North Korea policy deliberations and decisions, he identified with Roh personally. His continued support for the Sunshine Policy approach is evident in his personnel selections and when he moved quickly to realize the North's participation in the Olympics in January 2018, taking extraordinary measures. The reaction to Moon's response to the North Koreans included both widespread praise for reducing "tensions" to dismay that he was falling for yet another phony "charm offensive" just as the regime was beginning to feel the bite of increased international sanctions. The main opposition party called the Pyeongchang Games the "Pyongyang Olympics."

Mike Pence's words and actions in connection with the Games dramatically underlined the gap in North Korea policies. Moon seeks a step-by-step, comprehensive approach to progress. The Trump administration, in contrast, believes that the reasons for developing nuclear weapons include using nuclear blackmail to strategically decouple the United States and South Korea, then seeking to use strategic advantage as a nuclear power to reunify the peninsula on its own terms. Some senior U.S. officials believe that Pyongyang, unlike countries such as the Soviet Union and the PRC, might not be deterrable once it has a full-fledged nuclear force. Trump has declared that he will not permit it to develop the capability of attacking the U.S. homeland with nuclear weapons and is prepared to use a "military option." In Moon's push to include North Korea in the Olympics and Trump's criticism that it was abusing the Games for propaganda, the gap between the two administrations was extraordinary, argues Straub, and he warns that Moon is trying to revive the Sunshine Policy approach under difficult circumstances. North Korea is much farther along in having a deliverable nuclear weapons capability. The United States and the international community are much less inclined to give it the benefit of the doubt. International sanctions constitute formidable barriers to a negotiated settlement as long as Pyongyang will not give up nuclear weapons. In South Korea too, there is greater skepticism.

Progressives tend to believe that the policy of Kim and Roh would have worked had it not been for obstructionism of the George W. Bush administration and South Korean conservatives. They believe that the “hardline” policies of the Lee and Park administrations were a failure. They saw Trump’s 2017 policy as embodying their worst fears, of another Korean war or, at best, a “new cold war structure” forcing them to choose between the United States and Japan, on the one hand, and the PRC, Russia, and North Korea, on the other. Straub sees Washington and Seoul suffering from a deficit of mutual trust, which encourages Kim Jong-un that he will achieve his goals. It is unlikely that Trump or his successors will accept North Korea, even tacitly, as a legitimate nuclear weapons state and ease sanctions against it. Doing so, including in the form of some nuclear “freeze” on Pyongyang’s part, would contribute to unravelling the U.S. strategic position in East Asia and undermining the global nuclear nonproliferation regime.

Unless North Korea is truly willing to fully denuclearize and to do so expeditiously, any general understanding reached between Trump and Kim at a planned June summit will not be sustained. Trump might then return to his emphasis on a “military option.” It is more likely, however, that the Trump administration will ultimately opt for a policy of enhanced deterrence and containment of North Korea’s nuclear threat, something most experts in Washington seem to support.

Leif-Eric Easley, “Doubling Down on the U.S.-South Korea Alliance: Olympics Diplomacy Did Not Breach Trust, but Trump-Moon Confidence is in Jeopardy”

Easley argues that the alliance is more effective at deterring conflict, reassuring publics, and promoting regional cooperation when trust is high, but that concerns have grown in South Korea and the United States about damaged trust. Trump’s campaign rhetoric questioned the terms and intrinsic value of the alliance; and Moon was the heir to a record of pro-engagement policies toward North Korea. Given the contrast with Trump’s coercive diplomacy, the question surrounding Olympics diplomacy was whether Moon’s pro-engagement policies give space for Pyongyang to drive a wedge between Seoul and Washington. Yet, Easley finds, Seoul’s efforts have not breached trust in the alliance despite signs of strain amidst the spring 2018 summitry. While changes in national leadership and domestic political preferences brought into question the bilateral trust the alliance needs to deter conflict, reassure publics, and promote regional cooperation, trust between the two governments is allowing them to double down on the alliance, and Moon’s shrewd diplomacy has increased space for South Korea’s middle power role in Asia.

Trump’s campaign rhetoric questioned the terms and value of the alliance to an extent not seen since Carter’s 1976 campaign. Then, Trump’s coercive diplomacy contrasted with Moon’s pro-engagement policies, perhaps allowing space for North Korea to cause a split between Seoul and Washington. Yet, Easley finds that Seoul’s efforts did not undercut ties in the alliance and that the allies are not approaching a rupture despite strain uncertainty, given Moon’s ambitions regarding Korean national identity and Trump’s unconventional alliance management style.

The speed and scale of inter-Korean engagement raised key questions for trust in the U.S.-ROK alliance. Sports and cultural diplomacy helped reopen channels of high-level communication between Pyongyang and Seoul, and restarted working-level cooperation. Also, the Kim regime increased its acceptance of South Korea as a dialogue partner on security. Questions arose over whether the Moon administration is clear-eyed about the brutal nature of Kim's regime; whether Seoul values the strength of the alliance over conflict avoidance; and whether it remains committed to international sanctions demanding North Korea's denuclearization. Yet, Seoul did not soft-pedal implementation of UN sanctions after the Winter Games, nor did it remove its unilateral sanctions known as the "May 24 measures," or rush to restart the shuttered Kaesong Industrial Complex and Mt. Kumgang tourism project. Moon gave credit to Trump's pressure campaign for pushing North Korea into talks with the South, and there was strong U.S. support of South Korea's strategy of making the Olympics a success. Coordination was very close on security matters, and the U.S. Treasury Department gave inter-Korean engagement at the Olympics a pass from sanctions enforcement, Easley explains. Moon and his advisers knew that if they drastically improved relations with Kim Jong-un with no progress on denuclearization, trust between Seoul and Washington would be seriously damaged. Hence, they pushed for a spring of high-level shuttle diplomacy to engage North Korea multilaterally, as soon ensued.

The two Koreas established a basis for conflict prevention and confidence building with steps that have significance in North Korean domestic politics, argued Easley. The Kim regime also seemed to temper some of its explicit and expected demands, at least temporarily. U.S.-ROK trust was actually higher than many thought going into and coming out of the Winter Olympics, helping to make the spring of summits possible. The long-term consequences of summit diplomacy are likely to hinge on the maintenance of U.S.-ROK trust through a process of South Korean domestic political and national identity change, and the Trump administration's unconventional approach to security alliance policy. While many in South Korea lack enthusiasm for unification, given identity distance from North Korea and the expected financial costs, most want peace and stability, and were moved by the emotional symbolism of the Olympics and Panmunjom summit. The Moon administration looks to build upon that sentiment by enshrining inter-Korean engagement in domestic law, using taxpayer money to promote inter-Korean exchanges, and expanding municipal involvement in those exchanges after progressive candidates make advances in the summer local elections.

Questions remain about the trajectory of South Korean and U.S. policy going forward. Even if policies do not change much, rhetoric based on emotions and political pandering (rather than on facts and national interests) can degrade perceptions in the other country about its ally and set off a downward spiral of trust. It is fine for Washington and Seoul to productively differentiate roles but staying on the same page is essential so that the efforts by one are not misconstrued as undermining the efforts of the other. Eventually, sanctions relief and economic cooperation can accompany North Korean progress toward denuclearization. Rushed solutions and grand bargains risk unintended consequences. The Moon government recognizes that South Korea has more to lose in terms of trust and cooperation with the United States than it presently has to gain with North Korea. It continues to double down on the alliance. But U.S. policymakers should avoid a situation where South Koreans blame America for a lost opportunity.

John Delury, “The Candlelight Mandate and Moon Jae-in’s Inter-Korean Dilemma”

The Candlelight movement that toppled Park is critical to understanding the Moon government, including its foreign policy, argues John Delury, although the movement had little to do with foreign affairs. The protests relit the spirit of citizenship in South Korea, tapping into widespread revulsion against corrupt practices, vested interests, and social injustice. They represented a broad consensus around the yearning for a fresh start, open and transparent government, and a political and economic reset. Given the participatory nature of South Korean political culture, it would be foolish to adopt an elitist premise that the public factor can be ignored. Moon Jae-in openly affirms the critical importance of democratic legitimacy and public input in all aspects of governance, including foreign policy. Yet Moon faces a dilemma. He entered the Blue House with three foreign policy ropes tied around his neck: the “comfort woman” deal impacting ties with Abe Shinzo, the Kaesong Industrial Complex which closed channels with Kim Jong-un, and the THAAD deployment on the basis of which ties were frayed with Xi Jinping. Park Geun-hye made these decisions abruptly, with little effort to prepare the public, and after her impeachment Moon campaigned against all three. Yet, his electoral victory had little to do with foreign policy, leaving him without a mandate. As he launches his own foreign policy, can he earn a mandate?

Setting Moon’s domestic mandate dilemma in the context of the contradictory foreign policy legacy he inherited, Delury finds that Moon improved ties with Xi Jinping on the basis of the “three noes,” stabilized ties with Abe by upholding the letter of the “comfort women” deal while rejecting the spirit of it and opened a channel with Kim Jong-un through the Olympic détente. Moon’s foreign policy preferences—sustaining a robust alliance with the United States, restoring a close partnership with China, and allowing a working relationship with Japan—are grounded in fairly strong domestic consensus—but in inter-Korean relations Moon faces a fragmented public.

Looking back, Delury asserts, in late 2015-early 2016, Park abruptly reversed course, shifting to a conservative posture in foreign policy. The first reversal came with Japan when a deal was announced that purported to be the “final and irrevocable” resolution of the issue of wartime sexual enslavement. The backlash intensified as the Abe government insisted that Seoul prevent civic groups from putting up remembrance statues of “comfort women.” The second reversal was triggered by North Korea’s fourth nuclear test in January 2016. Frustrated that Xi Jinping was unwilling to help, Park deployed the THAAD missile defense system. A majority of Koreans want a good relationship with China for economic reasons, and the THAAD spat reinforced the sense of economic vulnerability. The third reversal was that Park closed the door to cooperation with Pyongyang after three years of “trust-building.” Kaesong’s closure had a polarizing effect. Progressive advocates of engagement were outraged, but a majority of the public approved. Before they could fully judge the new foreign policy, the Park presidency came crashing down.

In his campaign, Moon strongly rejected Park’s “comfort women” deal, yet he affirmed the importance of an open channel with Tokyo. His campaign criticized the THAAD deployment but stressed the importance of a strong alliance with Washington, along with a close

partnership with Beijing. He was critical of the Kaesong closure, promising to reopen and expand the complex as a “stepping stone of Korean reunification.” Moon affirmed the importance of stopping the North’s nuclear progress through sanctions. He conveyed the image that the Candlelight coalition elected him to project—openness, transparency, justice, and reform. Yet, the coalition did not articulate clear expectations on the central foreign policy questions—how to balance China’s rise and the U.S. alliance, how to lift the burden of the past with Japan, and how to handle North Korea.

In U.S.-North Korean tensions, South Korea was relegated to a bystander. The U.S. debate over the merits of military action devalued the strategic and human significance of South Korea. The spiraling tensions between Trump and Kim created a severe political dilemma. Moon was trapped in the path of dependence created by Park’s triple reversal, and he was hamstrung in interjecting Seoul into a meaningful role in the standoff between the United States and North Korea. Kim Jong-un was not making things easier. When Trump visited Seoul, he inadvertently affirmed Moon’s outreach to Beijing; it had not damaged U.S. ties. Moon achieved his diplomatic goal of holding a constructive summit with Xi, and there was no major backlash against either the “three noes” or the trip. He started 2018 implementing something closer to his own foreign policy after Beijing had appeared to relent to the presence of a THAAD battery. In encouraging Abe to attend the Olympics, Moon made his intention clear to keep a channel open to Tokyo.

The weaker sense of pan-Korean ethnic solidarity and diminished need to rectify division exacerbate Moon’s dilemma in winning youth support for inter-Korean reconciliation. Domestic issues take precedence over inter-Korean relations. Progressives who support dialogue do not want to detract from addressing social injustice. Conservatives who take a hard line do not want to jeopardize economic growth. Almost no one wants to pay for reunification.

Moon’s foreign policy preferences seem to lean toward revived linkages with North Korea, a close partnership with China, a strong alliance with the United States, and neutral ties to Japan. Moon’s preferences on managing ties to the United States, China, and Japan seem to conform to public sentiment. Retaining the THAAD battery while promising “three noes” did not trigger a backlash. Nor did the “uphold the letter, reject the spirit” approach to the “comfort woman” deal. The hard part looks like it will be winning public support for improved inter-Korean relations. Moon needs to rethink the question of reunification as society moves from a pan-ethnic to an ethno-civic concept of national identity, as the political definition of ethnic community narrows among many young South Koreans to no longer include the North.

Although Moon emerged from the success of the Panmunjom summit with sky-high approval ratings, it is worth anticipating the domestic political complexity of a peace and reconciliation approach to inter-Korean relations, if only to mitigate their impact on progress with Pyongyang. Moon’s key foreign policy preferences—sustaining a robust alliance with the United States, restoring a close partnership with China, and allowing a working relationship with Japan—appear to be grounded in fairly strong domestic consensus. The challenging issue is likely to be in the sphere of inter-Korean relations. Here, Moon faces fragmented public sentiment.

Chung Jae Ho, “South Korea’s Strategic Approach to China (or Lack of It)”

The CPC Work Report on October 18, 2017 made three points clear as they related to China’s external strategy: 1) to be highly proactive, 2) to become a modernized great power, and 3) to lay down “Chinese ways” for others to emulate. The U.S. National Security Strategy on December 19th, defined China as America’s rival and recommended that the United States do more to promote American resilience and stand up to “revisionist” Chinese efforts to expand her influence. Chung Jae Ho finds that the “shadow of history” (i.e., lingering memories of Chinese empires) seems bigger as China is poised to be America’s hegemonic competitor. Due to its geographical proximity to and cultural similarities with China, as well as its strategic importance to both the United States and China, South Korea’s tightrope-walking has been tighter than anyone else’s.

Chung offers a brief overview of the complex relationship since diplomatic normalization in 1992, outlines features of over-optimism during the first three years of Park’s tenure, delves into the issue of THAAD and how that shattered the Park-Xi honeymoon in 2016, offers a brief discussion on China’s narrowly-focused sanctions during 2016-17, looks at Moon’s first year, focusing on envoy politics, the “three-noes controversy,” and Moon’s state visit to China, and finally assesses critical factors in shaping Moon’s policy toward China and where the room for mending and improvement lies. He recalls four principal crises: 1) the “garlic battle” of 1999-2001; 2) the Koguryo-centered historiographical controversy of 2004; 3) the rift in 2010, when China one-sidedly defended North Korea, rendering Sino-ROK relations politically frozen for nearly two years; and 4) the worsening relationship since 2016 over the deploying of THAAD. These relations, he adds, have recently entered into a stage where conflict resolution is more difficult due to the third-party involvement as well as to the hard-security nature of the problems.

China’s “import offensive,” which South Korea could not resist over the last three decades has left the South vulnerable. China has become much more important to South Korea while South Korea’s weight has been gradually diluted in the eyes of China. When Park Geun-hye was elected, relations with China had reached their nadir: in the Lee administration revitalizing the Korea-U.S. alliance was the top foreign policy priority; and North Korea’s two provocations in 2010 put relations in a very awkward situation. Yet, what went on in relations during the first three years of the Park administration was an outcome of excessive politicization of foreign affairs management and of exaggeration of the individual leader’s accomplishments, argues Chung. Beijing sought a chance to drive a wedge between Seoul and Washington, putting much effort into a charm offensive, as voices grew louder in Seoul, warning Park against moving too fast to consolidate security ties with China amid claims that bilateral relations were never better.

The view that South Korea was increasingly tilting toward China spread. Seoul’s hesitation to join the U.S.-led negotiations for TPP was one indicator; its decision to join the China-initiated AIIB was another, as was Park’s attendance at Beijing’s V-Day commemoration in September 2015. Beginning in early 2016, however, relations took a steep downturn with the irreconcilable disagreement over deploying THAAD. Seoul overestimated the strategic bonds it was cultivating with Beijing in the midst of the excessive politicization

of state visits by Park and Xi and “trust diplomacy.” THAAD was interpreted by China as Washington’s effort to consolidate trilateral defense cooperation. No high-level channels were working effectively between Seoul and Beijing to discuss such an intricate issue, and Seoul’s insistence on the “three-noes” (i.e., no request from the U.S., no consultation with Washington, and no decision whatsoever regarding THAAD) from mid-2014 through early 2016 took away valuable time that could have been utilized for prudent diplomacy. They were an outright lie from China’s viewpoint as Seoul was in fact discussing the issue with Washington while it was also a confidence-discounting measure in the eyes of America. Seoul was not able to hold on to what was within the conventional realm of sovereign decisions—protection of national security. It could not execute a well-thought out plan of “flexible diplomacy” to somehow strike a balance between the ally (Washington) and the strategic cooperative partner (Beijing). Nor was Seoul capable of pressuring provocative Pyongyang by making use of the THAAD deployment. Worse yet, South Korea came to be viewed as a non-transparent opportunist by her ally as well as strategic partner, concludes Chung.

The U.S. and China are in a stage of acute strategic competition in East Asia, asking regional states the same exclusivity question “are you with us or against us?” China was not going to back off due to its preoccupation with “face,” and lives of the American armed forces stationed in Korea were on the line. China’s retaliatory measures were concentrated mainly in the sectors where adverse impact on China would be minimal. Tighter inspection measures for Korea-imported cosmetic products was one example. Virtually no barrier was set up against the sectors—e.g., semi-conductors, displays, and other key intermediate goods—that were crucial to China’s economy. In 2016, South Korea’s total trade surplus with China amounted to \$37.4 billion. The export of semi-conductors accounted for 64.7 percent of that value. Sanctions were applied mainly to the areas where governmental regulations were more convenient to be meted out or withdrawn—e.g. the number of Chinese visitors to South Korea in January 2017 was 563,000 as opposed to 917,000 in July 2016. China’s National Bureau of Tourism on March 2, 2017 instructed travel agencies that all group tours to South Korea be suspended after March 15th and only individual tourists who purchased tickets online would be permitted to go. China’s narrow-scope sanctions were painful from South Korea’s perspective—particularly for those in tourism industries—but they were not as painful as though Seoul had to give in unconditionally.

The Moon administration found itself in a similar situation to Park Geun-hye right after her inauguration, having to rebuild badly damaged relations with Beijing, but it was determined to improve relations even if that meant making considerable concessions. The “October 31 statement” was problematic in many aspects. The titles of the same statement are different, as the Korean one includes the word “improving”—i.e., more wishful thinking—while the Chinese one does not. This is not a trivial factor as high doses of wishful thinking on the part of South Korea were sustained for much of the administration’s first year of dealing with China. A close reading of the statement suggests that the Chinese position on THAAD is very specific and Beijing’s concerns are repeatedly emphasized. In stark contrast, the South Korean position—deployment is both necessary and inevitable to cope with North Korea’s growing and imminent threat—is completely missing. Since the strategic situation is constantly changing (as North Korea’s threat is), South Korea should not have limited or precluded her own options that way.

The Chinese side had a totally different thought: the October 31 statement was just a beginning and the whole problem had to be gradually dealt with until the complete withdrawal of THAAD. *People's Daily* referred to the October 31 statement as "South Korea's sincere accommodation of China's demand," *Global Times* viewed it as a "materialization of optimal results," a Hong Kong-based paper branded it as "China winning its war against THAAD without firing a shot."

The Moon administration rushed to implement its grand design of improving relations with China, setting up Moon's state visit to China before the end of the year, inviting Xi to the Winter Olympic Games, and facilitating summits among world leaders to pave the road to peaceful resolution of the North Korean problem. It was apparently "confident" in talking with two voices regarding the October 31 statement. Toward China, the government branded the October 31 statement as a "position" or "stance" (ipjang), while toward the U.S. Seoul designated it only as an "intention" (euihyang) but not a commitment or agreement. A seven-month journey of the new administration culminated in a state visit to China. Overall assessments, however, make one wonder if a state visit—as opposed to an official or even a working visit—was necessary.

Chung warns that "balanced diplomacy" ended up being mere sutures for damaged relations with the ally or neighbors. Related symptoms were those of "talking too much too fast." Lacking clearly defined national goals and strategic roadmaps, diplomacy nevertheless had so many slogans such as "Northeast Asian balancer," "New Asia Diplomacy," "Trust Diplomacy," and "Northeast Asian Peace and Security Initiative" which no one really talks about any longer. The Moon administration's "New Northern and New Southern Diplomacy" may go down that path.

Chung sees an inadequate assessment of the strategic environment: 1) underestimating the level of threat posed by North Korea; 2) overestimating China's willingness to resolve the North Korean conundrum; and 3) undervaluing the necessity of sustaining the alliance with the U.S. at this critical juncture. Confusing responses to America's new concept of "Indo-Pacific" well illustrate this. If the Moon government is indeed trying to hedge against the U.S. and China, has it been successful or were diverse messages merely the debris of the lack of experience, coordination, and strategic thinking? This is the concluding concern raised by Chung.

Sheila Smith, "The U.S.-Japan-ROK Trilateral: Better at Deterrence than Diplomacy?"

Only some weeks into the surprise announcement that Trump will meet with Kim Jong-un and just after Abe's rushed visit to meet Trump, the diplomatic geometry seems unhinged. It is hard to decipher the contours of what will be negotiations on more than denuclearization. Diplomacy over North Korea could put unprecedented strains on the trilateral U.S.-Japan-ROK framework Washington has been striving to establish with its two vital allies in East Asia and on each of the three pairings. This was apparent in the nervousness visible in Japan over Moon Jae-in's first Winter Olympics contacts with Kim Jong-un's representatives and then the surprise decision by Trump to hold a summit with Kim. At the Trump-Abe summit differences did not appear to be resolved, as many in Japan lost confidence in the special relationship between Abe and Trump.

Smith points to five challenges for the U.S.-ROK-Japan trilateral relationship. First, the military challenge, as Kim Jong-un has challenged U.S. allies in Asia with his rising military capabilities, and Asia's geopolitics are suggesting a new context, one in which the trilateral relationship among Seoul, Tokyo, and Washington may prove inadequate to the task of managing the new dynamics of major power competition. But if conflict emerges, will close ties be sustainable as Pyongyang approaches the ability to effectively target the United States? Will America's allies be confident in the extended deterrent that has long allowed them to avoid the nuclear option themselves? This challenge has become more evident with the 2017 military tensions, and talks in 2018 have raised, especially among Japanese, concern that coordination over it is now harder.

Second, the diplomatic challenge, as the diplomacy required to sustain Northeast Asia's peace is proving difficult for trilateral relations, Smith explains. As prior attempts to negotiate with Pyongyang have demonstrated, the United States, South Korea, and Japan each have different interests at stake. Moreover, the domestic politics of sustaining diplomatic initiatives and offering compromise needed to realize results are not in synch. Tokyo worries about Seoul being too ready for compromise. Seoul worries about Tokyo's "remilitarization," and both in varying degrees worry that Washington might either sacrifice their security interests in an attempt to reach a deal or become too rigid for compromise to emerge. Given the rapid progress in Pyongyang's development of ICBMs capable of reaching cities across the United States, there is concern that Trump will prioritize ending this threat at a price that will not only leave the threats to Japan and South Korea but also call into question U.S. commitment to extended deterrence.

There is far greater concern about China's role in a negotiation, and far less confidence in U.S. leadership of a negotiating process. Moreover, Kim Jong-un seems far more assertive in shaping the context for negotiations. The diplomacy that may be emerging over Kim Jong-un's arsenal will thus need to consider the broader context of Asia's rapidly evolving military balance.

Third, the leadership challenge is mentioned by Smith, observing that all three democracies have changed leaders multiple times in the two decades since Kim Jong-il announced his withdrawal from the NPT. Elections have brought new leaders to the fore, each time prompting a reset in North Korea policy. Even below the level of leaders, sustaining engagement requires keeping all three leaders committed to diplomacy and to a unified strategy for pursuing a common end game. Synchronizing this takes considerable effort—and trust. The lack of a clear U.S. strategy makes formulating a trilateral strategy for talks with Pyongyang nearly impossible. Japanese see their prime minister's relationship with the U.S. president as weakened, and thus their confidence in the alliance somewhat shaken. This challenge has only intensified since the 2017 inaugurations.

The most often cited challenge to effective trilateral policy coordination has been the difficult relationship between Seoul and Tokyo. Troubled recently by war memory politics, Seoul and Tokyo have had difficulty overcoming the raw sentiments that have emerged over South Korea's residual grievances over colonial and wartime behavior by Japanese. North Korea brings both Tokyo and Seoul together in military cooperation, and yet their diplomatic strategies could potentially divide them, warns Smith. South Korean sensitivity to having Japanese military on Korean soil continues to limit the full integration of alliance

planning and exercising. Keeping all three nations aligned as diplomacy takes its course will be difficult, particularly in light of the unpredictability of U.S. policy, which is treated separately as the fifth of the serious challenges.

Fifth on the list is the challenge of American unpredictability under Trump. This has become all the more apparent in Trump's handling of the North Korean issue, agreeing spontaneously to a summit, surprising both Moon, who had passed the idea along to Trump, and Abe, who was totally blindsided by the decision. Later, Trump did not bother to consult Abe, who had met with him recently to ensure coordination would take place, and Moon, who had barely left Trump's oval office, on a hurried decision to cancel the planned June 12th meeting in Singapore with Kim Jong-un. Yet, barely a day later, Trump appeared to have reconsidered, adding another surprise.

The Singapore Statement and Trump's subsequent remarks brought further surprises, not least to Abe. U.S.-Japan relations have been shaken not only by failure to coordinate over North Korea but also by Trump's unilateral moves on trade and on G7 and alliance management. In mid-2018 the state of the alliance has abruptly become uncertain despite Abe's strenuous efforts to solidify it. With diplomacy over North Korea hard to predict and Trump hard to control, the alliance that Abe was so keen on leaving in the best shape ever has entered uncharted waters.

Salvaging the Sunshine Policy

David Straub

Shortly before his election as South Korea's president in May 2017, candidate Moon Jae-in issued his most detailed North Korea policy statement. As president, he declared, he would "inherit" the engagement-based, inducements-oriented Sunshine Policy approach of Korea's only other progressive presidents, Kim Dae-jung (1998-2003) and Roh Moo-hyun (2003-2008)¹. Moon judged the North Korea policies of his immediate predecessors a failure; Presidents Lee Myung-bak (2008-2013) and Park Geun-hye (2013-2017), both conservatives, had disagreed with key aspects of the Sunshine Policy and suspended the major inter-Korean projects undertaken by Kim and Roh. Moon's emphasis on incentives to Pyongyang contrasted with United Nations Security Council resolutions adopted during the preceding decade; far from offering inducements, the UNSC had imposed increasingly stringent sanctions on the regime in response to its accelerating pursuit of a full-fledged nuclear weapons capability. Moon also struck quite a different tone than the new Trump administration in Washington, which had only recently concluded a North Korea policy review and characterized its approach as one of "maximum pressure and engagement."²

This chapter assesses Moon's North Korea policy, its implementation during his initial year in office, and its prospects under difficult circumstances. It begins by reviewing the Sunshine Policy concept, its practice by previous progressive governments, and the significantly different approach of South Korea's succeeding conservative administrations. It then argues that Moon and many progressives continue to believe in the basic Sunshine Policy approach, even though, unlike when the policy was first formulated, North Korea now already has a limited nuclear weapons capability and may soon be able to credibly threaten the United States homeland with nuclear attack. It reviews how Moon, as president, has attempted to salvage the policy and how North Korea and other concerned countries have responded. The chapter concludes by considering the prospects for Moon's North Korea policy and offering recommendations to modify it to maximize the interests of both the ROK and the international community as a whole.

A Review of the Sunshine Policy Concept and Practice

The Sunshine Policy Concept

It was Kim Dae-jung who, in 1994, first used the term "Sunshine Policy" to refer to a particular approach to dealing with the many and varied problems that North Korea was already posing, including its suspected pursuit of a nuclear weapons capability. Drawing on Aesop's fable of "The North Wind and the Sun," Kim argued that reassurance and suasion were the keys to changing Pyongyang's behavior and, ultimately, the system itself for the better. Pressure and sanctions, on the other hand, would only result in North Korea responding in kind (as the regime's propaganda machine itself had long vehemently asserted).

As explained by Moon Chung-in, a South Korean academic and senior North Korea policy adviser to all of South Korea's progressive presidents, including Moon Jae-in:

Kim's Sunshine Policy...was a strategic and holistic approach that aimed at genuine, long-term improvements in inter-Korean relations through the promotion of exchanges and co-operation, trust-building and peaceful co-existence. ...The

Sunshine Policy can be seen as a proactive policy to induce incremental and voluntary changes in North Korea for peace, opening, and reforms through a patient pursuit of reconciliation, exchanges, and co-operation.³

Kim Dae-jung's Sunshine Policy

Although Kim first used the term “Sunshine Policy” very shortly after the United States signed the Agreed Framework with North Korea in Washington’s first major diplomatic effort to prevent Pyongyang from developing nuclear weapons, his basic thinking about North Korea had been formed long before. In 1994 Kim was already seventy years old and had been active in politics for a full four decades. He had first run for president in 1971, very nearly defeating the incumbent president, strongman Park Chung-hee. Having entered South Korean politics at age 30 in 1954, the year after the Korean War, Kim could not but have been deeply interested and concerned about national division and relations with Pyongyang.⁴

Kim’s views of North Korea were also shaped in part by his outsider status. He was not from the elite and did not attend college. He was the favorite son of southwestern Honam; the region’s residents felt alienated from the government of Park Chung-hee (1961-1979), who hailed from the rival southeastern Yeongnam region. Throughout Kim’s career, he belonged to a political camp that suffered serious oppression and that never held the country’s presidency until Kim’s own election in 1997. It is thus not particularly surprising that he inherited and further developed a different perspective on North Korea and related issues than that of most members of the country’s longtime conservative establishment.

Just as much of U.S. politics and policy even today can be traced back to divisions and debates from the Civil War and even earlier, South Korea’s politics also continue to be profoundly shaped by its modern history.⁵ Korea experienced violent ideological and institutional differences as the country’s leaders considered how to deal with the entry of western powers into East Asia and Japan’s related rise from about 1870. Different Korean factions supported alignment with different foreign powers to preserve their country’s independence. Japan’s forceful colonization of the country beginning in 1905 was enormously traumatic, forever politically tainting those Koreans who “collaborated” with the Japanese in the run-up to and during its forty-year rule. The South Korean opposition, of which Kim Dae-jung was a leader from the 1960s until his death in 2009, sought to tar the ruling establishment with the collaborationist brush, and did so with considerable success.

Even more relevant to the current differences over North Korea between South Korean conservatives and progressives was the Korean polity’s response to the division of the peninsula in 1945. Progressives were socialistically inclined and vigorously opposed the U.S. project to set up a separate Korean government in the south, fearing not only the permanent division of the country but also the likelihood of continuing conservative rule there. Kim Il-sung’s Soviet-backed invasion of the South in 1950 to reunify the country caused enormous losses in lives and property. While most South Koreans became bitterly anti-communist and anti-North Korean as a result, many opposition thought leaders privately blamed the United States and South Korean conservatives in part for the realization of their worst fears—permanent division, civil war, and enduring authoritarian conservative rule in the

South.⁶ While suppressed during the succeeding decades of authoritarian rule, this strand of thinking did not die out. It found new expression when the progressives, in the person of Kim Dae-jung, first captured the Blue House in the election of 1997.

As soon as Kim Dae-jung was inaugurated, he made it clear that his policy toward North Korea would be very different from those of his conservative predecessors. He disavowed any desire for unification by force, or even absorption, as had occurred just seven years earlier in Germany. He would seek to engage Pyongyang in many different ways, including politically, economically, and culturally, and he was willing to substantially aid the regime economically and otherwise under the rubric of “cooperation.”

Kim’s policy was based in part on the widespread progressive belief that both South and North Korea had been victims of the great powers, including the United States, and that the North’s external security concerns were understandable if excessive. Progressives also tended to be more skeptical and critical of the U.S. role on the Korean Peninsula than conservatives. And while progressives had made democratization of the South their own main mission, they avoided criticism of the political and human rights situation in the North on the grounds that such a focus would not improve the situation and would only make the regime feel more threatened. Kim would therefore seek to do as much as possible to reassure Pyongyang, directly and, to the extent possible, through the United States and others, that its cooperation in a step-by-step approach of engagement would not threaten the regime but would benefit it and the country as a whole in many ways.

Nevertheless, Kim Jong-il did not respond positively until two and one-half years later, when, in mid-June 2000, he received Kim Dae-jung in Pyongyang in the first-ever meeting of the two countries’ supreme leaders. The resulting South-North Joint Declaration consisted of five points, statements of principle and mostly vague promises to engage in various kinds of dialogue and humanitarian, economic, and other forms of cooperation.⁷ In the following months, a number of dialogues were in fact held but no fundamental progress was made in inter-Korean relations.

By the end of the year 2000, Pyongyang was already beginning to slow down and halt cooperation with the South, blaming the advent of a “hostile” administration in the United States. It never clearly explained why the inauguration of the Bush administration required it to forego cooperation with Seoul, although its propaganda suggested that Seoul was Washington’s puppet and thus could not be a serious engagement partner when Washington was taking a critical approach toward Pyongyang.

In retrospect, it seems clear that Kim Jong-il never intended to cooperate nearly as much with Seoul as Kim Dae-jung publicly suggested.⁸ Kim Dae-jung’s sometimes over-the-top rhetoric—for example, on his return to Seoul from Pyongyang, he declared there would be “no more war” on the peninsula—seems to have been hortatory in regard to Kim Jong-il as well as the product of his own wishful thinking and domestic political calculation. Most tellingly, after Kim Dae-jung won the Nobel Peace Prize in 2000 in part for achieving the summit meeting, a special investigation authorized by the South Korean parliament revealed that his administration had provided half a billion dollars in cash to Pyongyang

immediately before the summit. Not surprisingly, the revelation resulted in what *New York Times* characterized in its obituary of Kim as “opposition accusations that he had ‘bribed’ the Communist leader and [thereby] strengthened his chances to win the peace prize.”⁹

Roh Moo-hyun’s Sunshine Policy

Although the October 2002 revelation that the North Koreans had been cheating on the Agreed Framework with the United States by pursuing the capacity to produce highly enriched uranium to make nuclear weapons further eroded the Sunshine Policy’s credibility in South Korea and abroad, Kim Dae-jung’s successor, Roh Moo-hyun, remained a staunch advocate. To put his own brand on it while also denying critics a too-easy target, Roh called his approach the “peace and prosperity policy,” but in all major respects it was identical to Kim’s Sunshine Policy.¹⁰ A review of Roh’s North Korea policy is especially relevant to that of Moon, because of the lifelong close personal and political relationship between them, which will be discussed later.

Like Kim Dae-jung, but even more so, Roh was an outsider. His family was too poor for him to attend college, so he studied on his own to pass the bar exam. As a lawyer, he became involved in defending members of the activist movement against the authoritarian government of the time. Virtually his entire adult life before becoming president was spent in the “movement” and as an opposition politician. He never learned English and, until becoming president, had never visited the United States. (He had very briefly visited three foreign countries in his entire life up to then.) It was only natural, by dint of both personal experience and political affiliation, that he would staunchly support Kim’s Sunshine Policy.

Nevertheless, Kim Jong-il’s response to Roh’s pursuit of reconciliation with the North was confined largely to cooperating on two of Kim Dae-jung’s signature projects, both hard currency earners for the North. Kim Jong-il continued to allow South Koreans to tour the scenic Mount Kumgang area in North Korea for a fee, and he cooperated in the opening and expansion of the Kaesong industrial park in the North, where South Korean businesses employed North Korean factory labor at low cost. As for the rest, the North Koreans used the excuse that a hostile U.S. policy made it fruitless to engage with what the regime regarded as a not fully sovereign South.

Thus, it was not until October 2007 that Kim Jong-il finally agreed to a visit by Roh to Pyongyang for their only meeting. The summit took place only two months before the South Korean presidential election, resulting in opposition charges in South Korea and widespread suspicion that both Kim and Roh were seeking to influence the outcome in their favor. Even though North Korea had tested its first nuclear device the year earlier despite having agreed in principle at the Six-Party Talks in Beijing to give up its nuclear weapons program, the only reference to the problem in the joint declaration was a pledge to “work together to implement smoothly the [already violated] September 19, 2005 Joint Statement and the February 13, 2007 Agreement achieved at the Six-Party Talks.” This second joint declaration was considerably more detailed than the June 2000 inter-Korean agreement but at the cost of incorporating what were, for many South Koreans, highly controversial provisions, such as establishing a joint fishing area in the disputed West Sea (Yellow Sea) area.¹¹

Lee Myung-bak's North Korea Policy

In the presidential election of December 19, 2007, the conservative candidate, Lee Myung-bak, won by a margin of nearly two to one over his progressive opponent. (Voters were motivated primarily by concerns about the economy rather than by objections to the progressive candidate's support for the Sunshine Policy).¹² As a candidate, Lee did not launch an all-out offensive on the Sunshine Policy but seems to have tried to give voters the impression that his views about North Korea were not really "conservative." As president, Lee too sought improved relations with Pyongyang, including a summit meeting with Kim Jong-il. He demurred, however, when the North Koreans in 2009 demanded ten billion dollars and half a million tons of food for a summit.¹³

Even had the North Koreans not taken their "pay to play" position, they never gave Lee much political space to engage them. In Lee's first year in office, a North Korean guard shot and killed a South Korean tourist who strayed from the authorized path at the Mount Kumgang resort. In response, Lee stopped South Korean tours there while demanding that Pyongyang allow a joint investigation, offer an apology, and take measures to prevent a recurrence. North Korea was unwilling to do so, and the tours never resumed. In 2009, North Korea tested its second nuclear device and, in 2013, just before Lee stepped down, its third; it also conducted numerous rocket and missile tests during Lee's term in office. On March 26, 2010, in what was apparently a sneak torpedo attack, the North Koreans sank a South Korean navy vessel, *Cheonan*, killing forty-six seamen. It prompted Lee to issue the "May 24 measures," unilateral sanctions against North Korea that suspended most forms of inter-Korean exchange, including economic cooperation. At the end of the same year, in an act unprecedented since the Korean War, the North Koreans launched an unprovoked artillery attack on a South Korean island, Yeonpyeong, killing four people. Still, not only did Lee not shutter the Kaesong industrial park, he even allowed its expansion.

Park Geun-hye's North Korea Policy

On December 19, 2012, another conservative, Park Geun-hye, the daughter of Park Chung-hee, won the presidential election to succeed Lee, but by a margin of only 51.6 percent to 48 percent. Her progressive opponent was Moon Jae-in, the current president. Despite North Korea's nuclear and missile tests, Moon campaigned for a resumption of the Sunshine Policy. Even Park Geun-hye expressed support during the campaign for what she called a more "balanced," i.e. less conservative, policy toward North Korea than Lee had pursued.¹⁴ But as with Lee, the North Koreans gave Park little leeway to pursue engagement, as they committed a number of provocations from the beginning of her term in office.

Park was inaugurated shortly after the UN Security Council had passed yet another resolution sanctioning Pyongyang for a rocket launch at the end of the preceding year, to which the North Koreans responded by announcing another nuclear test and long-range missile launch and declaring the United States to be their primary target. North Korea did in fact conduct a nuclear test on February 12, 2013, its third, just two weeks before Park's inauguration. Two months later, Pyongyang manufactured a crisis over an annual U.S.-South Korean military exercise and, on April 8, ordered all its workers to leave the Kaesong industrial park. Park held firm and Pyongyang finally returned the workers to Kaesong on September 16, 2013.

Under Kim Jong-un's rule since his father Kim Jong-il's death in December 2011, North Korea continued to accelerate its nuclear and missile testing. The North conducted its fourth nuclear test—it claimed it was a hydrogen bomb—and another rocket launch in the first five weeks of the year 2016. On February 10, 2016, Park responded by ordering a halt to Kaesong operations and the withdrawal of South Korean personnel. She was clearly motivated by her frustration that North Korea was continuing to develop a nuclear weapons capability and apparently felt that South Korea had to take such steps to be consistent with the U.S.-led international campaign to press North Korea to participate in good-faith denuclearization negotiations. The Kaesong industrial park remains closed, and experts believe it could not be reopened without violating UN Security Council sanctions that have been passed in the meantime.

President Moon and the Return of the Sunshine Policy

After having barely lost to Park Geun-hye in the 2012 presidential election, Moon Jae-in succeeded her as president on May 10, 2017, after she was impeached and eventually removed from office on corruption and other charges. The charges against Park and the widespread perception that she was arrogant and uncommunicative, especially in light of her handling of the Seweol ferry sinking that cost the lives of 304 people—mostly students from a single high school—resulted in a massive loss in public support not only for Park but also for her conservative ruling party. Her party, already riven by warring factions associated with her and former president Lee Myung-bak, formally split before the election. With a third major candidate (the centrist independent Ahn Cheol-soo) running, Moon decisively defeated conservative candidate Hong Jun-pyo, by a margin of 41 percent to 24 percent.

Moon Jae-in's Support for the Sunshine Policy

As in most South Korean presidential elections, the debate over North Korea policy played a relatively small part in the campaign. Moon's victory was primarily due to his being seen as the "anti-Park" candidate, especially in terms of being communicative and having the common touch. Actually, throughout Park's term, she had mostly benefitted in the public opinion polls when she took "firm" measures against North Korean provocations, including her handling of the Kaesong industrial park. In the 2017 campaign, it was conservative candidates who went on the offensive against Moon's North Korea policy, suggesting, in effect, that he remained a Sunshine Policy supporter. Moon deflected such criticism but without either renouncing or prominently reaffirming the Sunshine Policy. It was only a couple of weeks before the election, when it was already clear that Moon would win in a landslide, that he finally detailed his North Korea policy by releasing the statement mentioned at the beginning of this chapter.¹⁵

As with Roh Moo-hyun, it should not be surprising that Moon was and remains an adherent of the Sunshine Policy toward North Korea. Moon was also an outsider. He came from a poor family; his anti-Park Chung-hee activism resulted in his expulsion from university and jailing; later he was a top law student but was unable to become a prosecutor or judge because of his college activism; and he eventually became a human rights lawyer and partnered with

Roh Moo-hyun. Like Roh, Moon does not speak English, and before becoming president he had apparently only visited the United States twice and then very briefly. When Roh ran for president, Moon served as his campaign manager. Throughout Roh's term as president, Moon served him in senior posts in the Blue House, including as Roh's final chief of staff.

Shortly after Roh stepped down as president, prosecutors began investigating him on corruption charges. In apparent agony, Roh responded by committing suicide. This traumatized his circle and embittered many of them against the administration of Lee Myung-bak, whom they blamed for an investigation they felt was an act of political revenge. By all accounts, Moon too was deeply affected by the tragedy. Moon oversaw Roh's funeral and made arrangements for his private affairs. His longtime association with Roh, his visibility during the nation's period of mourning, and his evident intelligence and poise made him the progressive camp's presumptive next presidential candidate. Moon was thus involved not only with most of the Roh administration's North Korea policy deliberations, decisions, and activities, he also identified with Roh personally.

Like the North Korea policy platforms of the successful conservative candidates for presidents in 2007 and 2012, progressive candidate Moon's North Korea policy statement of May 19, 2017, sought to appeal not only to his base but also to moderate voters. Thus, he characterized his policy as "a completely new plan" while in fact including many reassuringly traditional elements, such as a strong defense, full support for the alliance with the United States, and top priority on stopping Pyongyang's nuclear and missile programs.

Reflecting his support for a Sunshine Policy approach, however, Moon began his policy statement by blasting conservative forces in South Korea as responsible that "... [inter-Korean] animosity has grown, and 'unification' is turning into something that is only troublesome [to South Koreans]." He decried *both* South and North Korea for blaming each other. "Neither peace nor prosperity can be assured this way," he exclaimed. Instead, "inheriting the Sunshine Policy [of Kim Dae-jung] and the engagement policy [of Roh Moo-hyun] towards North Korea...we will strategically push North Korea towards change." Under his administration, things such as the closure of the Kaesong Industrial Complex would be "preventable." More broadly speaking, Moon said he would make "economic unification" a top goal, "so that both the South and the North can prosper."

Moon's statement continued that "instead of urging that 'Pyongyang should act first,'" his administration would take the lead to bring about "simultaneous actions from Pyongyang, Washington and other parties concerned." He also called for the National Assembly to transform previous inter-Korean agreements, including Roh's controversial October 4 Declaration agreements with Kim Jong-il, into domestic law, "so [that] we can establish lasting inter-Korean policies that do not swing back and forth with changes of government."

Regarding the U.S. alliance, too, Moon reverted to Roh administration policy, declaring that "nothing is more dangerous than letting others decide our fate" and that "... wartime Operational Control (OPCON) [of South Korean forces] will be transferred to South Korea in early stages." (Currently, the top U.S. general in Korea would have operational control over both U.S. and South Korean forces in the event of war.) The statement also lays out measures to strengthen South Korea's own "independent" military capabilities.

Released just before the presidential election and as the nation was consumed by Park's impeachment, candidate Moon's North Korea policy statement received relatively little attention at home or abroad, even though, as the Korean reporter who did a report and summary translation commented at the time:

...the statement confirms what many believed would be the approach of a future President Moon Jae-in: an unapologetic return to the "Sunshine Era" policies of the early 2000s. His team calls it a "bold" blueprint, and, if enacted, it's certain to cause friction between Seoul and the Trump Administration, particularly in its proposals for a South Korean defense policy which distances itself from the U.S.¹⁶

Although a campaign platform, Moon's May 19 statement remains worthy of attention. As president, Moon has continued to use much of its rhetoric and, indeed, has acted largely in accordance with it. For example, it said that Moon would induce Washington to "improve its relations with Pyongyang and bring Pyongyang to the negotiation table." The statement even anticipated the role that the 2018 Pyeongchang Winter Olympics would play in dealing with the North Korea problem: "We will support [both] the North Korean team's participation and [a] joint [North-South] cheering squad...."

Moon's continuing support for the Sunshine Policy approach is also evident in his personnel selections. He has filled key posts with people who played major roles in the Roh administration's North Korea and security policies.¹⁷

- As director of the National Intelligence Service (NIS), Moon chose Suh Hoon. During the Roh administration, Suh was NIS's North Korea strategist. He was heavily involved in preparations for both the Kim Dae-jung and Roh Moo-hyun summits with Kim Jong-il. (In addition to being the Korean government's main source of expertise on North Korea, NIS has also frequently engaged in covert contacts and negotiations with the Pyongyang regime over the decades at the direction of South Korea's presidents.)
- Moon named Cho Myoung-gyun as his minister of unification. Cho served in Roh Moo-hyun's Blue House from 2006 to 2008 as secretary for unification, foreign affairs, and security policies. There, he worked with Suh Hoon to prepare Roh's summit with Kim Jong-il. As a career unification ministry official, Cho headed the government's Kaesong Industrial Complex Support Agency. At his confirmation hearings in June 2017, Cho declared, "The industrial complex should be re-opened... when the opportunity comes."¹⁸
- Moon selected Suh Choo Suk as Vice Minister of National Defense. As Roh Moo-hyun's senior secretary for security policy, Sun was, as one South Korean expert has put it, "responsible for a more independent defense policy from the US."
- Moon also appointed Lee Sang Chul, who has participated in talks with North Korea since 1991, as the first vice chief of the Blue House's national security office.¹⁹

Two other Moon appointments warrant particular attention in regard to his North Korea policy.

- As his special aide for foreign affairs and national security, an advisory position, Moon named Moon Chung-in, who played similar roles for both presidents Kim Dae-jung and Roh Moo-hyun. An academic, Moon is a prolific and outspoken advocate of the Sunshine Policy. In 2012, he published an entire book in defense of the policy, even though by that time North Korea had already conducted two nuclear tests and numerous rocket and missile tests in violation of UNSC resolutions and the regime's own pledges at the Six-Party Talks in Beijing.²⁰ Moon Chung-in frequently launches what appear to be trial balloons consistent with a Sunshine Policy approach, such as suggesting limits on U.S.-ROK military exercises. Most recently, he wrote that it would be difficult to justify the continued presence of U.S. military forces in Korea if, as President Moon aims to achieve, North Korea signs a peace treaty with the South and the United States.²¹ When criticized, Professor Moon typically responds that he was speaking in his capacity as an academic, not as the president's adviser. In the case of his statement about USFK, the Blue House publicly cautioned him but ignored conservatives' calls that he be dismissed. While observers debate the extent of Moon's influence with the president, one report noted that he was the last person to advise the president before his departure for his first summit meeting with Trump.
- As his chief of staff, Moon Jae-in selected Im Jong-seok, a former top student activist leader who was involved in the controversial illegal dispatch of a South Korean student to North Korea in 1989. Im also managed Moon's presidential campaign. Reportedly, Im played "a pivotal role in an inter-Korean detente fostered by the Winter Games in Pyeongchang..." and Moon considered whether to dispatch him to Pyongyang in response to Kim Jong-un's invitation to Moon to visit for a summit meeting.²²

President Moon's North Korea Policy in Action and the Responses to It

Since his inauguration on May 10, 2017, Moon has consistently striven to take a Sunshine Policy approach toward North Korea. His rhetoric and deeds, however, have been tempered by his apparent recognition that he needed to be cautious and pragmatic given the major changes that have taken place regarding North Korea since Roh Moo-hyun left office in early 2008. At that point, North Korea had only tested one nuclear device, one that, according to most experts, was only partly successful. The Six-Party Talks on North Korea's denuclearization had not yet failed due to the North's unwillingness to allow verification of its undertakings. North Korea was still many years away from demonstrating a capability of launching an ICBM that could hit the United States with a nuclear weapon. Since then, the UNSC has passed numerous, increasingly stringent economic and other sanctions on North Korea, and public opinion in South Korea, the United States, and the international community as a whole has become much more skeptical of North Korean intentions and statements.

As with the newly inaugurated Park Geun-hye, the North Koreans initially gave Moon no quarter or political breathing space in terms of their nuclear and missile tests. Just four days after Moon's inauguration, they tested an intermediate-range ballistic missile (IRBM).

On July 4, North Korea launched an ICBM that some experts estimated could have reached the U.S. west coast. It launched two more IRBMs on August 29 and September 15, and on November 28, it tested an ICBM it designated as Hwasong-15, which experts estimate might be able to reach the U.S. east coast. On September 3, North Korea conducted its sixth test of a nuclear device. Whether it was in fact a full-fledged hydrogen bomb, as Pyongyang claimed, its yield was far larger than any previous test.

In the face of these tests, Moon was rhetorically firm. He condemned North Korea's actions, stressed the necessity of making "progress toward denuclearization" and eventually complete denuclearization, and asserted his support for international sanctions and combined defense efforts with the United States. But the thrust of the totality of his arguments was fully consistent with the Sunshine Policy approach.

In Moon's first major North Korea policy speech as president, delivered in eastern Berlin on July 6, 2017, he declared that "Germany's unification made us realize how important the process of peace and cooperation based on mutual respect really is."²³ Explicitly hearkening back to the North Korea policies of Kim Dae-jung and Roh Moo-hyun, Moon said, "I am inheriting these two former government's efforts and...will embark on a dauntless journey towards establishing a peace regime on the Korean Peninsula." While declaring the North Korea missile test just two days before to have been "reckless," he said that he was "pursuing...only peace" by "returning to the June 15 Joint Declaration [by Kim Dae-jung and Kim Jong-il] and the October 4 Declaration [of Roh Moo-hyun and Kim Jong-il]." He said his government had already "planned a 'new economic map for [North-South cooperation on] the Korean Peninsula'" for realization if "there is progress in the North Korean nuclear issue and if appropriate conditions are met..." He also said his government would "consistently pursue nonpolitical exchange and cooperation projects by separating them from the political and military situation."

In his Berlin speech, Moon concluded by proposing four "easy" steps to Pyongyang: another round of divided family reunions the following month; North Korean participation along with the South in the 2018 Winter Olympics in the South and the following Olympic Games in Tokyo in 2022 and Beijing in 2022; "mutually" refraining from "acts of hostility" around the DMZ; and Moon's own meeting with Kim Jong-un "at any time at any place" under the right conditions.

Pyongyang's response throughout 2017 was to ignore Moon's proposals. Meanwhile, it continued to engage in the nuclear and missile tests noted above, culminating in the massive "hydrogen" bomb blast on September 3 and the November 29 launch of a Hwasong-15 ICBM thought to be capable of reaching the U.S. east coast. Immediately after the ICBM test, the regime stated that it had demonstrated it had the capability of "carrying [a] super-heavy [nuclear] warhead and hitting the whole mainland of the U.S." Kim Jong-un declared that he had "finally realized the great historic cause of completing the state nuclear force."²⁴ Without announcing it was doing so, it then ceased nuclear and missile tests.

Just as 2018 began, Kim Jong-un suddenly adopted a dramatically different approach to Moon. In his new year's policy address, after reaffirming that the nuclear and missile tests of the preceding year had demonstrated for all to see that North Korea could strike the entire U.S. homeland with nuclear weapons, Kim directly addressed "the south Korean authorities."²⁵ Declaring that they "should respond positively to our sincere efforts for a

détente,” he called on them to stop “siding with the United States in its hostile policy towards the DPRK” by doing such things as holding combined U.S.-Korean military exercises. North and South should, he continued, “improve the frozen inter-Korean relations... by promot[ing] bilateral contact, travel, cooperation and exchange on a broad scale....” He concluded by announcing that “...we are willing to dispatch our delegation [to the Pyeongchang Winter Olympics] and...with regard to this matter, the authorities of the north and the south may meet together soon.”

Moon, who had been strategically frustrated and politically embarrassed at home and with the U.S. ally by Kim Jong-un having studiously ignored his proposals, moved with alacrity to realize the North’s participation in the Olympics. (Moon may have not been completely surprised by Kim’s turnabout; it was subsequently reported that his administration was able to engage in covert contact with Pyongyang toward the end of 2017.) Although only a few weeks remained before the Games began, Seoul took extraordinary measures to set up a joint hockey team, help North Korean athletes qualify (even though the North Koreans had missed all application deadlines), and arrange for the entry into South Korea of scores of athletes, coaches, and minders, and hundreds of cheerleaders and performers, including a North Korean popular entertainment group that performed twice in the South as the Olympics were opening. The South Korean government also sought sanctions waivers from international bodies and the United States to facilitate these activities and even covered the North Koreans’ expenses.

But the highlight of North Korean participation in the Olympics was the visit to South Korea as the Games began of North Korea’s nominal head of state and especially of Kim Jong-un’s younger sister, Kim Yo-jong, who carried a letter to Moon from her brother inviting him to visit Pyongyang for a summit meeting at the “earliest date” possible. Kim’s sister is not only personally close to him but is also a senior party official in her own right and works hand-in-hand with her brother, including at public events. Moon, demonstrating his political sensitivity and pragmatism, reportedly responded to the North Koreans: “Let us make it happen by creating the necessary conditions in the future.”²⁶

North Korea’s participation in the Pyeongchang Olympics catalyzed, in short order, a head-spinning series of dramatic diplomatic events. Among these, Moon dispatched his national security adviser to Washington to brief the Trump administration on Seoul’s talks with Pyongyang, and Trump immediately agreed to an unprecedented summit meeting with Kim Jong-un based on Seoul’s characterization to him of Kim’s willingness to denuclearize. Trump said he would meet Kim in May or early June. Kim then made his first visit as North Korea’s leader to Beijing, where he met with President Xi Jinping. Moon held a summit meeting with Kim on the southern side of the Demilitarized Zone at Panmunjom on April 27, and North Korea announced it was suspending nuclear and missile tests and would shut down its nuclear test facility. Washington and Pyongyang continued to negotiate about the site of their summit, ultimately deciding on Singapore.

Prospects and Recommendations

Moon is trying to implement a Sunshine Policy approach under very difficult circumstances. North Korea is much farther along in having a deliverable nuclear weapons capability than a

decade ago. The United States and the international community are much more concerned, and much less inclined to give Pyongyang the benefit of the doubt. The many UNSC and other international sanctions will continue to constitute formidable institutional barriers to a negotiated settlement as long as Pyongyang is not actively denuclearizing. In South Korea as well, there is much greater skepticism about Pyongyang and only limited political support for resuming the kind of large-scale aid that the Kim Dae-jung and Roh Moo-hyun administrations provided.

The situation has led many outside observers to believe that the Moon administration could not really still believe in, much less seek to pursue, the Sunshine Policy. In this they are mistaken. Based on the author's many discussions over the past two decades with South Korean Sunshine Policy advocates, some of whom informally advise the Moon administration, it is clear that they believe that the policy of Kim and Roh would have worked, or at least would have worked better than other options, had it not been for what they regard as the obstructionism of the George W. Bush administration and South Korean conservatives. They further believe that the "hardline" policies of the succeeding conservative Lee and Park administrations were demonstrably a failure. In this they include Obama, whom they believe failed by not being willing to make greater concessions to Pyongyang to facilitate dialogue. They now see a U.S. administration whose policy embodies their worst fears, of another Korean war on the Korean Peninsula or, at best, a "new cold war structure" forcing them to choose between the United States and Japan, on the one hand, and the PRC, Russia, and North Korea, on the other. Thus, while South Korean progressives realize how much more difficult it will be to realize a Sunshine Policy approach under the current circumstances, they genuinely see no alternative to it.

Some outside observers further argue that, even if the Moon administration seeks to salvage the Sunshine Policy, it would not really matter, because circumstances will not allow it. But the very effort matters a great deal. The difficulty of dealing successfully with North Korea is daunting, even under the best of circumstances; when Washington and Seoul differ substantially about how to deal with Pyongyang, it becomes well-nigh impossible. The fact is that both the Trump administration and Kim Jong-un, not to mention Xi Jinping and Putin, are fully aware of Moon's thinking. Despite Trump's desire for a dramatic summit with Kim Jong-un, Washington and Seoul are suffering from a deficit of mutual trust, something that must encourage Kim Jong-un that, if he continues firmly on his current path, he will eventually achieve his goals.

The stunning pace of developments since the beginning of 2018 and Trump's unique leadership style have raised hopes for a diplomatic resolution to the North Korea problem, but the long-term prospects for Moon's effort to salvage the Sunshine Policy remain a major question. Unless North Korea is truly willing to fully denuclearize and to do so expeditiously, any general understanding reached between Trump and Kim at their summit will likely not long be sustained. Trump might then return to his emphasis on a "military option." It is likelier, however, that the Trump administration will ultimately opt for a policy of enhanced deterrence and containment of North Korea's nuclear threat, something most experts in Washington seem to support. Neither the Trump administration nor its successors will likely ever accept North Korea, even tacitly, as a legitimate nuclear weapons state and ease sanctions against it. Doing so, including in the form of some sort of a nuclear "freeze" on

Pyongyang's part, would contribute to the unravelling of the U.S. strategic position in East Asia and the undermining of the global nuclear nonproliferation regime. As long as that is the case, any ROK administration would find it extremely challenging to simultaneously maintain its alliance with the United States while, in effect, ignoring North Korea's nuclear weapons program.

If the current diplomatic efforts do not result in a sustainable process of North Korean denuclearization, the Moon administration would be well served by cooperating actively with a renewed effort to apply "maximum pressure" on Pyongyang to enter into genuine, good-faith denuclearization negotiations. In fact, by taking the lead in persuading the international community to help exert such pressure, Moon might be able not only to ensure the degree of pressure needed to change Pyongyang's strategic calculation about nuclear weapons, he might also be able to win the confidence of the Trump administration sufficiently to guarantee that it does not launch a first strike on North Korea. South Korea, especially under a progressive-led government, has much more influence on many countries about how to deal with North Korea than does the United States, especially under the Trump administration. Such a "counter-steering" approach should be Seoul's "Plan B" if the current diplomacy fails.

Endnotes

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Doubling Down on the U.S.-South Korea Alliance: Olympics Diplomacy Did Not Breach Trust, but Trump-Moon Confidence Is in Jeopardy

Leif-Eric Easley¹

The U.S.-ROK alliance faced a quickening pace of North Korean provocations in 2016-17, with Pyongyang violating UN Security Council resolutions dozens of times.² Those violations included a fourth nuclear test in January 2016, fifth in September 2016, and sixth in September 2017, as well as numerous missile tests of various trajectories from different platforms. North Korea tested intermediate-range missiles overflying Japan and missiles of intercontinental range on lofted trajectories, while developing road-mobile and submarine-launched ballistic missiles. As policymakers in Seoul and Washington coordinated responses to those provocations, changes in national leadership and domestic political preferences brought into question the bilateral trust the alliance needs to deter conflict, reassure publics, and promote regional cooperation.³

Elections have consequences, even before votes are cast. Enduring international security alliances are based on shared national interests and a track record of diplomatic commitments and military cooperation. For allies with highly integrated defense policies, such as the United States and South Korea, it is natural for policymakers and citizens to keenly observe the national elections of the other country. Will the next government be a reliable partner, or will it fail to honor existing agreements? Will the incoming leadership improve relations, or will it downgrade cooperation? These questions were being asked before Donald Trump and Moon Jae-in were elected. The search for answers inevitably involves speculation, feeding expectations that are often overly optimistic or pessimistic.

Ahead of Trump's election, his campaign rhetoric questioned the terms and intrinsic value of the alliance to an extent not seen since Jimmy Carter's 1976 campaign promise to withdraw U.S. troops from the Korean Peninsula. President Moon came to power on the heels of conservative president Park Geun-hye's impeachment and removal for corruption. Moon's politics are notably more progressive than Park's or Trump's, including a record of pro-engagement policies toward North Korea.⁴ Against this backdrop, Kim Jong-un delivered his 2018 New Year's Day address claiming that North Korea has the ability to hit any U.S. city with a nuclear-armed missile, but that Pyongyang is ready to re-engage Seoul via participation in the Winter Olympics.⁵

An unprecedented level of sports diplomacy ensued between North and South Korea. According to the ROK Unification Ministry, "It was the first time since the division of the Korean Peninsula that the constitutional head of North Korea and a lineal family member of North Korea's supreme leader came to visit the South. This shows that North Korea has a strong will to improve inter-Korean relations." The ministry spokesperson further claimed that the Pyeongchang Olympics engagement was "the result of the consistent effort that the Moon Jae-in administration has made since its day of inauguration to restore inter-Korean relations...lead the initiative in a proactive manner and [find] resolution through peaceful means."⁶

Given the contrast with the Trump administration's coercive diplomacy, a major question surrounding Moon's pro-engagement policies is whether they allow space for North Korea to drive a wedge between Seoul and Washington.⁷ This chapter analyzes recent inter-Korean engagement and finds that Seoul's efforts did not breach trust in the alliance and that the allies are not approaching a diplomatic rupture. There are signs of strain in the face of uncertainty, especially given Moon's ambitions regarding Korean national identity and Trump's unconventional alliance management style. Despite sometimes unhelpful political rhetoric and media coverage critical of bilateral relations, trust between the U.S. and

South Korean governments is allowing them to double down on the alliance, while shrewd diplomacy by the Moon administration has increased space for South Korea's middle power role in Asia.⁸

North Korea at the Olympics: Test for the U.S.-ROK Alliance?

Ahead of the Olympics, Moon said that South Koreans “need to protect inter-Korean engagement like a candlelight,” an emotive reference to the popular candlelight demonstrations that helped bring him to office.⁹ Moon's conviction for improving inter-Korean relations was demonstrated at the beginning of his term by bringing many pro-engagement officials back into government, many of whom had experience working directly with Pyongyang during previous progressive administrations.¹⁰ These South Korean officials engaged Pyongyang via secret messages and meetings in the latter part of 2017 so that North Korean participation in the Olympics did not come out of the blue with Kim Jong-un's 2018 New Year's speech.

Despite tensions built up over 2017 with North Korea's sixth nuclear test, provocative missile tests, heated rhetoric, and rebuff of Moon's public overtures, Pyongyang sent a sizable and highly visible delegation to the Winter Olympics in February 2018. The North Korean contingent of over 300 was made up mostly of performers: singers, an orchestra, a taekwondo demonstration team, and the famous all-female cheering squad.¹¹ Of the 22 North Korean athletes, most did not earn their spot to compete, and none medaled. But the North and South Korean athletes marched into the opening ceremony together under a unification flag as they had at the 2000 Summer Olympics in Sydney, the 2004 Summer Olympics at Athens, and other international sporting events. For the first time since table tennis and youth soccer tournaments in 1991, and for the first time at the Olympics, the two Koreas fielded a combined team. When the combined women's ice hockey team was introduced, “Arirang,” played in place of either country's national anthem.

Pyongyang also sent high-level political representatives to the Winter Olympics, as it did to the 2014 Asian Games in Incheon. Kim Yong-nam led the delegation to the opening ceremony. As the nominal head of state, he meets distinguished guests to Pyongyang whom Kim Jong-un cares not to meet, performs ceremonial roles, and represents North Korea at some international events (he attended the 2008 Summer Olympics in Beijing and 2014 Winter Olympics in Sochi). Gen. Kim Yong-chol, a vice chairman of the Central Committee of the Workers' Party and director of the United Front (intelligence) Department led the delegation to the closing ceremony. Both delegations included senior officials focused on sports and inter-Korean relations, and Kim Jong-un sent his sister, Kim Yo-jong, to personally invite Moon to Pyongyang for a summit.

The Pyeongchang Olympics involved more sports diplomacy than seemed possible just months beforehand. Inter-Korean exchanges continued after the Olympics with South Korean K-pop stars holding a concert in Pyongyang in early April that was attended by Kim Jong-un and others in the North Korean elite. A joint concert was also held with North Korean singers, and the two Koreas staged a combined taekwondo event. Sports and cultural diplomacy helped reopen channels of high-level political communication between Pyongyang and Seoul, and restarted working-level cooperation. Also, the Kim regime

increased its acceptance of South Korea as a dialogue partner on security, notable because Pyongyang historically refused to discuss nuclear issues with Seoul, arguing those were to be addressed with the United States.

Olympics Diplomacy Raising Questions about U.S.-ROK Trust

The speed and scale of inter-Korean engagement raised key questions for trust in the U.S.-ROK alliance. First, whether the Moon administration is clear-eyed about the brutal nature of the Kim regime. Second, whether Seoul values the strength of the alliance over conflict avoidance. Third, whether the South Korean government remains committed to international sanctions demanding North Korea's denuclearization.

Many commentators criticized the Moon government for rolling out the red carpet for the North Koreans and handing them a propaganda victory; some even argued that North Korea should be banned from the Olympics.¹² North Korea is indeed a human rights abusing state that did not earn its ticket to the Winter Games, but when apartheid South Africa was excluded from the Olympics, it was not half a divided nation that neighbors the host country. The Olympics was an obvious domestic and international play for Moon, and not just because of his progressive politics. Since his inauguration, Moon was pinned between an aggressive North Korea, unfriendly China, and less predictable U.S. administration. It is thus not surprising that he took the opportunity to take the initiative, welcoming the world to Pyeongchang. Moon has long stressed the need for Seoul to be in the lead on inter-Korean relations, and for North-South cooperation to determine the course of unification.¹³ Overseas observers are justified in drawing attention to international standards and the grim realities of the North Korean regime, but ultimately, the people with the greatest interest and say in Korea's future are Koreans themselves.

For many South Koreans, U.S. "maximum pressure" on North Korea ran the risk of miscalculation and unintended escalation; the Olympics thus offered a safety valve. Moon's domestic politics prompted him to reiterate that the North Korea nuclear issue must be resolved peacefully and "no military action on the Korean Peninsula shall be taken without prior consent of the Republic of Korea."¹⁴ It may have been grating to Americans for Seoul to advertise a veto over U.S. action when it has no such veto over North Korean military moves. But given Seoul's extreme vulnerability to North Korean attack and the importance of alliance coordination, Washington would almost certainly consult with South Korea before taking kinetic action. North Korea's participation in the Olympics did not meaningfully reduce the North Korean threat—it staged a military parade during the "Olympics truce" period and continued weapons modernizations and cyberattacks. But welcoming the North Koreans to Pyeongchang likely realized a "Peace Olympics" by forestalling North Korean nuclear or missile tests and reducing fears of artillery fire and terrorism.¹⁵

Nonetheless, many observers felt that the Moon administration bent the rules and made special allowances to facilitate North Korea's participation and high-level visits during the Olympics.¹⁶ The Kim regime likely intended to test sanctions enforcement and stir up divisions among South Koreans by sending provocative political and cultural figures to Pyeongchang. General Kim Yong-chol was under international economic sanctions and blamed by conservative ROK administrations for the 2010 sinking of the *Cheonan* that killed 46 South Korean sailors. Other North Koreans had to be given special travel waivers on humanitarian grounds from the United Nations in order to attend the Olympics. Meanwhile,

the South Korean taxpayer appeared to be footing much of the bill for performances by North Korea's large propaganda outfits, the Samjiyon Orchestra and cheering squad, raising transparency issues about sanctions enforcement. However, the Moon administration did consult with the UN and United States regarding sanctions exemptions and declined certain North Korean requests such as refueling the Mangyongbong-92 ferry. South Korean commitment to sanctions enforcement continued even as analysts suggested that UN resolutions were beginning to take a toll on the North Korean economy.¹⁷ Seoul did not soft-pedal implementation of UN sanctions after the Winter Games, nor did it remove its unilateral sanctions known as the "May 24 measures," or rush to restart the shuttered Kaesong Industrial Complex and Mt. Kumgang tourism project.

Despite Some Daylight between Them, the ROK and United States Stayed on the Same Page

U.S. and South Korean leaders are fond of saying that there is no "daylight between them" when it comes to dealing with North Korea.¹⁸ That may be optimistic, but the Trump pressure campaign did leave room for diplomacy and the Moon engagement approach did not just revert to the Sunshine Policy of past progressive administrations. Much had changed since South Korean progressives were last in government a decade earlier: North Korea conducted numerous nuclear and missile tests, flagrantly attacked South Korea in the *Cheonan* sinking and Yeonpyeong Island shelling, and broke various international and inter-Korean agreements. Restarting the Kaesong industrial park and Mt. Kumgang tourism facility are not just matters for ROK policy since those projects would likely violate current international sanctions.¹⁹ The Kim regime's commitment to *byungjin* replaced previous North Korean ambiguity on maintaining nuclear weapons, making the Sunshine Policy unsustainable and hardening South Korean public opinion.²⁰

Ahead of the Olympics, North Korea demonstrated little progress on denuclearization, missile test moratoriums, conventional military restraint, or human rights, but some South Koreans viewed U.S. vice president Mike Pence's positions at the Olympics as unhelpfully strict.²¹ Pence visited the *Cheonan* memorial, met with North Korean defectors, and traveled to South Korea with the father of Otto Warmbier, an American student who died from mistreatment by North Korean authorities. Pence avoided greeting the high-level North Korean delegation and did not stand to applaud the North Korean athletes walking in to the Winter Olympics opening ceremony with the South Koreans under a unification flag. Pence also skipped a pre-opening ceremony dinner where he would have been seated at the head table with the North Koreans and taken a group photo that included them. Moreover, before the close of the Olympics, the U.S. Treasury Department announced additional sanctions to crack down on North Korea's deceptive maritime shipping practices and illicit coal and fuel transports that help to fund its nuclear and ballistic missile programs.²²

Despite the different approaches of the Trump and Moon administrations, the allies largely remained coordinated and supportive of each other. Moon gave credit to Trump's pressure campaign for pushing North Korea into talks with the South, and there was strong U.S. support of South Korea's strategy of making the Olympics a success. Coordination was very close on security matters, and the U.S. Treasury Department gave inter-Korean engagement at the Olympics a pass from sanctions enforcement. The United States sent a large Olympics delegation and high-level political representation. Trump was increasingly restrained in

his tweets and rhetoric about North Korea. The U.S. delegation had even coordinated with the Moon administration regarding an encounter with the DPRK delegation. Pence was willing to talk with the North Koreans, and a meeting was scheduled, but the North Korean side cancelled at the last minute, presumably irked with the vice president's focus on denuclearization and North Korean human rights. After Pence's visit, the Trump administration indicated it would be willing to talk with North Korea without preconditions; but actual negotiations would require North Korea to commit to denuclearization, and any sanctions reduction would require progress on denuclearization. Meanwhile, the Moon administration consistently stated that denuclearization is a goal of its engagement policy.

Perhaps, the clearest sign of U.S.-ROK coordination was how the allies de-conflicted military exercises with the Olympics. Trump and Moon agreed to delay Key Resolve and Foal Eagle exercises to avoid overlap with the Winter Olympics and the subsequent Paralympics ending on March 18. The Trump administration saw the Olympics as a special case for de-conflicting military exercise schedules and supported the Moon administration's vision of creating an atmosphere for dialogue. At the same time, the allies agreed to maintain readiness of U.S. forces on the peninsula and close coordination between their militaries. This involves conducting two major theater-level command post exercises (Key Resolve and Ulchi Freedom Guardian) and one theater-level field training exercise (Foal Eagle) each year. Advocates of a "freeze for freeze" or "double suspension" arrangement tend to paint a false equivalency between the United States and North Korea regarding tensions or instability.²³ North Korea is the norm violator that threatens peace. It is a non-starter to suggest a freeze on legal U.S.-ROK military readiness and defensive interoperability in exchange for North Korea abstaining from violations of UN Security Council Resolutions. It was a strong indicator of U.S.-ROK trust that previously scheduled military exercises resumed in early April after the Olympics. It was also notable that the exercises occurred without derailing the engagement process.

The Spring of Summits: Building or Breaching Trust?

Moon clearly did not want to miss the window for engaging North Korea that had been opened with the Olympics. He learned from the experience of the Roh Moo-hyun administration (for which he was chief of staff), that a last-minute inter-Korean summit does not succeed because of insufficient time to implement agreements before the next election. As a result, Moon sought an early inter-Korean summit to continue the momentum from the Olympics for deescalating tensions and building peace on the peninsula. But Moon and his advisers knew that if South Korea drastically improved relations with Kim Jong-un with no progress on denuclearization, trust between Seoul and Washington would be seriously damaged. Hence, they pushed for a spring of high-level shuttle diplomacy to engage North Korea multilaterally.

The Moon government engaged in working level and mil-mil talks at the Demilitarized Zone (DMZ) between North and South Korea. Moon's national security adviser, Chung Eui-yong, and spy chief Suh Hoon, traveled to Pyongyang in early March 2018. It was the first occasion South Korean officials had met with Kim Jong-un since he took power in late 2011. Kim

appeared to receive them warmly, held the meeting at the Workers' Party headquarters, spent four hours with them, and allowed North Korean media coverage. The two Koreas also agreed to establish a hotline between their leaders.

Immediately afterward, South Korea sent its top officials to Washington to report on their meeting with Kim Jong-un. Chung recounted that North Korea affirmed its commitment to denuclearize, pledged not to use nuclear or conventional weapons against South Korea, and expressed willingness to freeze nuclear and missile activities during talks with the United States. Chung also carried a message that Kim wished to meet Trump in person. What happened next will be extensively reviewed and debated by historians but suggested an impressive level of U.S.-ROK trust. Based on Chung's briefing, Trump agreed to meet with Kim and asked the South Korean national security adviser to draft, with White House officials, a statement about a Trump-Kim summit, that Chung would announce outside the White House that evening.²⁴ Trump then personally expressed confidence in Moon and endorsed his efforts for a Korean peace declaration.

Moon continued to move quickly on diplomacy, showing attention to achieving the "right conditions" for an inter-Korean summit: getting North Korea to commit to talking about denuclearization and to have the inter-Korean summit follow resumption of substantive contacts between the U.S. and DPRK. The Moon-Kim meeting on April 27 at Panmunjom was a political victory for Moon because it was the first inter-Korean summit at a neutral location, effectively hosted by South Korea, so Moon avoided the optics of appearing to pay tribute to or appease the Kim regime in Pyongyang. High-level encounters during the Olympics occurred in the context of cultural diplomacy; meeting at Panmunjom carried the added symbolism of military confidence building.

The first Moon-Kim meeting was only the third inter-Korean summit and carried much symbolism for historical reconciliation. Kim Jong-un walked from the North Korean side to meet Moon at the Military Demarcation Line (MDL) at the truce village where the Korean War armistice was signed. The location is also very near where violent incidents occurred, including when North Korea fired gunshots at a DPRK soldier who fled to the South in November 2017. Moon and Kim shook hands at the MDL, Kim stepped onto the South Korean side and then invited Moon to briefly step into the North. The details of the meeting, from the ceremony, decoration, music, food, and video were all designed with inter-Korean symbolism. Some of Moon and Kim's talks appeared quite personal, and the two planted an inter-Korean peace tree in the DMZ—remarkable given how as a young soldier, Moon participated in Operation Paul Bunyan to remove a tree that was the site of the 1976 axe murder incident. As during the Olympics, North Korea was engaged in smile diplomacy with South Korea's support. Kim Jong-un appeared unfiltered in the international media for the first time and attempted to project a normal country image and charm offensive with his sister and wife in visible roles.

Many expected the inter-Korean summit to be long on symbolism and short on substance. Critics pointed out that new declarations should not absolve North Korea of its previous commitments, and engagement should not violate existing UN sanctions. But the "Panmunjom Declaration for Peace, Prosperity and Unification of the Korean Peninsula" offered a meaningful framework for engagement while stressing denuclearization. It was

more than symbolic for Kim to be the first North Korean leader to step foot onto the South Korean side, maintain a testing freeze, and include denuclearization in an inter-Korean statement. North Korea made a high-profile announcement of nuclear restraint in advance of the meeting; afterwards, it invited international journalists to witness the dynamite closure of the Punggye-ri nuclear test site tunnels.

While these moves do not represent a strategic decision to denuclearize, much less constitute irreversible dismantlement, the two Koreas established a basis for conflict prevention and confidence building with steps that have significance in North Korean domestic politics. The Kim regime also seemed to temper some of its explicit and expected demands, at least temporarily. These include that U.S.-ROK exercises cease, U.S. forces withdraw from the peninsula, the Kaesong and Mt. Kumgang projects be reopened, certain North Korean escapees be returned by South Korea, and Pyongyang only discusses denuclearization with Washington.

Dramatically, the inter-Korean summit was part of a larger schedule of summitry in spring 2018. The U.S. and ROK sides reacted in measured and coordinated fashion to abrupt China-DPRK summits and exchanges between high-level officials in Beijing and Pyongyang. Prime Minister Abe Shinzo of Japan met in a summit with Trump, spoke over the phone often with Trump and Moon, and hosted a trilateral Japan-ROK-China summit in Tokyo. Moon again visited Trump at the White House in May 2018 to discuss the results of the inter-Korean summit and coordinate on a meeting between Trump and Kim Jong-un. When the U.S.-DPRK meeting slated for June 12 in Singapore appeared at risk of cancellation, Moon managed to hold a snap second summit with Kim in the DMZ in an attempt to bring North Korea back on track.

Underappreciated by the first draft of history written by the media, U.S.-ROK trust was actually higher than many thought going into and coming out of the Winter Olympics, helping to make the spring of summits possible. Standing next to Secretary of State Mike Pompeo, Foreign Minister Kang Kyung-wha said, “the close communication and trust between Presidents Trump and Moon have been the driving force that has brought us to this point of breakthrough for the denuclearization and peace on the Korean Peninsula.”²⁵ However, the long-term consequences of summit diplomacy are likely to hinge on the maintenance of U.S.-ROK trust through a process of South Korean domestic political and national identity change, and the Trump administration’s unconventional approach to security alliance policy.

Political Contestation of Korean National Identity

The Moon administration is not only engaged in high-stakes diplomacy, it has thus far adroitly navigated domestic politics, maintaining high public approval rates and keeping the conservative opposition on the defensive. The South Korean government did everything it could to make the Pyeongchang Olympics a success in terms of inter-Korean relations and domestic support. Moon administration officials asked South Korean media not to focus on negative aspects of DPRK participation in the Olympics or publish speculation that might offend Kim Jong-un, but also presented a positive narrative of inter-Korean reconciliation strongly tied to progressive views of national identity. South Korean conservatives, ideologically opposed to embracing the Kim regime, expressed concerns about the strategic

and financial costs of engaging North Korea. They demanded greater transparency, so the public could assess the benefits of sports diplomacy versus the costs of embracing a pariah state that threatens its region and abuses its people. Conservatives argued that engaging North Korea presents trade-offs for sanctions enforcement and diplomatic relations with other countries and that delaying U.S.-ROK military exercises damages readiness and the credibility of deterrence. In any event, South Korea achieved a successful Olympics not disrupted by North Korean missile or nuclear tests, and it witnessed increased domestic and international support for engagement.

Even before the Olympics, Moon had set out to unify South Korea under a more progressive national identity. He trumpeted the people power of the Candlelight revolution that unseated his predecessor, Park Geun-hye. Moon wasted no time scrapping Park's conservative history textbook "reforms" and elevating national commemorations of the Gwangju Uprising and Jeju Massacre, historical events considered by progressives to be pinnacles of resistance against military authoritarianism but downplayed by conservative administrations. After the Olympics, Moon looked to restore inter-Korean agreements made during the Kim Dae-jung and Roh Moo-hyun administrations and to deepen a pan-Korean identity.

Remarkably, at the April 27 Panmunjom summit, Moon appeared to join Kim Jong-un in blaming former presidents Park Geun-hye and Lee Myung-bak for a lost decade in inter-Korean relations, defined by frayed ties and unmet agreements. To South Korean conservatives, this sounded like revisionist history because Lee closed the Mt. Kumgang tourism project after North Korean soldiers shot a South Korean woman in the back. The Lee administration restricted trade with North Korea because of the *Cheonan* sinking. Park later closed the Kaesong complex after a series of North Korean nuclear and missile tests. Some South Korean conservatives allege political retribution as Moon's two immediate predecessors, both conservative presidents, are incarcerated for corruption and larger investigations into the dealings of their administrations and associates are ongoing. Opposition party leaders were predictably critical of the Panmunjom summit. Hong Joon-pyo, the then chair of the Liberty Korea Party, said that Chamberlain was fooled by Hitler at Munich, but Moon was a co-conspirator at Panmunjom. Yoo Seong-min, co-chair of the Bareunmirae Party, said that no one should be impressed by handshakes with Kim Jong-un since North Korea has not changed since having cheated on all previous inter-Korean agreements.²⁶

Such political wrangling matters not only for South Korea's summer 2018 elections, but also for the longer-term trajectory of national identity. Many among South Korea's young generation share formative experiences of the 2010 *Cheonan* sinking and Yeonpyeong Island shelling, in addition to North Korea's provocative nuclear and missile tests. In other words, the young generation is not predisposed to the Sunshine Policy or embracing North Korea. Many lack enthusiasm for Korean unification, given identity distance from North Korea and the expected financial costs. However, most want peace and stability, and were moved by the emotional symbolism of the Olympics and Panmunjom summit. The Moon administration looks to build upon that sentiment by enshrining inter-Korean engagement in domestic law, using taxpayer money to promote inter-Korean exchanges, and expanding municipal involvement in those exchanges after progressive candidates make advances in the summer local elections.

There are also questions of South Korean identity vis-à-vis China and Japan. These were on display during the recent dispute when Beijing exercised diplomatic and economic pressure on Seoul over the deployment of a U.S. missile defense system known as Terminal High Altitude Area Defense (THAAD) in South Korea. Moon and his advisers were skeptics of THAAD during the campaign, and its deployment faced uncertainty at the beginning of Moon's tenure. Ultimately, Seoul stood its ground and prioritized the strength of the U.S.-ROK alliance in defending against North Korea. But Seoul offered Beijing assurances labeled the "three noes": no intention of welcoming additional THAAD batteries, no plan of participating in a regional missile defense network, and no establishment of a trilateral military alliance with Japan and the United States. As a result, some American strategists expressed concern about Seoul bandwagoning with Beijing, not just economically, but also in dealing with North Korea.²⁷ At the Panmunjom summit, Moon and Kim emphasized the homogeneity and oneness of the two Koreas, evoking common ethnicity (*minjok*) dozens of times in their speeches and joint statement. For some Japanese, this raises concerns about inter-Korean unity on celebrations of historical anniversaries involving Japanese colonialism, the status of the Dokdo/Takeshima islets, and reconciliation for surviving "comfort women" victims.²⁸

All this matters for trust in the U.S.-ROK alliance because South Korean identity may internalize a lower threat perception of North Korea and a declining opinion of the United States. South Koreans could ask: why pay more of the stationing costs of U.S. troops or compromise on trade as Trump demands? Why host THAAD missile defenses and maintain the frequency and scale of U.S.-ROK military exercises? Why keep strategic distance from Beijing and accept U.S. requests for greater trilateral cooperation with Japan? How South Koreans answer these questions will depend on their national identity politics, which will also interact with the alliance management policies of the United States.

Trump's Alliance Management Style a Source of Uncertainty

Any new national leader can be expected to differentiate in substance and style from their predecessor, but Trump has taken that to a new level, pulling out from the Trans-Pacific Partnership (TPP) trade agreement, the Paris climate change agreement, and the Iran nuclear deal, and renegotiating the Korea-U.S. Free Trade Agreement (KORUS FTA). Especially in presentation, Trump departs from his predecessors with the rhetorical tone of his tweets and speeches, extreme frankness in public settings, assault on the "establishment," and constant disruption of the news narrative.

Trump has asserted that the United States gets little in return for protecting South Korea, while Seoul benefits disproportionately from trade and takes American jobs. Such rhetoric can damage trust because positive perceptions about an ally's role and values can come into question, driving suspicion and worst-case scenario planning. Consistent, transparent communication is important for trust. Allies expect advance notification and consultation regarding policy changes via diplomatic channels, not surprise developments announced via Twitter.

South Koreans also perceived uncertainty in the Trump administration's decision-making process. On the one hand, Trump's intuition to "flip the script" by front-loading interaction between leaders ahead of a usually drawn out working-level process may interface productively with the North Korean system. But South Koreans were made nervous by

Trump's threats to walk away from talks, and the appearance that U.S. diplomacy was understaffed. The Trump administration was slow to fill positions in the State Department in particular and relied heavily on the intelligence channel to communicate with North Korea. Trump's decision to meet Kim Jong-un seemed abrupt to U.S. allies and stoked concerns that he may draw down U.S. forces in Korea and fall into a North Korean trap.

Aides argue that Trump was elected to do things differently, and that the North Korea policies of previous administrations, Democrat and Republican, did not work. Supporters also claim that Trump's unconventional rhetoric toward North Korea, diplomatic maneuvers with China, and military and economic pressure effectively brought Kim to the negotiating table. Moreover, the Trump policy team on North Korea has expanded over time, coordinated with South Korea, and communicated directly with the Kim regime. Pompeo first visited Pyongyang as CIA director to meet Kim Jong-un and confirm North Korean intentions for a summit. On his second visit, then as secretary of state, Pompeo again met Kim, discussed denuclearization, and returned with three Americans who had been long detained in North Korea. This bodes well for negotiations, and Trump appears to be seized with the idea of ending the state of war on the Korean Peninsula.

However, the policy personnel in the United States has gotten tougher on Pyongyang than when the Trump administration embarked on its "maximum pressure" campaign. Seasoned diplomat Joseph Yun retired, Pompeo replaced Rex Tillerson as secretary of state, PACOM Commander Admiral Harry Harris rather than a professor will become U.S. ambassador to Seoul, and a more hawkish figure may take over for the deterrence-minded Gen. Vincent Brooks as commander of U.S. Forces Korea. National security adviser H.R. McMaster was succeeded by John Bolton, who has a record of advocating regime change; his "Libya model" comments about denuclearization apparently provoked North Korea since the Libya story did not end well for Muammar Gaddafi.

Trump himself has expressed great optimism for improvement in U.S.-DPRK relations and economic development cooperation, but he has also made clear that the U.S. military is ready if necessary, and sanctions should continue until North Korea denuclearizes. If the spring of summits fails to advance denuclearization, the Trump administration may return to a hawkish approach on North Korea. Trump already directed the U.S. military to update Non-combatant Evacuation Operation (NEO) plans and considered ordering military families home from South Korea. If such a pullout occurred, it would prompt a crisis of confidence in South Korea's security and the U.S.-ROK alliance because military action would appear imminent.

Conclusion: Preserving Trust in the Alliance

Many observers associate fluctuations in the strength of the alliance with policy changes by different occupants of the White House and Blue House.²⁹ After new leaders come to office, it is easy to attribute policy changes and coordination failures to their intentions and characteristics, even though the reality of alliance management is much more complex. Leadership changes and initiatives are important, but it should not be forgotten how enduring national interests and bilateral institutions provide the alliance with continuity. Mutual trust has allowed the U.S.-ROK alliance to cooperatively address North Korean provocations, relations with China and Japan, and basing and command reorganization.

Inter-governmental trust holds an alliance together, despite changes in leadership. But there is downward pressure on bilateral trust beyond the personalities and politics of the current residents of the White House and Blue House. If South Korean identity perceptions vis-à-vis North Korea change dramatically, and if the Trump administration's style of alliance management is evaluated negatively by South Koreans, the trust-based foundation of alliance cooperation could be eroded.

However, controversies over inter-Korean diplomacy at the Olympics did not breach trust in the alliance. Americans understood that Moon wanted to host an Olympics safe from North Korean provocations and full of reconciliation theater. More than a few American analysts support Moon's engagement policies and criticize Trump's coercive diplomacy. They suggest exploratory talks during which North Korea would not test nuclear devices or long-range missiles, a resumption of multilateral negotiations, and if Pyongyang recommits to denuclearization, the U.S. and DPRK could set up diplomatic Interest Sections in each other's capitals.³⁰ Meanwhile, skeptics insist that Pyongyang is trying to drive a wedge between Seoul and its partners and to "normalize" international tolerance or acceptance of its nuclear status.

Questions remain about the trajectory of South Korean and U.S. policy going forward. Even if policies do not change much, rhetoric based on emotions and political pandering (rather than on facts and national interests) can degrade perceptions in the other country about its ally and set off a downward spiral of trust. The era of dealing with a North Korean missile test by possibly "blowing it off the launch pad" has past. Talk of giving North Korea a "bloody nose" may be good coercive diplomacy, but not reasonable military action. The expected utility and effectiveness of such a strike is much less than the expected risks, unless the United States and its allies had credible intelligence that the North Koreans were about to launch a nuclear attack.³¹

Trump and Moon agreed that the United States and ROK do not seek North Korean regime change or collapse. But there should be pressure, otherwise North Korea will not denuclearize. The regime currently sees more safety with its nuclear weapons programs than without. To change that calculation, Trump is right that Chinese cooperation on pressure is needed, but Moon has a point that the carrots previously on offer look too small to North Korea. Also, for Moon, it is important to reassure his domestic audience there will not be a military conflict and to show he is pushing for a diplomatic process. The challenge is persuading Pyongyang to change its behavior. That calls for pressure via coordinated implementation of policy among the United States, South Korea, and Japan. The calibration for Moon is to seek that cooperation without looking soft, while the calibration for Trump is not to appear too hardline to realize that cooperation.

Some Korean progressives seem to want the United States to play "bad cop" focused on denuclearization and human rights while South Korea plays "good cop" focused on social and economic engagement. Others want Seoul to play an intermediary role between Pyongyang and Washington and even between Washington and Beijing. That risks U.S.-ROK trust. It is fine for Washington and Seoul to productively differentiate roles, but staying on the same page is essential so that the efforts by one are not misconstrued as undermining the efforts of the other. Eventually, sanctions relief and economic cooperation can accompany North Korean progress toward denuclearization. Rushed solutions and grand bargains risk unintended consequences. The safer bet is on better enforcing sanctions, strengthening deterrence, and reinforcing alliances, while engaging Pyongyang in sustainable dialogue.³²

Meaningful dialogue does not mean giving North Korea something for nothing. It means Pyongyang should desist from provocations and return to negotiations. If North Korea maintained a testing freeze, moved artillery and troops back from the DMZ, and allowed separated family reunions, that would be a good start for confidence building and further humanitarian initiatives. In his Berlin speech, Moon offered such assistance on flooding, infectious diseases, and forest management.³³

The Moon government recognizes that South Korea has more to lose in terms of trust and cooperation with the United States than it presently has to gain with North Korea. This is why Seoul continues to double down on the alliance. But U.S. policymakers should avoid a situation where South Koreans blame America for a lost opportunity for transformative diplomacy. South Koreans must also be wary about being accused of soft-pedaling during the “last chance” to arrest North Korea’s nuclear missile development. Confidence building with Pyongyang can productively lower tensions and test North Korean intentions, but such efforts should not contradict UN sanctions or sacrifice trust between Washington and Seoul.

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The Candlelight Mandate & Moon Jae-in's Inter-Korean Dilemma

John Delury¹

The question of the proper relationship between domestic sentiment and foreign policy is a vexed one. Historically, statesmen and strategists have tended to distrust or disparage the role of the *demos* in the elite enterprise of foreign affairs. In the immortal words of the then vice president Richard Nixon: “If we indulge in the kind of thinking which assumes that foreign policy decisions should be made on the basis of public opinion polls we might as well decide now to surrender our position of world leadership to the communists.”² Yet from even the most condescending foreign policy establishment perch, it is hard to dispute the significance of securing public support for key foreign policy moves. Nixon as president was fully aware of this, carefully stage-managing his most dramatic maneuver, the visit to China in February 1972, in a way that would maximize support back home. And of course, Nixon’s loss of public trust over the Watergate scandal brought about the abrupt end of his influence on everything, including foreign affairs. Nixon’s impeachment, after years of public opposition to the war in Vietnam, strengthened the view in the United States that unsupervised elites were in fact the worst possible stewards of the instruments of national power, and that popular, democratic checks were critical ingredients in wise and prudent foreign policy.

Once the public is accorded a decisive role in foreign affairs deliberation, we have to grapple with the problem of determining what “the public” thinks in the first place. Who represents “the public”? How can we assert “it” thinks one way or another? What do we mean by expressions such as “the public seems to have changed its mind”? French theorist Pierre Bourdieu, for example, challenged the validity of statistical representations of “public opinion” based on polling data. Bourdieu argues that public opinion so constructed is an “artefact” of the pollsters, rather than a reflection of an actual thing in the world.³ Polling data creates a false sense of certainty about public preferences—the illusion of a static and knowable thing, “the public,” where one does not exist.

Despite the epistemological limitations and political biases embedded in the art of polling, public sentiment must be brought into the equation of foreign policy analysis. Particularly in a South Korean context, given the highly participatory nature of political culture, it would be foolish to adopt an elitist premise that the public factor can be ignored. South Korean president Moon Jae-in, for one, emphasizes the critical importance of democratic legitimacy and public input in all aspects of governance, including foreign policy.

Yet Moon faces a dilemma. He entered the Blue House with three foreign policy ropes tied like a noose around his neck: the “comfort woman” deal on the basis of which Seoul’s channels were reopened with Prime Minister Abe Shinzo, the Kaesong Industrial Complex closure on the basis of which channels were severed with Chairman Kim Jong-un, and the THAAD [Terminal High Altitude Area Defense] missile defense battery deployment on the basis of which ties were frayed badly with President Xi Jinping. Moon’s predecessor Park Geun-hye made these decisions abruptly, with little effort to prepare the public or win a broad consensus for them, and after Park’s impeachment, Moon campaigned against all three decisions. However, his electoral victory had little to do with foreign policy, leaving him without a clear mandate in terms of how to move forward.

Coming to power thanks to a “people power” movement known as the Candlelight revolution, President Moon drew heavily upon participatory mechanisms and worked hard to show that he was listening to the people. The Blue House created a new system

of online petitions, promising to tackle issues as sensitive as abortion in response to public comment, and Moon reversed his stand on shutting down a nuclear reactor after a citizen review came out against the plan.⁴ The Moon administration applied this same logic of “democratic procedural legitimacy” to the three foreign policy ropes by ordering external reviews of THAAD deployment, the “comfort women” deal, and Kaesong closure.⁵ With the conclusion of those reviews in December 2017, Moon finally began to implement his own foreign policy. As he did so, the question of domestic mandate came back to the fore. During his first year in the Blue House, Moon sustained record high public approval ratings. But as the dramatic peace-making diplomacy unfolded in early 2018, the question of whether Moon can sustain a domestic mandate resurfaced in new guise. Where is the Moon administration likely to encounter the most resistance in terms of public response to foreign policy moves? Are there ways Moon can approach public opinion in order to maximize the odds of achieving his foreign policy objectives? And how does he balance the need to be proactive and flexible in foreign policy implementation with the imperative to sustain public support among the citizenry?

The argument here begins with setting Moon's domestic mandate dilemma in the context of the contradictory foreign policy legacy he inherited from Park Geun-hye, the lack of clear foreign policy mandate from the Candlelight movement that put him in power, and the intensified need to be proactive on inter-Korean relations in the shrinking strategic space between Kim Jong-un's tests and Donald J. Trump's tweets. The Moon administration drew upon democratic or semi-democratic “review” mechanisms to escape the path dependence effect from the late Park era and maintain public support along the way. Stuck with the deployment of a THAAD battery that Koreans had mixed feelings about, Moon nonetheless improved ties with Xi Jinping on the basis of the “three noes.” Saddled with an unpopular deal meant to be the “final and irrevocable” settlement of the wartime sexual slavery issue, he stabilized ties with Abe by upholding the letter of the deal while rejecting the spirit of it. Finally, he opened a channel with Kim Jong-un through the Olympic détente, followed by a dramatic inter-Korean summit in Panmunjom on April 27, setting the stage for heavy diplomatic lifting to make progress on the bold agenda of “peace and denuclearization of the Korean Peninsula.”

Moon's maneuvers vis-à-vis Beijing and Tokyo were met with broad public support—or at least, did not trigger significant backlash. However, the initial efforts to reopen and improve inter-Korean relations met with pockets of public opposition and overall ambivalence. Although Moon emerged from the success of the Panmunjom summit with sky-high approval ratings, it is worth anticipating the domestic political complexity of a peace and reconciliation approach to inter-Korean relations, if only to mitigate their impact on progress with Pyongyang. In conclusion, it is argued that Moon's key foreign policy preferences—sustaining a robust alliance with the United States, restoring a close partnership with China, and allowing a working relationship with Japan—appear to be grounded in fairly strong domestic consensus. The challenging issue is likely to be in the sphere of inter-Korean relations. Here, Moon faces fragmented public sentiment, and consensus might prove elusive. Indeed, Bourdieu's warnings about the mirage of a monolithic “public opinion” seem especially germane when thinking through the question of public attitudes toward North Korea, inter-Korean relations, and Korean reunification. How to win and maintain a domestic mandate for improved inter-Korean relations is likely to be one of the most critical foreign policy challenges facing Moon during his years in the Blue House.

Candlelight Mandate

Park Geun-hye left a contradictory foreign policy legacy in the wake of her tempestuous final year as president of the Republic of Korea. As a candidate and in her first two and half years in office, she seemed to be developing a “third way” approach to foreign relations that borrowed in significant ways from a progressive paradigm while retaining key conservative features. The most notable progressive borrowings consisted in her effort to engage Pyongyang in what her administration hoped would be an inter-Korean “trust-building process,” along with her dramatic embrace of a close political relationship with new Chinese leader Xi Jinping, culminating in her appearance on the Tiananmen Square balustrade to watch China’s military parade celebrating the 70th anniversary of victory in the war against Japan. Yet Park managed to keep a stable relationship to Washington, in line with the public’s commitment to the U.S. alliance and favorable views toward the United States.⁶

However, during the space of a few months in late 2015-early 2016, Park abruptly reversed course, shifting to a neo-traditional conservative posture toward the key players in South Korean foreign policy. The first reversal came with Japan. Having let ROK-Japan relations atrophy for two years, Park held a summit with Abe in November and the following month announced a deal that purported to be the “final and irrevocable” resolution of the sensitive and controversial issue of Japanese wartime sexual enslavement of Korean women and girls (the “comfort woman” issue). Although Park had been criticized for letting this issue hijack all aspects of Korea-Japan relations, the sudden announcement of a final resolution based on a narrow government-to-government negotiation only inflamed the issue.⁷ With public opinion extremely negative toward Abe and lukewarm on Japan, Park’s deal confirmed many Koreans’ sense that Tokyo simply wanted the issue forgotten.⁸ There was very little public enthusiasm for or acceptance of the deal, and the backlash intensified as the Abe government insisted Seoul prevent civic groups from putting up remembrance statues of comfort women.⁹

The second reversal, in relations with Beijing, was triggered by North Korea’s fourth nuclear test in January 2016. Frustrated that Xi Jinping was unwilling to help in her hour of need, Park decided to move ahead with deployment of the controversial THAAD missile defense system, cognizant it would incur Beijing’s wrath. China retaliated with economic punishments including bans on group tourism, cancelations of cultural events, and coordinated “inspections” that shuttered business operations by the South Korean conglomerate Lotte, which had transferred a golf course to the government for use as the THAAD site. Naturally, South Koreans resented Beijing’s wielding of an economic stick. On the other hand, a majority of Koreans, while fretting over China’s military rise, want a good relationship with China for purely economic reasons.¹⁰ The THAAD spat only reinforced the importance of stable, friendly ties to Beijing, given South Korea’s economic vulnerability to the Chinese market in terms of trade and investment.

The third reversal was that Park closed the door to cooperation with Pyongyang. For the preceding three years in office, Park remained open to dialogue and improvement in relations with Kim Jong-un, preserving a posture of openness despite numerous ups and downs. She stuck with her signature “trust-building process” despite Pyongyang’s pre-

inauguration nuke test in February 2013 and the ensuing springtime shadow war. Her first tangible effort at reconciliation came with family reunions in February 2014, and Kim Jong-un sent top aides to the Asian Games in Incheon in October. However, nothing much came of their visit. In August 2015, a landmine incident in the DMZ raised tensions once again—and Park authorized high-level talks resulting in a six-point agreement to stabilize and improve ties. Implementation had already bogged down by the time of the fourth nuclear test on January 6, 2016, followed by the satellite launch on February 7, 2016. Park responded by ordering the closure of the joint industrial plant at Kaesong.

Kaesong closure had a polarizing effect. Progressive advocates of engagement were outraged, and the progressive newspaper *Hankyoreh* took issue with flaws in the argument put out by the Ministry of Unification to justify the decision on grounds that Kaesong profits funded Pyongyang's nuclear and missile programs.¹¹ Even some conservatives had doubts about the shutdown.¹² By shuttering Kaesong, Park foreclosed the last remaining platform for inter-Korean cooperation built during the Sunshine era. Not even during the more hardline era of her predecessor, Lee Myung-bak, faced with the sinking of the *Cheonan* and shelling of Yeonpyeong island, was Kaesong shut down. Still, polling indicated a strong majority of the public approved of the closure.¹³ Predictably, North Korea severed the military hotline to the South and stopped responding to the communications channel at Panmunjom. The line to Pyongyang was cut. The line to Beijing was frayed. The line was reopened to Tokyo, and loud and clear to Washington.

By mid-year, Park had seemingly restored a traditional conservative foreign policy posture. But before the public could fully judge its merits, the Park presidency came crashing down in a cascade of private scandal and public outrage. The Candlelight movement that toppled Park is critical to understanding the Moon government, including its foreign policy. It is a paradoxical effect since the movement had so little to do with foreign affairs. The Candlelight protests relit the spirit of citizenship in South Korea, tapping into widespread revulsion against corrupt practices, vested interests, and social injustice. They were led from the center-left but represented a broad social consensus around the yearning for a fresh start, for an open and transparent government, for a domestic political and economic reset.¹⁴ Protestors' chants evolved from 'Park Geun-hye, Resign!' to 'Impeach Park Geun-hye/ Disband Saenuri/ Break up the Conglomerates' (note the absence of foreign policy issues). At its peak, Candlelight brought over a million people into the streets of Seoul and cities across the country. Park's disapproval rating bottomed out at 91%, an extraordinary, if tragic, moment of civic solidarity.¹⁵ It was a very broad tent, and the under-45 demographic—from Gen X families with young kids and baby strollers to Millennials still in school—was well represented at the weekly rallies in Gwanghwamun Square.

Over time, counter-protests emerged. Although much smaller in scale than the Candlelight marches, the so-called "ROK flag" protests were sociologically significant given the striking demographics: the participants were overwhelmingly in their 60s or older. Unlike Candlelight marchers, the pro-Park protestors incorporated a foreign policy stance into the outward symbolism of their movement by carrying not one but two flags—those of the ROK and USA. Devoted Park supporters rallied on the day that the Constitutional Court upheld her impeachment in March, and railed in anger and sorrow, flags in hand. Three people died, ages 60, 72 and 74, that day.¹⁶

At a final Candlelight rally just before the election in early May, billed as a victory party, some organizing groups tried to shift the movement toward opposition to THAAD. But the Candlelight masses did not follow the move toward foreign relations issues. The compressed campaign to choose Park's successor was dominated by domestic challenges. When foreign policy and national security questions came up, Moon affirmed a progressive approach while leaving himself room on policy particulars. He strongly rejected Park's "comfort women" deal, yet he affirmed the importance of maintaining an open channel with Tokyo. Just before election day, the U.S. and ROK militaries fast-tracked THAAD deployment, making it a fait accompli for the winner, and the Moon campaign criticized the move.¹⁷ But Moon stressed the importance of a strong alliance with Washington, along with a close partnership with Beijing. He was critical of the Kaesong closure, promising to reopen and expand the complex as a "stepping stone of Korean reunification."¹⁸ At the same time, Moon affirmed the importance of stopping North Korea's nuclear progress, including through the use of sanctions. Given his background as Roh Moo-hyun's chief of staff, voters closely associated Moon with the Sunshine Policy of engagement with Pyongyang and inter-Korean reconciliation, principles that Moon reaffirmed during the campaign. But how he would revive the concept, in the changed conditions two decades after Kim Dae-jung inaugurated it, remained unclear.

In the May 2017 election, conservatives and older voters backed Hong Jun-pyo, the standard-bearer of a rechristened conservative party (Liberal Korea Party), giving him about a quarter of the votes. Centrists gravitated toward Ahn Cheol-su, who won 21 percent of the electorate with a heterogeneous bloc that also included regional supporters from the southwest [under the flag of the People's Party] as well as Ahn's original post-partisan adherents. Moon Jae-in handily defeated his two main rivals by commanding 40 percent of the vote, what might be called the Candlelight coalition. He performed well among Millennials and Gen Xers, for some of whom Candlelight marked an initiation into active political life, an expression of their yearning for a new politics and social progress. By evicting Park and electing Moon, the Candlelight movement endowed the new president with a clear and powerful mandate for domestic reform.

Coming after the outrage over Park and sense of deep political disillusionment, President Moon skillfully tapped into people's hope for a fresh start. He rapidly doubled the size of his popular support—polls showed him receiving an 80 percent approval rating over the course of his first months in office. From the moment he settled into the Blue House, Moon effectively conveyed the image that the Candlelight coalition elected him to project—openness, transparency, justice, and reform. There was one catch—the Candlelight coalition did not as a group articulate clear expectations on the central foreign policy questions facing their country—how to balance China's rise and the U.S. alliance, how to lift the burden of the past in dealing with Japan, and how to handle the North Korean conundrum. Moon's Candlelight mandate on domestic social, economic, and political issues did not extend with much clarity into the sphere of foreign affairs.

Fire and Fury

Outside the domestic bubble of South Korea's snap presidential election, an overpowering geopolitical and diplomatic dynamic was at work on the Korean Peninsula, creating a vortex that would sweep Seoul into its wake and leave Moon limited room to maneuver. Kim Jong-un and Donald Trump were well into a spitting contest that began on New Year's Day, when Kim swore he would test an ICBM that could threaten the U.S. homeland with a nuke and Trump tweeted back "It won't happen!" Tensions spiked in April with Kim threatening to fire missiles around Guam and Trump warning that an "armada" was on its way to Korea. Kim called off the Guam plan, but he continued testing a dizzying array of rockets, including a new IRBM and a pair of successful ICBM tests in July. In August, Trump threatened Kim with "fire, fury, and frankly power the likes of which the world has never seen." To start September, North Korea staged a massive thermonuclear detonation, and soon after, standing before the United Nations General Assembly, Trump threatened to "totally destroy" North Korea. DPRK Foreign Minister Ri Yong Ho, in New York for the UNGA, responded by suggesting Pyongyang might next conduct an atmospheric nuclear test over the Pacific. Kim's testing regime slowed in the fall, punctuated by a final ICBM launch on November 28, on the basis of which Kim proudly declared that his Strategic Rocket Force had "completed" its mission.

These represent only the highlights of what seemed like a constant stream of provocation and counter-provocation between Pyongyang and Washington over the course of 2017. Veteran Korea hands agreed the intensity of U.S.-DPRK antagonism was unprecedented in comparison with the past few decades. For Seoul, the salient characteristic of this confrontation cycle was that South Korea was relegated to the role of bystander. The Trump administration aggressively and directly responded to almost every move made by Kim Jong-un. On the diplomatic front, led by the then-Secretary of State Rex Tillerson with the on-off backing of Trump, the effort focused heavily on the role of China, rather than South Korea, as the key to progress. Trump made North Korea the number one issue in U.S.-China relations and said on multiple occasions that China could solve the problem if it wanted to. At a nadir of Trump-Moon relations, he condescendingly tweeted to Moon that he should not waste his time with a policy of "appeasement" toward Pyongyang.

An even more perilous form of "Korea passing" emerged over the course of the year, as preventive strikes and other euphemisms for war moved from fringe ideas to mainstream policy debate in the United States. The debate was triggered not by experts—the majority of whom argued forcefully against military action—but rather by the administration's frequent warnings that "if diplomacy fails" it would turn to force. The U.S. debate over the merits of military action implicitly devalued the strategic and human significance of South Korea—even those who argued against military options often pointed out that hundreds of thousands of U.S. citizens residing in South Korea might perish in the ensuing conflict. The ultimate expression of South Korea's marginalization, if not dehumanization, was Senator Lindsey Graham's public comment that in conversation with the president, Trump told him it might be necessary to fight the war now while the casualties would be "over there," rather than let North Korea get to the point where Kim could threaten the homeland with a nuclear-tipped ICBM.

A secondary case for military action was made by Trump's then-national security advisor, H.R. McMaster, who asserted that Kim Jong-un was so brutal he could not necessarily be deterred without the use of actual force, and that he was so aggressive, if he were not stopped he would pursue coercive reunification with if not military invasion of South Korea. McMaster told *New Yorker* reporter Evan Osnos, "There are reasons why this situation is different from the one we were in with the Soviets. The North Koreans have shown, through their words and actions, their intention to blackmail the United States into abandoning our South Korean ally, potentially clearing the path for a second Korean War."¹⁹ National security experts and Korea watchers in Washington elevated the assessed risk of a conflict on the peninsula, with 25 percent becoming a common estimate.²⁰ Members of Congress also began ringing alarm bells about the rising risk of war in Korea.²¹ By December, Graham put the chance of military action at 30 percent, rising to 70 percent if North Korea were to stage a seventh nuclear test.²² Public opinion polls, of which there were many, indicated elevated fears among Americans of conflict breaking out—with three-quarters of respondents worrying about war in Korea and an even higher percentage saying Trump's threats of military action should be taken at face value.²³

The spiraling tensions between Trump and Kim, laced by what seemed to be an increasingly real prospect of military conflict, created a severe political dilemma for the Moon presidency. Moon was performing well on the domestic issues that people elected him to tackle. While critics to his right tried to attack him on national security and foreign policy issues, nothing stuck. However, Moon was trapped in the path dependence created by Park's triple reversal, and in particular, he was hamstrung in his effort to interject South Korea into a meaningful role in the standoff between the United States and North Korea. Kim Jong-un was not making things any easier. Moon floated a pair of proposals to reopen channels and probe for cooperation, suggesting a resumption of military talks and family reunions. But Pyongyang threw cold water on the ideas (without formally rejecting them). The North also snubbed the initial effort by South Korean civic groups to restore contacts and resume cooperation, starting with the benign concept of a joint celebration on the anniversary of the first inter-Korean summit. This had a dampening effect on the capacity for civil society actors to support initiatives by Moon to improve North-South relations and insert Seoul back into the North Korea equation. While McMaster was warning ominously that Kim was undeterrable, his counterpart in Seoul, Chung Eui-yong, insisted there was zero possibility of war.²⁴ Many South Korean experts agreed.²⁵ The South Korean public appeared significantly less concerned about the prospect of conflict than Americans—one poll found 37 percent of respondents thought war was possible, a decrease from a few years ago.²⁶ The relatively subdued attitude of the South Korean public was an asset in that Moon did not need to act in desperation in response to domestic pressure—on the other hand, the level of U.S.-DPRK tension was objectively becoming a danger to South Korean security and public safety in a way that demanded intervention by Moon.

By September, Moon spoke openly of his "frustration and sadness" over Pyongyang's intransigence in opening the channel.²⁷ North Korean statements stuck to the party line that the only way for inter-Korean progress was for Moon to break with the United States and its pressure campaign against the DPRK. But the Moon government and likeminded actors, including the United Nations Secretariat, kept probing for a breakthrough. A series of backchannel contacts in China in December, in the wake of Kim's declaration that he had "completed" progress, may have represented a turning point. Moon openly acknowledged

that he had requested Washington to delay joint U.S.-ROK military exercises until after the Olympics and reiterated his invitation to Pyongyang to participate. Yet he was careful to affirm the importance of the alliance and respect for Trump. Virtually the only place where Moon took a contrary stand was his regular insistence that war was not an option—an implicit rebuke to White House suggestions that military solutions were very much “on the table.”

Three Reviews of Foreign Policy

Moon began to break free of the path dependency of Park Geun-hye's reversals by the end of 2017, and started the new year implementing something closer to his own foreign policy. The first breakthrough came with Beijing, where Moon could count on fairly widespread support in working to restore a constructive relationship to China—for economic self-interest if nothing else.²⁸ Strategic calculus and domestic political incentives aligned in a way that encouraged Moon to find a way to strengthen ties to Xi Jinping and mitigate the damage caused by the row over THAAD. Despite the THAAD sanctions, most South Koreans wanted to see an improvement in Seoul-Beijing ties. The political danger was that giving in too much to Beijing could cause a rupture in the ROK-U.S. alliance or cast an image of weakness in the face of Chinese “bullying,” either of which would invite domestic criticism.

Moon stalled for time by conducting an environmental review of the THAAD battery site, emphasizing the problem of “procedural legitimacy” in the manner in which the deployment decision was made and suspending deployment of the four additional launchers in June. On his visit to Washington, Moon explicitly linked THAAD to public sentiment and his Candlelight mandate:

“Deployment of THAAD prompted some people to voice concern over the future of the alliance. The discussion taking place inside the Korean government on this issue is a vital process for ensuring democratic legitimacy and procedural transparency. This is a matter of crucial importance to my government that was born on the Candlelight Revolution.”²⁹

However, in the face of Kim's blistering pace of missile tests and Trump's “maximum pressure” campaign, Moon dropped the suspension of additional launchers in early August and announced “conditional” approval of the environmental assessment in September.³⁰ Although local protests against THAAD continued at the site in Seongju, and sporadic, small-scale rallies were held in Seoul, THAAD opposition was not a galvanizing issue for the public at large—indeed, polls indicated a strong majority supported the deployment.³¹ Whatever reservations Moon might have harbored as to the military necessity for a THAAD battery, there was no diplomatic space or domestic imperative to push for undoing the deployment.

Instead, Moon devised a diplomatic stratagem to improve ties to Xi Jinping despite retaining THAAD. This was realized in late October with coordinated statements by the foreign ministries in Seoul and Beijing announcing they would put bilateral relations back on a normal track.³² Beijing implicitly relented to the presence of a THAAD battery on South Korean soil. ROK foreign minister Kang Kyung-wha, meanwhile, articulated what was called the “three noes”: no further THAAD batteries would be deployed; no further integration into U.S.-led regional missile defense would be pursued; no trilateral military alliance with Japan (and the U.S.) would be declared.

The agreement with Beijing opened Moon to criticism for forsaking the alliance with the United States. But speaking with South Korean journalists, National Security Advisor McMaster avoided criticizing Moon's decision.³³ Soon thereafter, Trump's visit to Seoul went well both in terms of public diplomacy and private discussions. Moon and his advisors were pleasantly surprised by Trump's respectful, serious, and open attitude. The visit was short, but there were no gaffes, Trump's speech at the National Assembly was well received, the First Lady made a very positive impression. Although the South Korean public had been highly negative on Trump, polls found improvement after seeing him up close.³⁴ By showing Moon to be a good steward of the alliance, Trump's visit inadvertently affirmed Moon's outreach to Beijing, since it had not damaged the relationship to the White House. In early December, Moon made a four-day visit to Beijing, Nanjing, and Chongqing. Moon's China trip received largely negative coverage back in South Korea, marred as it was by the beating of a South Korean journalist by Chinese security guards and protocol slights such as a low-level greeting at the airport and unaccompanied meals. Despite the failure of the trip in terms of public diplomacy back home, Moon achieved his diplomatic goal of holding a constructive summit with Xi, and there was no major backlash against either the "three noes" or the trip.³⁵ The damage of Park's THAAD deployment decision had been partially undone, without triggering domestic blowback in South Korea.

On the heels of the Trump visit and Xi summit, Moon tackled the thorny problem of relations with Abe and the legacy of the "comfort women" deal. Although Moon criticized the agreement as a candidate, he was careful to establish an open channel with Tokyo after taking office. A line to Tokyo was especially important in the early days, given how Abe had established a confidant relationship with Donald Trump—in the words of Shelia Smith, a "buddy and friend."³⁶ This was captured in the infamous photograph at Mar-A-Lago of the makeshift U.S.-Japan national security caucus on how to respond to a North Korean missile test, which led to a press conference at which Abe spoke at length and Trump added only a single sentence. For this reason alone, Moon would have wanted to have his own channel to Abe. Yet the unpopular "comfort women" deal hung like a cloud over Korea-Japan relations.

Moon's solution was to commission an outside panel of experts to review the process behind the deal. Formed at the end of July, the nine-member panel announced its findings in December, on the basis of which Foreign Minister Kang announced that the government would not formally abrogate the agreement. But while upholding the fact of the deal, the Moon government rejected the spirit of it, claiming that the Park government approach lacked procedural and democratic legitimacy. So, while Moon would not seek to renegotiate the deal, he made it clear that the wartime sexual slavery issue was not considered "solved" from Seoul's perspective. At the same time, in encouraging Abe to attend the upcoming Olympics, Moon made his intention clear to keep a regular channel open to Tokyo. Polling suggested that a majority of people approved of Moon's somewhat ambiguous handling of the issue.³⁷

At the same time that the "comfort women" review panel announced its findings, the Policy Reform Committee of the Ministry of Unification did the same. The Committee was launched in September composed of figures from outside government.³⁸ Tasked with advising on a new direction for North Korea policy, the focus of its press conference on December 27 was to release the conclusions of its review of the Park administration's decision to shut

down the Kaesong joint industrial zone. The panel found no evidence that Kaesong funds had in fact been diverted to North Korea's illicit weapons programs, as claimed in the Park government's closure announcement. Addressing the issue of procedural legitimacy, the panel concluded that the decision was made in an "unilateral and verbal" way—in other words, as fiat by Park Geun-hye, rather than based on institutional review, including sanctions procedures.³⁹ The committee advised the Moon government to reopen the plant as soon as conditions allowed. The Ministry of Unification announced that it "humbly accepts" the finding and promised to boost transparency.⁴⁰ The Kaesong closure discussion was theoretical in the sense that no one expected Moon to reopen the plant anytime soon. However, just a few days after the announcement, the prospect of inter-Korean cooperation suddenly became real for the first time since Moon took office.

Moonshadow

The inter-Korean détente of early 2018 exposed what may prove to be the most serious dilemma facing Moon's foreign policy in so far as public opinion is concerned, of how to win and sustain public support for a policy of dialogue, reconciliation, and cooperation with North Korea. This challenge should come as no surprise to Moon and his advisors. After all, domestic consensus proved to be the Achilles Heel of the original Sunshine Policy, on which many of them labored. Although in the early years (for most of the Kim Dae-jung term) the policy enjoyed widespread support, by the end of the Roh Moo-hyun era public support was flagging.⁴¹ During the progressives' subsequent decade in the political wilderness, Sunshine Policy advocates only strengthened their convictions about the correctness of their approach, while many recognized the need to re-establish a public consensus behind the policy. Conservative critics, meanwhile, grew equally confident in their opposition to the wisdom of engagement. But the problem of public sentiment became increasingly complex as a new generation came of age in the absence of contact with the North. Today, the Moon government faces a fragmented public. "386" progressives will support his efforts to improve inter-Korean relations. Older conservatives will attack. But younger Koreans will respond based on a different paradigm entirely.

Today's college-age South Korean is too young to appreciate the early euphoric moments of inter-Korean rapprochement of the Kim Dae-jung era. Teenagers who became curious about North Korea in the last decade could find themselves investigated for violating the National Security Law with a Facebook post or ironic retweet—the criminalization of curiosity since 2008 had a dampening effect.⁴² The most vivid experience of inter-Korean relations for Millennials was the violent conflict of 2010, leaving an intensely negative impression. The concept of a "*Cheonan* generation" is probably a distortion but gets at a generational fact.⁴³ Survey research indicates more negative views toward North Korea among younger South Koreans compared with their elders. The polls also indicate young South Koreans are significantly less interested in reunification.⁴⁴ Surveys conducted by the Justice Party's foundation demonstrate that among people over 60 years old, 75 percent consider unification a duty, whereas under 40, only 36 percent consider it necessary. The Asan Institute for Policy Studies comes to similar conclusions based on its polling, describing "youth detachment" toward North Korea.⁴⁵

Steve Denney and others have argued that apathy and negativity toward North Korea reflect something deeper—a shift away from an ethnic conception of Korean identity among young South Koreans.⁴⁶ Coming of age after the democratic transition and alienated by decades from a sense of connection to people in the north, Millennials think of themselves as citizens of the Republic of Korea, full stop. The ROK is not a divided half—it is whole and complete unto itself. Instead of caring about healing the wound of division, they care about making South Korea a fair, just, prosperous place. They read Sandel and Piketty. They march for a better ROK. Younger Koreans are often described as “individualistic” and “pragmatic” unlike their “ideological” and “romantic” elders. Even those who identify as “nationalistic” direct their patriotism toward the ROK, as distinct from the DPRK. Their nationalism is not frustrated at the thought of division, it springs from it.⁴⁷

The weaker sense of pan-Korean ethnic solidarity and diminished need to rectify division exacerbates Moon’s dilemma in winning youth support for inter-Korean reconciliation. But the dilemma is not limited to Millennials. It seems safe to say that for the vast majority of South Koreans at this stage in history, “domestic” issues take precedence over inter-Korean relations. Progressives who support dialogue do not want it to detract from addressing social injustice. Conservatives who take a hard line do not want it to jeopardize economic growth. Under-45ers do not want North Korea issues detracting from urgent political, economic, and social reform. Almost no one wants to pay for reunification, even those who yearn for it spiritually, as Lee Myung-bak’s “unification tax” initiative demonstrated. But if the risks of U.S.-DPRK conflict are real, Moon finds himself in a bind, as he cannot afford to ignore North Korea. Once broken, the delicate balance that allows South Koreans to indulge the luxury of disinterest, to focus on “domestic” matters and essentially ignore the North, could never be restored. But under current conditions, his public is prone to punish him politically for paying too much attention to Pyongyang.

The complexity of public sentiment is on full display now that the two Koreas are talking, interacting, even trying to get along. Moon’s concept of involving North Korea in the Winter Olympics garnered overall public support. But the devil was in the details. There was a negative reaction to Pyongyang’s unexplained 24-hour delay in sending their inspection delegation, for example. There were mixed feelings about walking under a joint flag and singing to a joint tune. But the sharpest resistance, especially from younger Koreans, came in response to the announcement of a joint women’s hockey team. The Moon government had unwittingly tripped over the third rail of Candlelight politics—they acted in a high-handed, paternalistic manner and violated a common-sense notion of fairness. The government made the decision without consulting the team (un-democratic) and seemed to be sacrificing the interests of individual athletes who might be cut to make room at the last minute for the North Korean players (unjust). Picking the women’s team probably added to the perception of paternalistic, chauvinistic bias. Although it was hard to disaggregate the impact of the Olympic truce arrangements from perceived missteps by the government—most significantly the bitcoin controversy—Moon’s golden approval ratings, which started slipping in December, continued to slide, with noticeable uptick in negativity among young respondents.⁴⁸

The Blue House acknowledged the discontent, releasing a statement on behalf of the president appealing for solidarity and pleading for understanding of the geopolitical stakes and hinting at the Candlelight spirit. “I ask the people to show their support in maintaining

and expanding the dialogue as they will protect a candle in the wind, which we may not be able to create such an opportunity again... I also ask the political circle and the media to lend their support at least for the successful hosting of the Pyeongchang Olympics.”⁴⁹ Blue House officials “humbly accepted” findings that young people were not happy with the joint hockey team, and a postmortem by the Unification Ministry acknowledged the need to improve consultations with the public, as Seoul eyed a third inter-Korean summit based on the invitation extended to Moon by Kim Jong-un’s sister Kim Yo-jong during her three-day visit.⁵⁰ Moon’s support rate inched back up above 60 percent. But it was a cautionary tale in the difficulties facing Moon as he seeks to sustain support for inter-Korean reconciliation and cooperation going forward.

Do You Have to Reunify?

A necessary (albeit not sufficient) condition for Moon Jae-in’s success in achieving his foreign policy goals will be the strength of public consensus behind them. Moon’s foreign policy preferences seem to lean toward revived linkages with North Korea, a close partnership with China, a strong alliance with the United States, and neutral ties to Japan. Moon’s preferences on managing ties to the United States, China, and Japan seem to conform to public sentiment. Retaining the THAAD battery while promising “three noes” did not trigger a backlash. Nor did the “uphold the letter, reject the spirit” approach to the “comfort woman” deal. The hard part from a public opinion perspective looks like it will be winning and sustaining public support for improved inter-Korean relations. Progressives and conservatives will clash, while the under-45s will sit back in judgment, case by case, depending on the results and how they affect the things about which they care most deeply.

The Moon government would appear to be in need of a multilayered strategy to lead the fragmented public forward on the pressing challenge of inter-Korean relations. Moon must contain the fallout from conservatives who will criticize every misstep based on deeply-held ideological and principled convictions. While defending their free speech, he will have to be prepared for and respond as best he can to their criticisms. Second, he has to rally the support of progressives, reinvigorate civic society engagement on the inter-Korean issue, and broaden the aperture of exchange beyond narrow government channels. Civic groups and local actors played a catalytic role in the Sunshine decade, and they need to be enlisted again in support of a new chapter in inter-Korean reconciliation.

Finally, and most importantly, Moon might need to do more *listening* to the under-45ers and understand where they are coming from on inter-Korean issues. He will have to resist the temptation to tell them what to think, or assume he knows what they mean, let alone try to indoctrinate them with the “right” answers. Consider Moon’s answer when pressed by a foreign journalist during the campaign on the question of young people’s lack of affinity with North Korea and resistance to reunification. Moon responded:

“It is not that they are less enthusiastic about reunification. Rather, they have more immediate challenges, like finding a job. On top of that, the two [previous] conservative administrations pursued a different strategy. They pursued reunification by absorption, assuming that the North would collapse quickly. Under that scenario, there is a cost issue. Young people are concerned about the cost they might have to shoulder. That’s why they seem less in favor of

reunification. The only way to reduce the cost of reunification is to achieve economic reunification first through inter-Korean economic cooperation, then later, ultimately, legal and political reunification.”⁵¹

Implicit in his answer is a refusal to consider the possibility that young South Koreans have a fundamentally different framework for national identity and Koreanness. If young South Koreans do not identify with the ethnic solidarity underpinnings of reunification theory that is implicitly shared by progressives and conservatives of Moon’s generation, he will need to come to grips with that reality, rather than try to explain it away.

When Donald Trump visited Seoul he reportedly asked Moon point blank: “Do you have to reunify?” In response,

“Moon took the opportunity to educate Trump on the history of the Korean conflict and relate that to the crisis facing the peninsula today.... Moon told Trump about his great sense of responsibility for those people who are still in North Korea, suffering under the inhumane treatment of the Kim Jong Un regime. Moon also talked about the need to bring the light of democracy to the North Korean people.”⁵²

That “history of conflict” is something Moon’s generation lived through directly—he was brought as a small child from North to South during the Korean War. But for Millennials, it is a history to read about in books. Committed to preserving democratic life in their country, they do not necessarily feel the same onus to spread the “light of democracy” to the other country to their north. As their leader, Moon may need to give them a new language and logic for inter-Korean reconciliation—or maybe peaceful co-existence is a better term. After the flowering of civic spirit during the Candlelight movement, Moon and his advisors need to rethink the question of reunification as their society moves from a pan-ethnic to an ethno-civic concept of national identity, as the political definition of ethnic community seems to have narrowed among many young South Koreans, to no longer *necessarily* include the North.

Moon may need to invent a new language about inter-Korean “harmony” that does not presuppose a commitment to reunification or a strong identification with pan-ethnic nationalist solidarity. While probably no Korean wants to affirm division, most younger Koreans do not embrace reunification either. Can Moon invent a new symbolic vocabulary to give expression to this sentiment, which is perhaps shared in the North as well? For example, could Seoul and Pyongyang jointly celebrate the 70th anniversary of the founding of their separate states in August and September this year in a way that recognizes one another’s existence, and in that sense, affirms both unity and division? Was Kim Jong-un hinting at such an idea when he mentioned the anniversary of the founding of the DPRK in his New Year’s Speech in the same breath as offering to send a delegation to participate in the South’s Winter Games? This is just one concrete example of how a new language of “peaceful co-existence” could be politically acted out in new symbolic terms.

Apart from this ideational level, Moon would be wise to continually stress the ways in which inter-Korean dialogue, reconciliation, and cooperation make meaningful improvements in the daily lives and address the things most South Koreans care most about. For example, back during the campaign when Moon explained his support for expanding the Kaesong

Industrial Complex, he defended it as “a stepping stone of Korean reunification.”⁵³ That rationale might not make sense to younger Koreans. But if Moon explains how resumed inter-Korean economic cooperation can create opportunities and growth in the South, then at the very least the idea will speak to young people's priorities. The problem of course is that in appealing to younger Koreans and developing a new vocabulary for inter-Korean rapprochement, Moon risks antagonizing older Koreans—even progressives. Also, he cannot be sure how events and processes of renewed interaction will in themselves alter public attitudes, for better or worse. Perhaps there is some consolation in the one advantage of a single-term presidency, liberating a leader to think beyond re-election, since there is none.

The overwhelming public support for Moon's daring gambit to hold a day-long summit with Kim Jong-un inside the DMZ provided more indication that the president has his finger on the people's pulse when it comes to handling North Korea. The rhetoric and symbolism around “reunification” resonated with Koreans of Moon's own age, while the prospect of reduced tensions, perhaps even serious progress toward peaceful co-existence, is in line with the preferences of younger South Koreans. Can Moon hold this coalition together as his peace offensive advances into the harder stages of resolving the nuclear threat and transforming the Armistice regime with a peace system? This is without doubt one of the central questions facing the Moon administration in the months and years ahead.

Endnotes

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South Korea's Strategic Approach to China (or Lack of It)

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Pertinent literature abounds on how East Asian states have struggled to position themselves vis-à-vis a rising China over the past two decades. Due to its geographical proximity and cultural similarities with China, as well as its strategic importance to both the United States and China, South Korea's tightrope-walking has been more pronounced than anyone else's.¹ Given the crucial strategic issues regarding U.S.-China relations and the North Korean conundrum, how the Seoul-Beijing relationship is to evolve undoubtedly constitutes a key variable in regional security dynamics. This chapter asks what is Seoul's recipe for dealing with a China that is becoming more "assertive," examining its changing strategic and diplomatic stance over the years of the Park Geun-hye administration and the first year of the Moon Jae-in government.

Of the six sections, the first offers a brief overview of the complex relationship since diplomatic normalization in 1992. The second outlines key features of an era of over-optimism during the first three years of the Park administration (2013-15). The third delves into the issue of THAAD (terminal high-altitude area defense) deployment and how that utterly shattered the Park-Xi honeymoon in 2016. The fourth offers a discussion on China's narrowly-focused sanctions during 2016-17. The fifth is devoted to the first year of the Moon administration, focusing on envoy politics, the "three-noes controversy," and Moon's state visit to China. The final section provides concluding assessments of the factors critical in shaping Moon's policy toward China and where the room for mending relations remains.

Four Crises and Three Variables: An Overview of South Korea-China Relations

Over 25 years, in terms of official designations, the bilateral relationship has gone from a "cooperative partnership for the 21st century" (under Kim Dae-jung) and a "comprehensive cooperative partnership" (under Roh Moo-hyun) to a "strategic cooperative partnership" (under Lee Myung-bak, Park Geun-hye, and Moon).² No elaboration is needed here on the rapid pace at which bilateral trade, investment, and human exchanges expanded during the quarter century. Euphemism alone, however, does not suffice to describe Sino-South Korean relations as they went through ebbs and flows, most notably, four principal crises: 1) the "garlic battle" of 1999-2001;³ 2) the Koguryo-centered historiographical controversy of 2004;⁴ 3) the rift in the midst of two military provocations by North Korea—the *Cheonan* sinking and the Yeonpyong shelling in 2010—when China one-sidedly defended North Korea, rendering Sino-South Korea relations politically frozen for nearly two years; and 4) the worsening relationship since 2016 over the issue of deploying THAAD.⁵ The earlier two crises were of a purely bilateral nature and were over more or less "soft" issues. In contrast, the latest two included third parties (North Korea in the *Cheonan* and Yeonpyong cases, and both the United States and North Korea in the case of THAAD) and were over hard-security issues. South Korea-China relations have recently entered a stage where conflict resolution is more difficult than before due to the third-party involvement as well as to the hard-security nature of the problems.⁶

Another key factor increasingly weighs in; while economic relations were the most important cornerstone of Sino-South Korean relations before and after the diplomatic normalization—mutual complementarity and increasing interdependence characterized the ever-growing trade and investment between the two—the rapid “rise” of China significantly altered the structure of economic relations, introducing ample room for disparities in mutual dependence. The bilateral trade increased from \$19 million in 1979 to \$239.9 billion in 2017, thus China is South Korea's top trading partner and South Korea has been China's fourth largest trading partner for several years. Since 1992 South Korea has not had any trade deficits with China. As Seoul has long valued trade, investment, and tourism as its core national interests, China's economic rise meant an increasing level of vulnerability for South Korea.

Table 1: Mutual Trade Dependence of South Korea and China (%)		
	China trade in South Korea's total trade (%)	South Korea trade in China's total trade (%)
1990	2.8	3.3
1995	6.4	5.9
2000	9.4	6.6
2003	15.3	6.1
2007	19.8	8.9
2010	21.0	6.3
2013	21.0	5.5
2015	21.1	7.0
2017	22.8	5.8

Sources: <http://www.kotis.or.kr/tjgb> (last accessed on November 17, 2011); and Korea International Traders Association, “2017nyon Junggukeui muyok teukjing,” KITA Market Report (January 2018).

As Table 1 illustrates, South Korea's trade dependence on China (22.8 percent) was much higher than China's dependence on South Korea (5.8 percent) in 2017. While China's ratio remained relatively low and stable (due mainly to its fast-growing trade volumes), South Korea's dependence on China skyrocketed from 2.8 percent in 1990 to the 20-percent range during the 2010s. Some earlier estimates went so far as to suggest that a one-percent drop in China's GDP might generate a decrease in Korea's GDP by 0.2 percent.⁷

Academic and policy communities in South Korea have naturally been concerned that China might utilize such high levels of economic dependence on China as a means of leverage or retaliation. Chinese media already hinted at the possibility of making use of South Korea's economic dependence on China as a policy instrument if necessary.⁸ The records suggest that China threatened to use Japan's heavy dependence on China-produced rare earth products in the row over the Senkaku/Diaoyudao in 2010. Considering the chilling effect of China's import ban on South Korea-made polyethylene and mobile phones during the garlic dispute in 2000 (when trade dependency on Beijing was less than 9 percent), South Korea should have sought ways to reduce such dependency in preparation for a worst-case scenario.

Days of Over-optimism: From State Visits to the V-Day Commemoration

When Park Geun-hye was elected in December 2012, relations with China had reached their nadir for two reasons. First, for much of the Lee administration revitalizing the Korea-U.S. alliance was the top foreign policy priority, relegating China to a secondary or even tertiary place. Second, North Korea's two provocations in 2010 put Sino-South Korean relations in a very awkward situation for nearly two years. Naturally, the incoming government and its foreign policy team saw a blue ocean in rebuilding Seoul's badly damaged relations with Beijing. Coincidentally, Park and Xi came to power nearly at the same time and from similar family backgrounds (children of national leaders), on which advisors on both sides sought to capitalize.

In retrospect, much of what went on in Sino-South Korean relations during the first three years of the Park administration was an outcome of excessive politicization of foreign affairs management and of exaggeration of the individual leader's accomplishments. For instance, Park's state visit to China in 2013 was named a "trip for heart-to-heart building of trust" (*xinxin zhi lu*). The first summit in Beijing in 2013 produced a series of agreements, including the establishment of a dialogue channel between South Korea's national security chief and China's state councilor in charge of foreign affairs, but only one meeting occurred in 2013. Xi's state visit to Seoul in 2014 was designated a "trip to look for relatives" (*tanqin*), making China and South Korea more than just friendly neighbors. From Seoul's viewpoint, it was significant that the Chinese president visited South Korea for the first time before the North and that Xi's itinerary had only one country—South Korea—on the list while his predecessors covered a few countries on a single tour. Expectations soared.

Xi's visit produced important agreements, including those to conclude a bilateral free trade agreement (FTA) before the end of 2014 (it was signed on November 10, 2014 and ratified on November 27, 2015), to establish an offshore yuan center in Seoul (the first one in Asia outside the greater China region), and to grant South Korea an 80 billion renminbi quota for domestic investors to buy Chinese securities under the Renminbi Qualified Foreign Institutional Investor (RQ-FII) scheme. One notable non-economic outcome was the commencement of official negotiations on the demarcation of maritime boundaries, including the exclusive economic zones (EEZ) in which the Socotra Rock (leodo, Suyanjiao) is located.⁹ A South Korean official offered the following comments on the 2014 summit: "The media in Seoul went way ahead on setting the atmosphere and agendas for the summit.... Granted that media people always look for something new instead of important continuities, they were generally excessive and often dead wrong."¹⁰ The same official also pointed out that some media organizations performed as a mouthpiece for China by demanding that the bilateral relationship be "upgraded" to a "comprehensive strategic cooperative partnership," which was quietly rejected by Seoul's decision to keep the official designation intact.

Many analysts on both sides lauded the current state of affairs as another heyday for Sino-South Korean relations. Some even went so far as to characterize the relationship as "two fish caring for each other by spitting to remain wet" (*xiangru yimo*). China might have come to consider the bizarre regime in North Korea as a political liability and, at the same time, it was high time to drive a wedge between Seoul and Washington. Naturally, the

Xi administration put much effort into wooing Seoul, often at the expense of Pyongyang. Several South Korean officials interviewed in 2014 by the author referred to Beijing's approach as a "charm offensive."

Right after the 2014 summit, the *People's Daily* described Seoul as Beijing's close partner in regional peace and global prosperity. *The Global Times* went further to characterize the bilateral relationship as "politically hot and economically hot as well" (*zhengre jingre*), as if to contrast it with the relationship under the Lee administration (economically hot but politically cold).¹¹ Soon, however, sober voices grew louder in Seoul. Mainstream editorials warned the Park administration against moving too fast to consolidate security ties with China.¹² In Washington and Tokyo the view spread that South Korea was tilting increasingly toward China at the expense of U.S. relations, and would eventually align itself with China.¹³ It was also common to hear in Seoul and Beijing that South Korea-China relations were never better.

If we look into Seoul's specific positioning on the three intricate issues during the period of 2013-15, the view that South Korea was increasingly tilting toward China made more sense. First, Seoul's hesitation to join the negotiations for the U.S.-centered Trans-Pacific Partnership (TPP) agreement was one indicator although Seoul had its own rationale—having signed FTAs with 10 of the 12 countries in the framework, joining the TPP would not bring much marginal utility. Second, in spite of Washington's opposition, Seoul's decision to join the China-initiated Asian Infrastructure Investment Bank (AIIB) in 2014 was deemed as yet another sign of South Korea tilting more toward China. Third, against Washington's explicit reservations, Park's attendance at Beijing's V-Day commemoration in September 2015 offered further evidence.¹⁴

Optimism Shattered: The Case of THAAD

Despite the excessive optimism in the first three years of the Park administration, dark clouds began to appear. As the earlier manifestations of the bilateral relationship rested largely on the excessive emphasis on the personal friendship between Park and Xi, insufficient attention was paid to the task of institutionalizing adequate channels of high-level communications and formal mechanisms for conflict prevention and resolution. Beginning in early 2016, relations took a steep downturn with the disagreement over the issue of THAAD. The THAAD controversy is a highly complex and long-lasting case of inter-state dispute involving many dimensions: 1) technical; 2) strategic; 3) diplomatic; 4) domestic politics; and (5) "proxy competition."

The Technical Dimension

THAAD is indisputably a defensive system designed to destroy incoming missiles at an altitude of 150 kilometers or higher. Four issues are particularly pertinent. One: while Seoul views THAAD as effective against incoming North Korean missiles launched at a high angle, Beijing disagrees. Two: whereas Seoul argues that the range and direction of X-band radars can be arranged in such a way that China's Northeast (Liaoning in particular) is not to be detected by it, Beijing argues otherwise with its finger pointing to South Korea's lack of direct access to them. Three: Seoul contends that X-band radars are more useful in detecting incoming (rather than outgoing) missiles, whereas Beijing hints that those in South Korea

may actually provide critical information on the back side of Chinese outgoing ICBMs launched in its Northeast. Four: while Seoul argues that THAAD deployment is irrelevant to joining the U.S.-led system of missile defense (MD), Beijing sees it as getting closer to MD.

The issue is replete with uncertainties, and even knowledgeable experts talk with radically different perspectives. However, first, national security and defense are the utmost realm of one's sovereignty and, if so, why was Seoul so talkative about all these in the first place?¹⁵ Second, if it could not maintain silence, why did it not better coordinate with Washington while persistently engaging in technical debates with Beijing? Seoul lost on both fronts as Washington often produced differing voices (as discussed in a later section), and Beijing simply refused to listen to what the South had to say.

The Strategic Dimension

The strategic dimension here refers to three specific issues. First, Seoul must have overestimated the strategic bonds it was then cultivating with Beijing in the midst of the excessive politicization of state visits by Park and Xi and "trust diplomacy." Overdoses of optimism were self-defeating in retrospect. Second, if THAAD were so important and effective against North Korean missiles, the Park administration should have done some serious strategic thinking. It could have said: "THAAD may be deployed under two conditions: if North Korea should undergo a fifth nuclear test and/or if the North Korean nuclear weapons problem could not be frozen before the end of 2016."¹⁶ Third, THAAD was interpreted by China as Washington's effort to consolidate trilateral defense cooperation. Unfortunately, no high-level channel (military or civilian)—including that between Park and Xi—was working effectively between Seoul and Beijing to discuss such an intricate issue. Kim Jang-Soo, who as national security chief (a vice-premier level position) had opened a dialogue line with State Councilor Yang Jiechi in 2013, was appointed to be ambassador to China in March 2015 and, thereafter, was only able to meet regularly with the deputy-minister of foreign affairs on the Chinese side.

The Diplomatic Dimension

Despite the technical uncertainties surrounding THAAD and strategic concerns expressed by China, diplomatic prudence could have mitigated the adverse impact on relations with China. Quite the opposite occurred. Above all, Seoul's insistence on the "three-noes" (i.e., no request from the U.S., no consultation with Washington, and no decision whatsoever regarding THAAD) from mid-2014 through early 2016 took away valuable time that could have been utilized for diplomacy. The "three-noes" was an outright lie from China's viewpoint as Seoul was in fact discussing the issue with Washington while it was also a confidence-discounting measure in the eyes of America. After all, it was neither strategic ambiguity nor diplomatic dexterity.¹⁷

Another episode illustrates the pathetic state of South Korea's diplomacy at that critical juncture. On February 12, 2016, Chinese foreign minister Wang Yi, in an interview with Reuters, cited an old Chinese saying to the effect that "South Korea is dancing with a sword to help the United States but her real intention is to kill China" (*xiangzhuang wujian yi zai peigong*).¹⁸ This was a derogatory remark from the serving foreign minister in that: 1) South Korea was branded as America's henchman; 2) although THAAD is at best a defensive system (i.e., shield), it was described as a sword; and (3) despite so many statements by Seoul that

THAAD was against the North Korean threat, China rejected them outright without giving specific reasons. More pathetic is the fact that South Korea's foreign ministry did not issue any official statement rebutting Wang's insulting remark.

Another diplomatic mishap concerns the timing at which South Korea officially announced its decision to deploy THAAD. After Pyongyang's launch of the Kwangmyungsung long-range missile in January 2016, South Korea's Ministry of National Defense announced that Seoul was to discuss the deployment of THAAD in response to Commander Scaperotti's request. The official decision, however, came on July 8th, three days prior to the announcement of the Permanent Court of Arbitration's ruling against China on the South China Sea dispute. Given that it was widely expected that an unfavorable ruling was to come against China and that actual deployment of THAAD would take at least six months, why the timing of the announcement had to be determined as such remains highly controversial.

In retrospect, South Korea's diplomatic frontline was in complete disarray. Seoul was not able to hold on to what was clearly within the conventional realm of sovereign decisions—protection of national security.¹⁹ South Korea could not execute a well-thought out plan of “flexible diplomacy” that could have somehow struck a balance between the ally (Washington) and the strategic cooperative partner (Beijing). Nor was Seoul capable of pressuring provocative Pyongyang by making use of the THAAD deployment. Worse yet, South Korea came to be viewed as a non-transparent opportunist by her ally as well as her strategic partner.

The Domestic Politics Dimension

In terms of domestic politics, two factors are notable. First, there was much confusion within the South Korean government as well as among the populace regarding whether THAAD was mainly for defending the Korean people at large or the U.S. armed forces in Korea, and whether THAAD was able to protect the most populous Seoul metropolitan, which did much to put the Park administration into disarray. Second, more importantly, the “Blue House line”—national security chief General Kim Kwan-Jin and his subordinates within the Ministry of National Defense—monopolized the entire process of agenda-setting, discussions, and implementation related to THAAD. Apparently, the Ministry of Foreign Affairs was largely excluded from the process and, even within the Ministry of National Defense, only a few loyal followers of General Kim were directly involved.²⁰ On the day of announcing THAAD deployment, Foreign Minister Yoon chose to detach himself from the issue by appearing at a department store while Defense Minister Han Min-ku denied such a decision at the National Assembly in the morning.²¹

The “Proxy Competition” Dimension

One interesting factor was the involvement of what could be dubbed “proxy competition.” The United States and China are in a stage of acute strategic competition in East Asia, which Beijing has long considered its “sphere of influence” and Washington just cannot dispense with in both strategic and economic terms. Yet, the strategic nuclear balance between the two giants prevents them from engaging in a direct war. China's lack of loyal allies—unlike the former Soviet Union—also precludes a proxy war with America's allies as in the Cold War era. Therefore, the only remaining option, at least at this stage, is a proxy competition in which Washington and Beijing keep asking regional states the same exclusivity question “are you with us or against us?”²²

Regarding the priority issue on which many high-level officials, including Xi himself, expressed staunch opposition, China was not going to back off due to her strong preoccupation with “face.”²³ An editorial in *Global Times* relays such an atmosphere: “South Korea relies completely on the United States for her security...and does not consider China in the deployment of THAAD...Seoul even preaches to Beijing that the latter must learn to put itself in the other’s shoes. China’s patience with South Korea is about to dry up.”²⁴ On the other hand, to Washington, lives of the American armed forces stationed in Korea were on the line. As the level of perceived threat from North Korea rose over time, popular perceptions toward THAAD deployment also turned more positive.²⁵

China’s Sanctions over the THAAD Issue

Prior to Seoul’s declaration of its final position to deploy THAAD in July 2016, China repeated her strong opposition on various occasions. On June 5th, General Sun Jianguo (deputy chief of staff of the People’s Liberation Army) made China’s position crystal-clear in front of the delegations from 35 countries present at the Shangri-la Dialogue in Singapore. On June 30th, in a meeting with South Korea’s prime minister Hwang Gyo-an, Xi Jinping reiterated his opposition.²⁶ On July 7th—one day prior to South Korea’s announcement—Park sent a personal letter to Xi explaining that THAAD deployment was by no means against China but North Korea.²⁷ The next day came the announcement. On the very same day, China’s Foreign Ministry called in South Korea’s ambassador to file a complaint and, on that night, China’s Ministry of Defense issued a statement that Beijing would consider all necessary measures in response. From August 1st onward, *People’s Daily*, *Global Times*, *Guangming Daily*, and CCTV all lambasted South Korea, even with a threat that South Korea would be the first to be attacked in case of war.²⁸ The long-rumored phase of retaliation finally began, and the politics of vulnerability noted in an earlier section weighed in. The Park-Xi summit at Hangzhou’s G-20 in September 2016 only found mutual disagreements over THAAD.²⁹

China’s sanctions against South Korea possessed the following characteristics. First, retaliatory measures were concentrated in the sectors where adverse impact on China would be minimal. Applying tighter inspection measures to Korea-imported cosmetic products was one example.³⁰ Virtually no barrier was set up against the sectors—e.g., semi-conductors, displays, and other key intermediate goods—that were crucial to China’s economy. In 2016, South Korea’s trade surplus with China amounted to \$37.4 billion, and the export of semi-conductors accounted for 64.7 percent of that value. But China applied no sanction to this item as it was so important to her own economy.³¹

Second, China’s sanctions were applied mainly to the areas where government regulations were convenient to be meted out or withdrawn, tourism in particular. China’s retaliation against South Korea’s tourism industry began with the cancellation of simplified procedures granted for visa applications.³² Local governments in Shanghai, Zhejiang, and Anhui issued oral instructions that the number of Chinese group tours to South Korea be reduced by 20 percent, and the frequency of local shopping be limited to only once a day.³³ The number of Chinese visitors to South Korea in January 2017 was 563,000 as opposed to 917,000 in July 2016.³⁴ China’s National Bureau of Tourism, in a meeting on March 2, 2017 instructed travel agencies that all group tours to South Korea be suspended after March 15th and only individual tourists who purchased tickets online would be permitted to go.³⁵

Third, China's General Administration of Communication and Television issued an oral instruction (to evade criticisms of government intervention) that forbid the airing of K-Wave (*hanliu*) programs from South Korea and prohibited Chinese studios from re-making South Korean TV dramas and co-producing TV programs and movies with South Korean partners.³⁶

Fourth, China's retaliation also included tough sanctions against individual corporations. The first target, of course, was Lotte—a South Korean conglomerate which provided one of its golf courses as a site for THAAD deployment. Lotte was followed by Amore-Pacific (cosmetics), LG Cosmetics, and Hyundai Motors as targets of retaliatory sanctions. Even a Chinese expert was critical of China's use of economic and cultural means to retaliate over the THAAD issue.³⁷

Fifth, China shut down most formal diplomatic channels with South Korea. Ambassador Kim was left quite inactive as counterparts refused to meet with him, a state of affairs alleged to have lasted for eight months from July 2016 through March 2017 (until the impeachment of Park).³⁸ The same was true with the mil-mil exchanges. South Korea's request for Defense Minister Han Min-Ku's visit was unrealized. The PLA refused to attend the Seoul Security Forum held in September 2016, and China's Air Show held in Zhuhai forbid South Korean participation.³⁹

Overall, China's sharply focused sanctions were painful from South Korea's perspective—particularly for tourism industries—but they were not as painful as though Seoul had to give in unconditionally. Reflecting on the shameful experiences during the “garlic battle,” government agencies, corporations, and media organizations were more or less united in feeling as if they somehow had to put up with Chinese pressure this time around. South Korea's Ministry of Trade and Industry was contemplating suing China at WTO for its THAAD-related sanctions in September 2017, but the Blue House immediately stopped the effort “in consideration of cooperation with China.”

The Moon Phase: Politics of Appeasement?

While THAAD was generating a big fuss in foreign affairs, tectonic plates were shifting in South Korea's domestic politics in the latter half of 2016. Park was implicated in unprecedented power abuse, violations of due diligence, and monetary scandals. Popular outrage was so overwhelming that on December 9, 2016, the National Assembly passed the proposal for Park's impeachment with 234 votes out of its 300 members. On March 10, 2017, the Constitutional Court in a unanimous decision among its eight judges finalized Park's impeachment. On May 10th, Moon Jae-in was elected president, obtaining 41.8 percent of the votes, and commenced his five-year term the very next day.

It is more than ironic that the Moon administration found itself in a similar situation to Park Geun-Hye right after her inauguration—i.e., having to rebuild Seoul's badly damaged relations with Beijing. It appears that the Moon government—and its national security advisors— was already determined to improve relations with China even if that meant that it had to make considerable concessions. In retrospect, much of the overall design (a rapprochement with China, starting a dialogue with North Korea, and utilizing the Pyeongchang Winter Olympic Games as a venue for summit meetings with the United States, China, and Japan) had already been drawn up before Moon's inauguration.⁴⁰

Envoy Politics

Within a short span of two months after the inauguration on May 11th, three special envoys were separately dispatched to China. First was a delegation for the “One Belt, One Road” conference on May 14-15, 2017. In the midst of serious political turmoil, the government initially had no plans to send a delegation. After Xi Jinping gave a congratulatory phone call to Moon on May 11th, however, Seoul quickly decided to send a delegation headed by Park Byung-seok, former deputy speaker of the National Assembly. According to media reports and the author’s interviews, in his meetings with Chinese officials (including Xi Jinping and Yang Jiechi), Assembly member Park maintained a relatively reasonable and modest position that THAAD deployment was largely inevitable and closely related to the growing threat from North Korea’s nuclear and missile programs (i.e., not a means for containing China).⁴¹

Only a few days after the inauguration, Moon sent special envoy delegations to the United States, China, Japan, Russia, and the European Union. Of these five delegations, the head of the China delegation—former prime minister Lee Hae-Chan—enjoyed the highest protocol. Regarding the delegation’s visit to China on May 18-20, a couple of issues merit mention. First, the members of the delegation offered much criticism of the Park government including its THAAD deployment, and, as expected, Chinese counterparts (Xi, Yang, and Wang Yi) demanded that “obstacles” to healthy bilateral relations be removed by Seoul.⁴² Second, more importantly, the delegation allegedly remarked, as for THAAD deployment: 1) no further progress beyond the status quo;⁴³ 2) officiating THAAD deployment must go through due process, including endorsement by the National Assembly; 3) THAAD may be permanently withdrawn once the North Korean threat is effectively terminated; and 4) South Korea will not join the America-led missile defense system.⁴⁴

Third, the delegation allegedly also inquired about a Moon summit with Xi at the G-20 meeting in Germany and about his early visit to China possibly in late August to commemorate the 25th anniversary of South Korea’s diplomatic normalization with China. China said yes to the former since Xi was to attend it as well but offered no response to the latter as if to reflect continued concerns with THAAD.⁴⁵ Fourth, the delegation’s meeting with Xi caught much of the media’s attention in terms of inappropriate protocol. Unlike Xi’s similar meeting with the presidential envoy from South Korea in early 2013, the head of the delegation Lee was seated right across from State Councilor Yang Jiechi while Xi sat alone at the head seat. No formal complaints were filed, however.⁴⁶

Former prime minister Lee visited China again in late June to head a delegation to a forum organized by the Conference on Interaction and Confidence-Building in Asia (CICA). During this visit, Lee met again with Wang Yi, offering the same position to the pleasure of his Chinese counterparts. The overtures during the three high-profile visits clearly showed how serious the Moon administration was in improving relations with China.

The G-20 Summit and the “Three-Noes” Controversy

The Moon-Xi summit at the G-20 in Germany was preceded by Trump’s state visit to South Korea. At the Moon-Trump meeting on June 30th, THAAD deployment was clearly defined as the alliance’s joint decision and to be respected as such. Furthermore, due to North Korea’s launch of a ballistic missile on July 4th, it was declared that THAAD was not to be withdrawn. Seoul’s decision also reflected the changing popular sentiments in South Korea at a time when those in support of THAAD deployment were 57 percent (versus 27 percent opposed).⁴⁷

The Moon-Xi summit in Berlin on July 6th is notable in three respects. First, the exact schedule and venue (Xi’s hotel) of the summit were notified to the South Korean government only on the night of July 5th.⁴⁸ Yet, the summit was such a priority that no complaints were filed. Second, although both sides formally acknowledged the importance of Seoul-Beijing relations, no agreement was reached on how to remove the “key obstacle” (THAAD). Xi specifically demanded that China’s core interests be protected in order for relations to go back on track.⁴⁹ Moon, however, could not make any commitment on this after the summit with Trump only a couple of days earlier, where the position of “no reversal” was declared. Third, South Korean media paid much attention to Xi’s reference to “Sino-North Korean relations as sealed in blood” (*xianxie yingcheng de guanxi*) during the summit. While the media interpreted it as China still caring for her relations with North Korea, the Blue House explained that Xi used it in the “past” tense.

In its effort to walk a tight rope between the United States and China, the Moon administration’s best bet was putting off the deployment of the remaining four batteries of THAAD while operating the two already set up during Park’s tenure. In addition, it announced a general environmental assessment on the deployment site, which could take as long as 15 months. Close to midnight on the same day, however, North Korea launched its Hwasung-14 ICBM. Two hours later, South Korea’s National Security Council presided over by Moon decided to deploy all four remaining batteries as early as possible, though only “temporarily” until the general environmental assessment was completed.⁵⁰

The Moon administration’s overtures toward China culminated with the so-called “three-noes position” meted out in a State Affairs Audit meeting at the National Assembly on October 30. Assembly member Park Byung-seok (who had headed the “One Belt, One Road” delegation in May) posed a question to Foreign Minister Kang Kyung-wha. In her reply, Kang remarked that: 1) the South Korean government is not considering additional deployment of THAAD; 2) there is no change in the long-held stance that Seoul will not join America’s MD system; and 3) trilateral security cooperation among South Korea, the United States, and Japan will not develop into a military alliance.⁵¹ These exchanges seemed at the time out of the blue. But, the next day, the reason became crystal-clear. On October 31st, the South Korean and Chinese foreign ministries posted the following text on their websites. Since it was announced only in their respective languages without an English text, here, the official Korean text is translated with potentially controversial parts highlighted in bold.

Text of Consultation as to Improving Korea-China Relations (China and Korea Carry out Communication on China-Korea Relations and so on)

Korea and China of late carried out mutual communication on issues of the Korean Peninsula **between Nam Gwan-pyo, Deputy Chief of the Office of National Security of the Republic of Korea, and Kong Xuanyou, Deputy Minister of Foreign Affairs of the People's Republic of China.** The two sides once again confirmed the principles of de-nuclearizing the Korean Peninsula, of peaceful resolution, and of resolving North Korea's nuclear problems by way of diplomatic means. The two sides also agreed to further strengthen strategic communication and cooperation for that purpose.

The Korean side was aware of China's position and concern regarding THAAD and made clear that the THAAD deployed in South Korea is in accordance with its original purpose and not targeted at a third country and **does not harm China's strategic security interest.** The Chinese side once again expressed her opposition to THAAD in order to safeguard national security. At the same time, **the Chinese side took note of the stance South Korea had announced and hoped that the Korean side would handle the pertinent problems properly.** The two sides agreed to engage in communication between their military authorities on THAAD-related issues about which the Chinese side is concerned.

The Chinese side expressed its positions and concerns regarding MD, additional THAAD deployment, Korea-U.S.-Japan military cooperation, and so on. **The Korean side once again stated her previously and publicly announced position.**

The two sides regard bilateral relations as very important and, in accordance with the spirit of the communiques of the past, agreed to develop the Korea-China strategic cooperative partnership. The two sides concurred that strengthened exchanges and cooperation are in the mutual interest and agreed to put exchanges and cooperation in all areas back on a normal track as fast as possible.⁵²

The "October 31st statement" (how to brand it—consultation outcome, agreement, position or what—was an issue since it was not officially signed) is problematic in five aspects. First, the titles of the same statement are different as the Korean one includes the word "improving"—i.e., more wishful thinking—while the Chinese one (in parenthesis) does not. This is not trivial as high doses of wishful thinking were sustained for much of the Moon administration's dealing with China in its first year. Second, many were critical of the fact that South Korea's deputy chief of the Office of National Security (of vice-ministerial level) was paired with China's deputy minister (of which there were five in the ministry) in negotiating the statement. More puzzling is the fact that Nam himself—not the Chinese Foreign Ministry—had to explain why he was paired with Kong.⁵³

Third, a close reading of the statement suggests that the Chinese position on THAAD is very specific and Beijing's concerns are repeatedly emphasized. In stark contrast, the South Korean position—i.e., its deployment was both necessary and inevitable to cope with North Korea's growing and imminent threat—is completely missing.

Fourth, the statement includes the following two phrases: “[the Chinese side] hoped that the Korean side would handle the *pertinent problems* properly...The Korean side once again stated *her previously and publicly announced position*.” Yet, the statement does not specify what are these problems and position. The missing piece of the puzzle is found in the exchange between Assembly member Park and Foreign Minister Kang in which were declared no further consideration of additional THAAD deployment, no change in Seoul's position on not joining America's MD, and no development of Korea-U.S.-Japan security cooperation into a military alliance.⁵⁴

There is much room for criticism regarding this October 31st statement. Even though the first two positions were previously expressed by the South Korean government, they should not have been explicitly stated. The chance of turning trilateral security cooperation into a military alliance is low, but that does not mean that Seoul should voluntarily give it up. Most importantly, strategic situations constantly change (as does North Korea's threat); therefore, South Korea should not have limited its own options that way. The draft statement initially had conditionality of “under the current situation,” but the Blue House deleted it.⁵⁵

Fifth, the South Korean side once again had a high dose of wishful thinking as to what the October 31st statement could do for the THAAD conundrum. It appears to have thought that the problem was effectively “sutured” by the statement, not to be brought up again. The Chinese side, however, had a totally different idea: the statement was just a beginning, and the whole problem had to be gradually dealt with until the complete withdrawal of THAAD.⁵⁶ The size of South Korea's loss can be measured with the positive coverage of the issue in Chinese media. *People's Daily* referred to the statement as “South Korea's sincere accommodation of China's demand” and *Global Times* viewed it as a “materialization of optimal results.”⁵⁷ A Hong Kong-based newspaper branded it “China winning its war against THAAD without firing a shot.”⁵⁸ Furthermore, both Xi Jinping at the Danang APEC and Li Keqiang at the Manila ASEAN+3 specifically referred to the THAAD issue. Xi demanded that South Korea must face the responsibility of history, and Li emphasized that the problem must be managed stage by stage.⁵⁹

Why did South Korea agree to the October 31st statement despite the fact it could not resolve all the differences with China at once? For one, the Moon administration wished to continue implementing its grand design of improving relations with China, setting up Moon's state visit to China before the end of the year, inviting Xi to the Pyeongchang Winter Olympic Games, and facilitating a summit between Trump and Xi, thereby paving the road to peaceful resolution of the North Korean problem. For another, the administration was apparently “confident” in talking with two voices regarding the October 31st statement. Toward China, it branded the statement a “position” or “stance” (*ipjang*), while toward the United States, Seoul designated it only an “intention” (*euihyang*) but not a commitment or agreement. Perhaps it was a bad case of inexperienced hedging only inviting distrust from both.

Moon's State Visit to China

After the Moon-Xi summit in Danang on November 11th, the South Korean statement referred to Moon's China visit scheduled for December although the Chinese statement did not mention it. At a meeting with Foreign Minister Kang on November 24th, designed to mete out details of Moon's China visit, Wang Yi remarked that "words must be reliable and deeds must produce results" (*yanbixin xingbiguo*), pushing Seoul to do more to mitigate China's security concerns with THAAD. Kang subsequently denied that Seoul was mulling any restriction on THAAD operations, including that of installing a wall near the site.⁶⁰

Moon's China visit provided abundant sources of controversy. First, the state visit started on December 13th, the 80th anniversary of the Nanjing Massacre. All national leaders—including Xi and other members of the Politburo Standing Committee—were in Nanjing that day. It is not clear why that particular date was chosen for the start of the visit. Naturally, Moon's itinerary for the first day did not have any meetings with Chinese officials. Given that South Korean media reported on the selection of a wrong date only after the visit actually took place, it is possible that the South Korean side was not aware of what December 13th stands for in China.

Second, criticisms abound as to whether the visit was worthy of a state visit. China typically accords a state visit with highest protocol to a national leader once in his or her term. Several aspects of the visit, however, suggest that the occasion was not really up to a state visit. There was only one formal dinner with Xi out of ten chances for meals while in China. Another formal meal was not in Beijing—i.e., not with Li Keqiang or Zhang Dejiang—but, in Chongqing with Chen Min'er (a Politburo member).⁶¹ Seven meals out of ten were among the delegation members. This was not exactly a state visit, it seems.

Third, once again, South Korea's wishful thinking proved futile as Xi, Li, and Zhang all talked about the THAAD issue, making one wonder of what use the October 31st statement was. Moon issued an invitation to Xi to attend the Pyeongchang Winter Olympic Games, but Xi showed reservations.⁶² Eventually, China decided to send Han Zheng (the lowest ranked Standing Committee member) as the head of the delegation.

Fourth, Moon's visit produced no joint statement or joint press statement. It was the first time since March 1994 that the state visit of a South Korean president to China did not produce any joint statement. A few accomplishments were realized, including commencement of negotiations for a second phase (i.e., regarding services and investment issues) of the Korea-China FTA. But Seoul's proposal to designate 2018 as the year of mutual visits was bagged by Beijing.⁶³ A seven-month journey of the new administration culminated in Moon's state visit to China. One may wonder, however, if a state visit was necessary at that juncture. If the answer is negative, that provides abundant food for thought as to the Moon phase of Sino-South Korean relations.

At the time of this writing—early May—the historic South-North Korean summit had already taken place, raising expectations for the Trump-Kim summit meeting as well as for North Korean denuclearization. The recent dramatic developments have created a vital concern for China: how much of a role can they really play given the fast pace of rapprochement between the South and the North, and possibly even the United States? Will South Korea utilize this new window of opportunity as its leverage vis-à-vis China or will it, again, give this away as a gift to China?

Conclusion

The Moon administration refuses to define itself as Roh 2.0. (Moon pledged that he would not return to Roh's residence before his term expires). The rationale for such a conscious differentiation is that the new administration would not repeat the mistakes of Roh 1.0. As far as its foreign affairs management is concerned—although the assessment is about the first eight months only—it cannot be more than mediocre. A couple of issues need mentioning.

Some of the problems are not unique to the Moon administration as the previous administrations were also plagued with them. One concerns the over-politicization of foreign affairs. Since managing foreign policy has become such a media-prone agenda for politicians, in an era of shuttle diplomacy, all heads of states wish to stand at the center of global affairs. Naturally, the White House or the Blue House gets more involved in foreign affairs than such conventional players as the State Department or the Ministry of Foreign Affairs. The core objective of these institutions is to get the president re-elected or at least sustain his high popularity. Politicization takes place often at the expense of national interests.

South Korea's successive governments, including the current one, talked a lot about "balanced diplomacy" (*gyunhyong woegyo*). Yet, lacking clearly defined national goals and strategic roadmaps, most of the time, "balanced diplomacy" ended up being mere sutures for damaged relations with the ally or neighbors. One related symptom was that of "talking too much too fast." Many slogans, such as "Northeast Asian balancer," "New Asia Diplomacy," "Trust Diplomacy," and "Northeast Asian Peace and Cooperation Initiative," are no longer talked about. It is hoped that the Moon administration's new line of "New Northern and New Southern Diplomacy" does not go down the same path.

Another concern is an overdose of ideological ingredients in the Moon administration's foreign affairs management. This may, to a considerable extent, be inevitable in an ideologically polarized country. Yet, the government appears to be lacking a rational assessment of the overall strategic environment in three respects: 1) underestimating the level of threat posed by North Korea; 2) overestimating China's willingness to resolve the North Korean conundrum; and 3) undervaluing the necessity of sustaining the alliance with the United States, particularly at this critical juncture. The whole process thus far is reminiscent of Roh 1.0. One must wonder what remains if the "Pyeongchang Master Plan" should fail to offer an effective way out of the North Korean problem.

Seoul's confusing responses to America's new concept of the "Indo-Pacific" illustrates the intertwining of the symptoms noted above. The concept, though still quite vague, refers to a multilateral strategic network interweaving the United States, Japan, Australia, and India designed to sustain America's hegemonic influence and contain revisionist forces (most likely, targeting China). From Seoul's viewpoint, it is a tough call as was the case with AIIB and THAAD. The best bet, therefore, must be strategic ambiguity if it could not maintain silence. The following responses by Seoul, however, lead to quite an opposite conclusion. In the joint press release on November 8, 2017 after the Moon-Trump summit in Seoul, the first clause stated that "President Trump highlighted that the United States-Republic of Korea Alliance, built upon mutual trust and shared values of freedom, democracy, human rights, and the rule of law, remains a linchpin for security, stability, and prosperity *in the*

*Indo-Pacific.*⁶⁴ The next day, Moon's economic advisor (not national security advisor) remarked that "South Korea does not need to be in it." Two hours later, the spokesperson of the Foreign Ministry commented that "it [the Indo-Pacific concept] does share something in common with our policy direction." One hour later, someone (usually referred to as "high official") from the Blue House explained that "the clause was included in the joint press release due to Washington's request, and we did not necessarily agree to it." Again, one hour later, an unnamed official from the Foreign Ministry said that "more consultation is needed to see if that concept is a proper one [for South Korea]." The next day, Second Vice-Minister of Foreign Affairs, Cho Hyun, remarked that "the concept is still in evolution...and South Korea needs to find a nexus with the U.S."⁶⁵

The first official response should have been what Cho said, reflecting Seoul's well-considered mindset when it comes to national security issues. The most reasonably crafted definition of hedging (risk-diversifying) seems "an alignment choice involving the signaling of ambiguity over the extent of shared security interests with great powers."⁶⁶ If the Moon government is indeed trying to hedge against the United States and China, has it been successful? Were Seoul's diverse messages noted above designed to be ambiguous intentionally? Or were they merely the debris of a lack of experience, coordination, and strategic thinking? Many experts in Seoul are worried the answer seems to be the latter, not the former.

Endnotes

¹ Such mind-boggling dilemmas have been documented in Jae Ho Chung, "South Korea between Eagle and Dragon: Perceptual Ambivalence and Strategic Dilemma," *Asian Survey* 41, no. 5 (October 2001): 777-96; idem, *Between Ally and Partner: Korea-China Relations and the United States* (New York: Columbia University Press, 2007); Chung-in Moon and Seung-chan Boo, "Coping with China's Rise: Domestic Politics and Strategic Adjustment in South Korea," *Asian Journal of Comparative Politics* 2, no. 1 (2017): 3-23; and Ye Min, *China-South Korea Relations in a New Era: Challenges and Opportunities* (Lanham, MD: Lexington Books, 2017).

² Although the Park administration wished to differentiate itself from the Lee administration by adding the prefix of *naesilhwa* (meaning substantiating), both accepted the designation of the strategic cooperative partnership (*zhanlue hezuo huoban* in Chinese).

³ The "garlic battle" was the first full-scale trade dispute in which Seoul and Beijing exchanged safeguards and retaliatory import bans. See Jae Ho Chung, "From a 'Special Relationship' to Normal Partnership: Interpreting the 'Garlic Battle' in Sino-South Korean Relations," *Pacific Affairs* 76, no. 4 (Winter 2003-4): 549-68.

⁴ The Koguryo controversy was a full-blown diplomatic conflict in which South Korea filed complaints against China's efforts to make revisionist interpretations as to the ancient history of Koguryo. See Jae Ho Chung, "China's 'Soft' Clash with South Korea: The History War and Beyond," *Asian Survey* 49, no. 3 (May/June 2009): 468-83.

⁵ Seoul sees THAAD as a defense mechanism against Pyongyang's ever-advancing missile threats while Beijing views it as a destabilizer of the strategic nuclear balance between China and the United States.

⁶ Jae Ho Chung, "Uncomfortable Allies or Uncertain Neighbors? Making Sense of China-North Korean Relations, 1949-2009," *Pacific Review* 26, no. 3 (2013), 243-64; and Jae Ho Chung, "China's Evolving Views of the Korean-American Alliance: Antagonism, Wishful Thinking and Reawakening," *Journal of Contemporary China* 23, no. 87 (2014): 425-42.

⁷ *Maeil Gyungje sinmun*, March 18, 2011, 5.

⁸ *Huanqiu shibao*, December 23, 2010.

⁹ Park Sung-min, "Park daetongryeong-Sijuseok chaetaek hanjung gongdongseongmyeong jeonmun," Yonhap News, July 3, 2014, <http://www.yonhapnews.co.kr/politics/2014/07/03/0501000000AKR20140703143800001.HTML>.

¹⁰ Author's interview with a South Korean official in November 2014.

¹¹ Yao Dawei, "Xi Jinping tong Hanguo zongtong Park Geun-Hye huitan," *Renmin ribao*, July 4, 2014; and the editorial in *Huanqiu shibao*, July 4, 2014.

¹² Park Jung-Hoon, "6-25reul wideaehan 'hangmi wonjo jonjaeng yila haetdeon," *Chosun Ilbo*, July 11, 2014; Kim Younghee, "Xi Jinping pyo Jungguk eui ggumeul gyonggyehanda," *JoongAng Ilbo*, July 11, 2014; Sunwoo Jung, "Yiyi jeyi," *Chosun Ilbo*, July 12, 2014; Kim Dae-Jung, "Byongja horaneul yingneundae Xi Jinping yi watda," *Chosun Ilbo*, July 15, 2014; and Kim Dae-Jung, "Jungguk e jongsokjokin Park Geun-Hye woegyo," *Chosun Ilbo*, February 3, 2015.

¹³ Alain Guidetti, "South Korea and China: A Strategic Partnership in the Making," *Global Asia* 9, no. 3 (2014): 110-15; Nishimura Kinyichi, "Shinmitsu na Chuukan kankei ga kakkoku e oyabosu eikyo to sono tenbo," *Quarterly Report*, no. 62 (October 2014): 28-34; and Tom Wright, "South Korea Looks to Prosper in China While Staying Close to U.S.," *Wall Street Journal*, November 25, 2014.

¹⁴ The Program on US-China Relations (SNU), ed., *Mijung sai Hanguk eui dilemma: sarye wa pyongka* (Seoul: Echo Books, March 2017).

¹⁵ The fact that people around the world now know where THAAD is deployed in South Korea is not something to boast about if it is such an important defense system.

¹⁶ Jae Ho Chung, "Overall Assessments," in *Mijung sai Hanguk eui dilemma*, ed. The Program on US-China Relations (SNU), 101.

¹⁷ Foreign Minister Yoon Byung-Se remarked on March 29, 2015 that "if the U.S. should request the deployment of THAAD, the National Security Council will deliberate and then persuade China." What really transpired did not match such a process. *JoongAng Ilbo* on July 22, 2016 lambasted the "three noes" as an outright lie.

¹⁸ “Jungguk woegyobujang eui biwoegyojok eonsa,” *Huffpost Korea*, February 29, 2016, http://www.huffingtonpost.kr/bawerk/story_b_9248646.html.

¹⁹ China already deployed in Inner Mongolia its own over-the-horizon radar system (Tianbo) with a detection range of 3,000 km, in addition to those with a 5,500 km range in Heilongjiang. South Korea was never consulted on their deployment. See *Chosun Ilbo*, March 14, 2017.

²⁰ According to a media report, the Ministry of Foreign Affairs proposed that the announcement of the deployment decision be delayed for a few weeks (i.e., after the PCA’s ruling), but the Blue House apparently pushed for it. *JoongAng Ilbo*, July 14, 2016.

²¹ See The Program on US-China Relations (SNU), ed., *Mijung sai Hanguk eui dilemma*, 99.

²² “Proxy competition” is similar to what Ross characterizes as “third party coercion.” See Robert S. Ross, “The United States and China in Northeast Asia: Third-Party Coercion and Alliance Relations,” in *Strategic Adjustment and the Rise of China: Power and Politics in East Asia*, eds. Robert S. Ross and Oystein Tunsjo (Ithaca: Cornell University Press, 2017), 262-84.

²³ Xi Jinping made his position clearly known as early as July 2014 during his state visit to Seoul. This position allegedly made a reversal very difficult by rendering all of his subordinates strong opponents of THAAD. Particularly those in the Office of the President (*zhuxishi*) held on to the position by pressuring the relatively more flexible Ministry of Foreign Affairs.

²⁴ “Sheping: rang women dui Chaohanmei doushuodian shihua he henhua,” *Huanqiu shibao*, March 6, 2017.

²⁵ See Jiyeon Kim, et al., “Hanbando THAAD baechiwa geupbyonhaneun Hangukin eui jubyonguk insik,” Asan Institute for Policy Studies, March 19, 2017.

²⁶ *Joong-Ang Ilbo*, June 6, 2016; and *Chosun Ilbo*, June 30, 2016.

²⁷ Interview in Beijing, April 22, 2017.

²⁸ The editorial of *People’s Daily* for the first time criticized Park head on. See *Renmin ribao*, August 3, 2016. *China Daily* warned that Park’s accomplishments in improving relations with China would be erased. See *China Daily*, August 13, 2016.

²⁹ At the Hangzhou summit, Xi remarked that “South Korea must think of the origin of the water it drinks” (*yinshui siyuan*), reminding the politics of vulnerability between South Korea and China. *Chosun Ilbo*, September 6, 2016.

³⁰ *Chosun Ilbo*, July 27, 2016.

³¹ *Maeil gyungje sinmun*, August 22, 2017.

³² *JoongAng Ilbo*, August 4 and 13, 2016.

³³ *JoongAng Ilbo*, October 25, 2016.

³⁴ *Chosun Ilbo*, March 7, 2017.

³⁵ *JoongAng Ilbo*, March 3, 2017.

³⁶ *JoongAng Ilbo*, November 21, 2016 and February 8, 2017.

³⁷ As for the sanctions against Korean corporations, see *JoongAng Ilbo*, December 3, 2016; and *Chosun Ilbo*, March 7 and 16, 2017. And for the critical remark by Jia Qingguo of Peking University, see *JoongAng Sunday*, March 26/27, 2017.

³⁸ *JoongAng Ilbo*, December 3, 2016; *Chosun Ilbo*, January 5, 2017; and interview in Seoul, March 23, 2017.

³⁹ *Chosun Ilbo*, December 5, 2017.

⁴⁰ Interview in Seoul, February 12, 2018.

⁴¹ Interviews in Seoul, May 23 and July 23, 2017.

⁴² *JoongAng Ilbo*, May 19 and 20, 2017.

⁴³ There was, of course, some room for misunderstanding since China viewed it as stoppage of radar operation while South Korea regarded it as no additional deployment of THAAD. In any case, the delegation (and probably the Blue House as well) was trying to defer the complete deployment of all six platforms to as late as possible. Interview in Seoul, May 23, 2017.

⁴⁴ According to an interviewee, the South Korean delegation replied positively to four of the demands. Interview in Beijing on June 24, 2017. Also see *JoongAng Ilbo*, May 20 and 24, 2017.

⁴⁵ Interview in Seoul, May 23, 2017.

⁴⁶ *Chosun Ilbo*, May 20, 2017.

⁴⁷ *Chosun Ilbo*, July 8, 2017.

⁴⁸ Interview on September 4, 2017.

⁴⁹ *Renmin ribao*, July 6, 2017.

⁵⁰ *JoongAng Sunday*, July 30/31, 2017.

⁵¹ *Chosun Ilbo*, October 31, 2017.

⁵² The texts can be accessed from the respective country's foreign ministry website.

⁵³ *Chosun Ilbo*, November 2, 2017.

⁵⁴ Such a linkage was reported in *JoongAng Sunday*, November 5/6, 2017; and *JoongAng Ilbo*, November 7, 2017.

⁵⁵ As for the criticisms, see *JoongAng Ilbo*, November 2, 3, and 7, 2017. As for the temporal conditionality, see *JoongAng Ilbo*, November 28, 2017.

⁵⁶ *JoongAng Ilbo*, November 13 and 15, 2017.

⁵⁷ *Renmin ribao*, November 1, 2017; and *Huanqiu shibao*, November 1, 2017.

⁵⁸ *South China Morning Post*, November 18, 2017.

⁵⁹ *Chosun Ilbo*, November 13 and 15, 2017.

⁶⁰ “Deal with China Denied Again,” *Nelson Report*, November 27, 2017.

⁶¹ According to a media report, South Korea initially requested that Moon meet with a new Standing Committee member—Li Zhanshu or Wang Huning—but no avail. *JoongAng Ilbo*, December 16, 2017.

⁶² *Chosun Ilbo*, December 15, 2017.

⁶³ *JoongAng Ilbo*, December 15, 2017.

⁶⁴ See “Joint Press Release by the United States of America and the Republic of Korea,” <https://www.whitehouse.gov/briefings-statements/joint-press-release-united-states-america-republic-korea>.

⁶⁵ See *Chosun Ilbo*, November 10, 2017. A detailed chronology of the episode is provided in *JoongAng Ilbo*, November 11, 2017.

⁶⁶ Darren J. Lim and Zack Cooper, “Reassessing Hedging: The Logic of Alignment in East Asia,” *Security Studies* 24, no. 4 (2015): 696.

The U.S.-Japan-ROK Trilateral: Better at Deterrence than Diplomacy?

Sheila A. Smith

Once more, the United States, South Korea, and Japan have confronted a crisis with North Korea. The pattern is now well established. First, there is a provocation—a missile test, a nuclear test, and even worse, the use of force.¹ Next, the United States and its allies in Northeast Asia muster their forces, strengthen their trilateral policy coordination, and sanction the belligerent Pyongyang. The three nations advocate for the accompanying effort by the United Nations Security Council to condemn North Korea's behavior.² Setting aside their political differences, Seoul and Tokyo intensify their military cooperation and Washington calls for greater trilateral unity in confronting a shared security challenge.³

In 2017, policymakers in Seoul, Washington, and Tokyo found themselves in a similar cycle but with the threat of war ever more real. The dramatic escalation of tensions between President Donald J. Trump and the North Korean leader Kim Jong-un seemed to bring the region to the brink of a second Korean conflict. But today, just as dramatically, an accelerated series of high-level summits suggests that the Korean Peninsula could be on the brink of peace. President Moon Jae-in met with Kim at Panmunjom, and both Kim and Moon stepped across the line of demarcation at the Demilitarized Zone (DMZ) between North and South Korea.⁴ The two leaders have embraced a “new era of peace,” with the promise of ending the state of war on the peninsula.⁵

Trump has also said he is willing to meet Kim to discuss denuclearization. CIA director Mike Pompeo visited Pyongyang on April 1 to test out that proposition, and as secretary of state, Pompeo had the lead in setting the stage for a meeting in Singapore. The Moon-Kim meeting set up the premise of a negotiated denuclearization process. Trump and Kim will define the contours of that path forward.

Transitioning from confrontation to negotiation, Japan's prime minister Abe Shinzo has sought to stay close to Trump. As Moon led the process of easing tensions Abe also seemed ready to give peace a chance, meeting with Kim's sister at the Pyeongchang 2018 Olympic Games and later voicing his willingness too to meet with Kim should the Trump-Kim summit succeed.⁶ In his meeting with Trump on April 17-18, Abe set forth the three Japanese equities in a negotiated settlement with the North.⁷ A complete, verifiable, irreversible denuclearization process is at the top of that list. But a close second will be Pyongyang's missile arsenal. While the United States undoubtedly will focus on the intercontinental ballistic missile (ICBM) Kim has been testing, Abe will urge a broader disarmament of the array of missiles at Kim's disposal. The ROK and Japan are well within reach of North Korea's short and medium-range missiles, and Abe will be unwilling to leave those in place. Finally, Abe will want Pyongyang's accounting of the Japanese citizens abducted by the North Koreans. Both Trump and Moon promised to take this up with Kim in their meetings. At their summit at Mar-a-Lago, Trump publicly repeated this pledge to Abe.⁸

It is too soon to see how these new negotiations will proceed. Only a few weeks after the South Korean government announced that Trump had agreed to meet with Kim, the diplomatic geometry seemed to proliferate and accelerate. After Kim Jong-un agreed to leave the North to meet Moon in Panmunjom, the designated meeting spot just south of the DMZ, South Korea's national security advisor appeared in Washington, and in front of the White House, announced the Trump-Kim summit.⁹ Not to be outdone, Abe made plans to visit Trump, which he did on April 17.¹⁰ Not long after that, Kim Jong-un set out for Beijing in his armored train, accompanied by his wife, to visit with Chinese president Xi Jinping

and his wife, once again showing how important these talks will be to the future balance of power in Northeast Asia.¹¹ On May 7-8 Kim went to Dalian, China for a second summit with Xi. On May 9 another trilateral summit was held in Tokyo, as Abe hosted Moon and the Chinese premier, Li Keqiang.¹² Later in May, Moon travelled to Washington to consult with Trump. The diplomatic track had grabbed the spotlight.

Ironically, negotiations with North Korea could put even more strain on the trilateral framework that Washington has been striving to establish with its allies in East Asia. The bilateral relationship between Seoul and Tokyo, in particular, could suffer. This was apparent in the nervousness visible in Japan, particularly after the surprise decision by Trump to hold a summit with Kim. While the U.S.-Japan-ROK trilateral has faced pressures in negotiating with North Korea before, this round of talks could be even more fraught. There is far more at stake in Northeast Asia; the region's military balance, the political futures of Moon, Trump, and Abe, and the geopolitics of the region.

The Military Challenge of Confronting Pyongyang

North Korea is closer than ever to being able to threaten the United States, thereby testing the proposition that Washington will want to risk an attack on behalf of its regional allies. Kim Jong-un has developed his military arsenal in a deliberate attempt to change the status quo on the Korean Peninsula, and, by extension, in Northeast Asia. The U.S. allies in Asia have directly felt the impact of his willingness to risk confrontation by using these rising military capabilities.

Seoul felt the brunt of this challenge early, even before Kim Jong-il passed away in 2011. The 2010 sinking of the *Cheonan* and the shelling of Yeonpyeong Island were widely attributed to Kim Jong-un's growing influence. Since coming to power in 2012, Kim has shown little restraint in the use of force or his willingness to risk provoking the South. Repeated news of executions in the consolidation of his hold on power brought this point home, especially the brutal execution of his uncle, Jang Song-thaek.¹³ North Korea is suspected of carrying out the 2014 hacking of Sony Pictures Entertainment, and the U.S. government accused North Korea of carrying out the May 2017 "WannaCry" cyber-attack, which hit over 150 countries and in some cases caused hospital closures.¹⁴ The open assassination of his half-brother in Kuala Lumpur—using a banned nerve agent called VX—further added to the impression that Kim Jong-un felt little if any restraint in the use of force if it meant a challenge to his hold on power.¹⁵

Japan too now feels the direct brunt of Kim's military ambitions. As North Korea's missile arsenal grew, new launchers allowed short to medium-range missiles to be launched without detection. Growing numbers of missiles and no warning time means that Japan is now in far greater danger than in the past.¹⁶ Missile testing in 2016 and 2017 demonstrated that Japan has few options on its own to defend itself from a missile attack. In 2017, ten of North Korea's tests landed in the Sea of Japan, including two ICBMs, and two missile tests overflew northern Japan.¹⁷ Japan's existing ballistic missile defenses are simply not enough to cope, should Kim provoke a war. U.S. bases in Japan also make it likely that in a conflict North Korea would seek to eliminate the ability of the United States to use its forces based there. Japan is now the only country in Northeast Asia that cannot retaliate with its own forces.¹⁸

Over the past year or more of missile testing by Kim Jong-un, Tokyo and Seoul have expanded their military cooperation. In 2017, as North Korea's missiles flew repeatedly over Japanese territory, the three militaries of the United States, South Korea, and Japan upped their coordination. Military signaling by each alliance provided a strong signal of military readiness. When North Korea tested a missile over Japanese airspace, South Korean forces demonstrated their ability to retaliate. When U.S. bombers were sent to signal American intent, Japan's Air Self Defense Force fighters accompanied them through Japanese airspace to meet up with South Korean Air Force fighters over the East China Sea, who then accompanied the U.S. bombers the rest of the way to Korea. When a second test of an intermediate-range ballistic missile occurred, U.S.-ROK forces conducted a combined strike exercise while U.S.-Japanese forces conducted a ballistic missile defense exercise simultaneously. Similarly, the U.S., Japanese, and South Korean militaries conducted a tabletop exercise on non-combatant evacuation. U.S. commanders had hoped to push this trilateral military exercising further, but South Korean sensitivity to having Japanese military on Korean soil continues to limit the full integration of alliance planning and exercising.

Asia's geopolitics are suggesting a new regional context within which events on the Korean Peninsula must be considered—one in which the trilateral relationship between Seoul, Tokyo, and Washington may be challenged by the new dynamics of major power military competition. Trilateral cooperation has proven very effective in mobilizing military force during moments of crisis. But if conflict emerges, will this be sustainable as Pyongyang approaches the ability to effectively target the United States? Will America's allies be confident in the extended deterrent that has long allowed them to avoid the nuclear option themselves? The governments of both the ROK and Japan have sought greater conventional military capabilities to redress their vulnerabilities. The ROK has enhanced its own missile arsenal, and Japan has recently decided to significantly increase its ballistic missile defenses.¹⁹ Both Seoul and Tokyo have begun to have open debate over the nuclear option as Kim tested his ability to develop an intercontinental ballistic missile capable of delivering nuclear weapons to the United States.²⁰

The future of the U.S. alliances is further complicated by the Trump administration's desire to leverage allied defenses for better trade numbers. Allied concerns about the United States have only worsened with the election of Trump, who campaigned on ending U.S. alliances. In his interview with *New York Times*, candidate Trump said the ROK and Japan would one day have to defend themselves against North Korea. He has since embraced the U.S. alliances, but has held Moon and Abe accountable for their trade deficits with Washington, arguing that the United States is getting a bad deal on relationships that have been the mainstay of regional balances of power since the end of World War II. Even as the confrontation with Pyongyang deteriorated badly in the fall of 2017, Trump insisted on re-opening trade negotiations on the Korea-U.S. trade pact, using Seoul's weakness as leverage. In Tokyo in November of that year, Trump similarly told Abe he should buy expensive American weapons as a way to reduce the deficit, openly linking longstanding security assurances to increased U.S. arms sales.

The Trilateral and Diplomacy with Pyongyang

As the bilateral summitry of Northeast Asia took off in early 2018, the U.S.-Japan-ROK trilateral once more faces considerable political hurdles. If the Trump-Kim summit is realized and a negotiation process results, this will usher in the third significant attempt to engage with a Kim on North Korea's military build-up. Each time negotiations have been tried, the diplomacy has been organized differently. In the mid-1990s, when Kim Jong-il announced his intention to deny access to his nuclear reactors to the International Atomic Energy Association, the Clinton administration responded by organizing its allies in a coordinated effort to entice him away from a path of nuclear development. The Trilateral Coordination and Oversight Group (TCOG) process resulted in economic incentives for North Korea, cooperation on providing it with light water nuclear reactors, and a largely shared vision by Seoul and Tokyo on the benefits of this approach. But this effort ultimately did not forestall the progression of Pyongyang's stockpiling of fissile material. The UN and the United States then imposed sanctions on the North, the former with the approval of the Security Council members, and the latter unilaterally and targeted on the bank used by the Kim family.

A second effort, led by the Bush administration, organized the six nations active in Northeast Asia to discuss a comprehensive path to denuclearization and ultimately a peace treaty that would end the militarized division of the peninsula. China played a leading role in hosting the resultant Six-Party Talks, creating the veneer of multilateralism around what was essentially a U.S.-North Korean dialogue. This approach, while lauded for its comprehensive approach to a settlement and its multilateral regional framework, left much to be desired for Washington's allies, as both Seoul and Tokyo found cause for disgruntlement in being left out of the U.S. negotiating strategy.

Prior attempts to negotiate with Pyongyang have demonstrated that the United States, South Korea, and Japan each have different interests at stake in a Korean settlement. The domestic politics of sustaining diplomatic initiatives and offering compromise needed to realize results are rarely in synch. For South Koreans, peace on the peninsula is paramount, for obvious reasons. Millions live in close proximity to North Korea's artillery, making any South Korean threat to use force lack credibility. For Americans, the proliferation of nuclear technology has long been the primary concern, and after 9/11, North Korea's role in exporting its fissile material to terrorist organizations took precedence over its missile development program. Japanese viewed this with chagrin, as they have long seen the North Korean missile program as having the greatest impact on their security. Add to that the domestic sensitivity to the abduction of Japanese citizens by the North in the 1970s, and Tokyo's stance on North Korea becomes ever more complicated. When Prime Minister Koizumi Junichiro's bilateral negotiations led to a visit to Pyongyang in 2002, his team negotiated with Kim Jong-il for the return of five of the 17 abductees thought to still be in North Korea. Instead of being praised for the success of bringing these five home, Koizumi and his team were criticized for not getting them all.²¹ Subsequent governments were hard pressed to engage in any effort at negotiation with the North without putting the abductee cause at the center of their talks.

Tokyo has been sensitive to being left out of the critical decisions in the diplomacy with Pyongyang. Japan preferred the early emphasis on the alliance trilateral to the larger Six-Party multilateral effort. The model used in the 1990s, TCOG, relied on close allied policy coordination, and this still appeals to many Japanese. But the broader regional dynamics seem to make this inconceivable. Today, no resolution on the Korean Peninsula is possible without China. The Six-Party framework that brought all regional powers to the table remains a preference for some, particularly in China, which hosted these talks.

The politics of when to compromise with Pyongyang reveals itself early, and who has compromised too much or too little becomes a source of tension. Tokyo worries about Seoul being too ready for compromise and thus sacrificing security in the interest of a peace regime. Seoul worries about Tokyo's harder military line and ultimately about Japan's "remilitarization." Both allies in varying degrees worry that Washington might either sacrifice their security interests in an attempt to reach a deal or become too rigid for compromise to emerge. Given Pyongyang's development of ICBMs potentially able to reach cities across the United States, there is ample reason for concern that Trump will prioritize ending this threat, leaving in place the threats to Japan and South Korea and also calling into question U.S. commitment to extended deterrence. In his confirmation hearings for secretary of state, Mike Pompeo confirmed these fears when he told senators that his primary aim was "to develop an agreement with the North Korean leadership such that the North Korean leadership will step away from its efforts to hold America at risk with nuclear weapons, completely and verifiably."²²

Today, neither of these past models seems just right. Moreover, there is far greater concern about China's ambitions in, and far less confidence in U.S. leadership of, a negotiating process. Kim Jong-un looks more assertive in shaping the context for negotiations, and his ability thus far to drive the talks indicates greater strategic savvy than many have been willing to admit. To be sure, it is early in the process, and there are conflicting accounts of what may have prompted Kim Jong-un to initiate this newest round of diplomacy. To date, however, Kim has asserted his country's right to have nuclear weapons and has already claimed North Korea as a nuclear power. What he seems to want is recognition of that status. While Beijing may be ready to provide that, Washington, Tokyo, and Seoul are not.

A second concern today is the shape of Northeast Asia's security architecture beyond peace on the Korean Peninsula. The region today is no longer a backwater in global geopolitics. China's emergence as a global power has knit the choices about the region's security into the fabric of the global balance of power. The choices ahead on the Korean Peninsula are not simply about how to persuade Kim Jong-un to give up his military arsenal; they are now about what sort of strategic balance will be embraced by all of the region's major powers.

The future role of nuclear weapons in Asia's security has considerable implications for existing arrangements for managing global security. Particularly worrisome for U.S. allies are intermediate-range nuclear forces, which have altered the regional military balance. Theoretically, these theater nuclear forces do not threaten major nuclear powers beyond Asia and thus would allow nations to threaten their neighbors without necessarily drawing retaliation from the United States. The concerns in Seoul and Tokyo are similar to what NATO allies worried about in the 1970s. Soviet deployment of SS-20s missiles to its European theater prompted a U.S. deployment of Pershing missiles to offset this advantage in the military balance. The United States and Russia concluded an Intermediate Nuclear Forces

(INF) Treaty in 1987 designed to eliminate this threat of decoupling. Japan at the time wanted to ensure that Soviet SS-20s would not simply be moved from Europe to the Asian theater. Today, the regional military balance in Asia is similarly unsettled, and China is not subject to the INF Treaty's limitations. In fact, the absence of a serious Asian disarmament framework now means that the proliferation of missiles has as much strategic significance to China, Russia, and the United States as arsenals of weapons of mass destruction. For the non-nuclear states, such as Japan and South Korea, missile defenses have become a far more daunting task.

In the midst of this burgeoning problem for Asia, both South Korea and Japan are considering what may be needed to bolster the U.S. military's capabilities in the region and/or what they might do to bolster their own military power. The diplomacy that may be emerging over Kim Jong-un's arsenal will thus need to consider the broader context of Asia's rapidly evolving military balance. No longer is denuclearization sufficient. Pyongyang's missile arsenal will also be under scrutiny, and there are difficult questions for Beijing, Washington, and Moscow should a broader disarmament effort for Northeast Asia be pursued. Whether Kim Jong-un's neighbors are prepared to build a regional disarmament regime remains to be seen, but without it, the global management of nuclear technology will be difficult to sustain.

Trump, Moon and Abe: The Decisions Ahead

The U.S.-Japan-ROK trilateral has always faced the challenge of synchronizing national approaches to the North Korea problem. All three democracies elect leaders who put their own stamp on how to deal with Pyongyang. Since Kim Jong-il announced his withdrawal from the Treaty on the Non-Proliferation of Nuclear Weapons, all three nations have had multiple turnovers in government, and these leadership transitions have colored the effort to respond to North Korea's proliferation and shaped alliance responses.

In contrast, North Korea has had one family in power, three generations of dictatorship that have sought the wherewithal to build sufficient military power to ensure their regime's survival. Kim Jong-il's son now has the opportunity to realize the Kim dynasty's dream of becoming a nuclear power. Whatever their belief in how Pyongyang's nuclear testing and missile launches affect China's interests, China's leaders—three since the mid-1990s—certainly understand from their own history that acquiring a nuclear arsenal brings with it status and a considerable degree of independence from the whims of those with nuclear power.

Leaders matter—and have taken risks—in diplomacy with North Korea. In the United States, South Korea, and Japan, elections have often produced a reset in North Korea policy. Four U.S. presidential administrations have worked on the nuclear proliferation problem. In South Korea, five presidents have sought to cope with the North's nuclear ambitions; and in Japan, no less than fourteen prime ministers have wrestled with the problem over the past two-plus decades. Notable overtures by various leaders have caught others by surprise and created distrust in motives among the three allies. South Korea's progressive political leaders have produced more opportunity for dialogue with the North, starting with Kim Dae-jung's "Sunshine diplomacy" and his famous summit meeting with Kim Jong-il in 2000. Roh Moo-hyun, elected in 2003, continued that path of direct dialogue, and he too met with Kim Jong-il, in 2007. Now Moon Jae-in and Kim Jong-un will carry on that legacy,

once again asserting the primacy of the two Koreas in the effort to negotiate a lasting peace on the peninsula. Today, however, Moon faces the prospect of a North Korea that can threaten others far beyond the Korean Peninsula, and thus his hands are tied far more than his predecessors.

Japan too has had its moments of engagement with Pyongyang. In their 2002 Pyongyang Declaration, Koizumi and Kim Jong-il outlined a moratorium on missile testing and a sustained effort at finding the remaining Japanese in North Korea.²³ Even Abe has tried his hand at direct negotiations with Kim in 2013 over investigating the whereabouts of the Japanese abductees.²⁴

Washington, however, has insisted on prioritizing the North's nuclear program and has tended to see the idea of a direct meeting with Pyongyang at the leadership level as reward for denuclearization rather than as a step in the negotiating process. Pyongyang's desire for normal diplomatic ties with the United States could be realized if and when it gives up its nuclear weapons. The Clinton administration seemed ready to take a risk on a summit meeting, but it was insufficiently impressed with Kim Jong-il's follow-through on the 1994 Agreed Framework. When it was discovered that the Kim regime had a clandestine uranium enrichment program underway despite its pledge to end production of plutonium, the Bush administration abruptly shifted gears away from negotiations to coercive sanctions. Calling North Korea part of an "axis of evil," President George W. Bush condemned the Kim regime not only for its proliferation but also for its human rights abuses.²⁵

Sustaining engagement with North Korea requires keeping all three leaders committed to diplomacy and to a unified strategy for pursuing a common end game. Synchronizing this takes considerable effort—and trust. Today's moment is no different. As Abe and Trump argued for "maximum pressure" and sanctions in 2017, Moon was hoping to find a way to entice Kim Jong-un to the table. The stakes are always higher for Seoul, and as the Trump administration's rhetoric on the preventive use of force seemed increasingly real, the pressures on Moon only grew.²⁶

The unpredictability of the Trump administration's approach to Kim makes formulating a trilateral strategy far more difficult. Allied leaders were shaken as the U.S. president threatened Kim Jong-un with "fire and fury the likes of which have never been seen."²⁷

In Tokyo, Abe campaigned in Japan's October 2017 election on his ability to manage the North Korean crisis, and for many Japanese, his relationship with Trump was one of the reasons for his success.²⁸ Abe's close consultations with Trump are reassuring, but the lack of consultation before Trump decided to meet with Kim shook the confidence of the Japanese government. In South Korea, Moon is given a lot of credit for persuading Trump to pursue diplomacy with Kim. After his meeting with Kim, his support soared.²⁹ South Koreans are grateful for Trump's willingness to buy into the idea of a summit with Kim, even though there is ample reason to worry about what it will produce.

The Japan-South Korea Hurdle

Now that Moon has succeeded in realizing a summit with Kim Jong-un, the Japan-ROK relationship will need particular attention. The most often cited challenge to effective trilateral policy coordination has been the difficult relationship between Seoul and Tokyo.

Troubled by war memory politics in both nations, Seoul and Tokyo have had difficulty overcoming the raw sentiments surrounding residual South Korean grievances over colonial and wartime behavior by Japanese. The most recent effort to address those grievances was the so-called “comfort women” agreement forged by President Park Geun-hye and Abe in 2015. Before this agreement, two years of estrangement at the highest level of government had made for an explosion of anti-Japanese sentiment in South Korea and a similar rise in anti-Korean sentiment in Japan. Obama facilitated a leadership meeting at The Hague in 2014, opening the way for a restart of bilateral talks about how to overcome these differences. The result was the settlement by private Japanese companies of compensation for the forced labor of Koreans, and a government-to-government agreement to establish a fund to be administered by the South Korean government for the women subjected to forcible sex work in brothels used by Japan’s imperial military. Yet the Korean public rejected this agreement when Park was impeached, and in the campaign for president that resulted, all the candidates openly called for renegotiation of the agreement.

Once in office, however, Moon sought to separate the difficult issues associated with his country’s colonial and war legacy from contemporary diplomacy. Abe too had attempted the same path when he had come into office, and his chief cabinet secretary undertook a policy review of past statements on the “comfort women” to clear the political air at home for a new discussion with Park.³⁰ Both Abe and Moon organized a policy review and an oversight panel of various non-governmental experts and stakeholders on the past agreements on the “comfort women.” Facing pressure from within their own supporters and parties, both leaders have tried to find a resolution that will allow their relationship to develop in other areas. On December 27, 2017, Moon announced the results of his advisory committee, and while expressing his dissatisfaction with the 2015 agreement, he acknowledged it represented a formal commitment by the South Korean government, and he would not reopen it.³¹ Despite the difficult politics of the past, the rising tensions with North Korea brought Abe and Moon together. Not only did the two U.S. allies coordinate their military responses to Kim’s missile launches, but they also coordinated their sanctions against the North.

Again, as the diplomatic breakthrough with Kim Jong-un develops, the interests of Seoul and Tokyo are likely to diverge somewhat. Seoul welcomes the opening of talks and is cautiously optimistic about the prospects for a peace regime on the peninsula. Moreover, it is difficult to ignore the emotional impact on South Koreans of the unified Korean teams at the Olympics and the visit of Kim Jong-un’s sister to the games. A South Korean K-pop group performed in Pyongyang—an amazing display of optimism in a country that rarely experiences unscripted performances, let alone the globally recognized talent to be found in South Korea.³² But the historic meeting between Moon and Kim at Panmunjom has raised the bar on past summitry between South and North Korea. Today, in its wake, South Koreans visit a movie set to perform the scene of crossing the divide between those blue huts to embrace the notion of peace.³³

Japanese views on North Korea are also emotional, but in a far different way. Angered by Kim Jong-il’s admission that his regime systematically abducted citizens from Japan’s shores and from European travel destinations, Japanese continue to see North Korea as a nation that violated their borders and stole their people. Many blame past Japanese governments for weakness in allowing the country to be so easily penetrated by a foreign nation. But

the more widespread sentiment in Japan is one of sympathy for the families of those taken decades ago. The parents of those abducted as children or young adults are now elderly. Their faces are now well known to all Japanese, and their personal losses are felt keenly across society.³⁴ Most important, Japanese blame their government for not protecting them from these abuses and for failing to gain their return to Japan. Even Abe cannot ignore this national sentiment as he considers this newest opening to Pyongyang.

Conclusion

The negotiating process unfolding with North Korea will test the U.S. allies in Northeast Asia far more than the military crisis that Kim Jong-un's missile launches created. Once more, Seoul will be looking for engagement and talks with Kim Jong-un to end hostilities and to ensure peace. Tokyo, on the other hand, will want more. It will want not only complete, verifiable, and irreversible nuclear disarmament; it will also want a reduction in North Korea's missile arsenal. Japan has felt an escalating military pressure from Pyongyang. With China's rise as a backdrop, Japanese policymakers are feeling their country's vulnerability in a rapidly changing Northeast Asia. Furthermore, an unpredictable U.S. president with an increasingly hardline cabinet also suggests a more fraught sense of the steps forward. Trump's insistence on America First has left both allies worried that their interests will be abandoned in the course of negotiating with Kim Jong-un. Close consultations among the three leaders can mitigate those fears, and yet there is still a sense that anything might happen.

Kim Jong-un has proven more adept at diplomacy than most in the region imagined. Kim's rapprochement with Xi Jinping reveals a far more geostrategic impulse at play in these sequential summits. Knitting together a strategy for Seoul, Tokyo, and Washington in the midst of this chess game will be a challenge. Moon, Abe, and Trump will need to be adroit and adaptive. But they must also look beyond the next summit. Nothing less than the future of Northeast Asia is at stake, and with it, seventy or more years of alliance history is up for grabs. Old grievances cannot hold sway here if Japan, South Korea, and the United States are all to emerge with greater security from this process of peace building on the Korean Peninsula.

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January 16, 2018, http://www.mofa.go.kr/eng/brd/m_5674/view.do?seq=319608; The U.S. Department of State provides a transcript of the meeting, <https://www.state.gov/secretary/20172018tillerson/remarks/2018/01/277470.htm>.

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⁸ The Abe-Moon phone call was reported in the Japanese press, <https://www.japantimes.co.jp/news/2018/03/16/national/politics-diplomacy/south-korean-president-moon-jae-agrees-phone-help-abe-resolve-abduction-issue-amid-norths-overture-trump/#.WvDDqKQvy70>; Foreign Minister Kono Taro visited South Korea to meet with his counterpart, Foreign Minister Kang Kyung-wha on April 11, http://www.mofa.go.jp/mofaj/a_o/na/kr/page4_003915.html.

⁹ For the March 8 statement by South Korean national security advisor Chung Eui-yong on the grounds of the White House, see, <https://www.whitehouse.gov/briefings-statements/remarks-republic-korea-national-security-advisor-chung-eui-yong/>, and Trump confirmed the meeting in a Tweet that night, <https://twitter.com/realDonaldTrump/status/971915531346436096https://twitter.com/realDonaldTrump/status/971915531346436096>.

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- ³⁴ One such story is the abduction of Yokota Megumi, see Arata Yamamoto and Alexander Smith, "Family of Girl Abducted by North Korea Hopes Trump Can Win Her Return," *NBC News*, November 2, 2017, <https://www.nbcnews.com/news/world/family-girl-abducted-north-korea-hopes-trump-can-win-her-n816046>.

CHINESE VIEWS OF KOREAN HISTORY

The way Chinese officials and writers view the history of Korea—from ancient times to the post- Cold War developments in South Korea—matters for at least three reasons. It is a commentary on Chinese national identity since Korea bears importantly on multiple dimensions of how that identity has recently been constructed. It is likewise a window on how Chinese view the order they seek to forge in East Asia, linking it to the earlier Sinocentric order. Finally, Chinese views of Korea’s history offer valuable insight into China’s vision of the future of the Korean Peninsula and its relationship to China. It is commonplace to regard historical narrative as a lens on views of the present and plans for future policies, but this is even more the case for a country with the tradition of Confucian historiography with its extraordinary stress on correct thinking about the past, and communist historiography redolent with socialist realism insistent on a zero-sum understanding of the past. We read in Chinese historical writings on Korea a morality tale with undoubted relevance to how China constructs both its identity and its international relations.

The Korean Peninsula has significance for Chinese national identity beyond that of any foreign country except Russia and the United States with the possible exception of Japan. It is where ideology was honed as China sent the PLA to prevent the fall of North Korea after Mao had given his blessing along with Stalin to the North’s attack on the South. As ideology has grown again in importance, the significance of North Korea’s socialist pedigree and shared origins in the crucible of revolution against imperialism has risen. In the historical dimension of national identity, China’s leaders in the 1990s weighed allowing candor about the origins of the Korean War at a time when de-ideologization was fitfully taking place and there was no established narrative on history. Some saw sensitivity to North Korean reactions as the key to why China did not go further, but the resistance inside China proved more tenacious than they assumed. Historical purity toward Japan intensified apart from a short-lived interval with “new thinking” in 2003. With South Korea on the frontlines in China’s quest for demonization of Japan over history, its own history became a test case for the national identity gap between it and China. The history of Korea is so interwoven with that of China and it can reveal much about recent views.

As the country that even recently took pride in being the most Confucian of all, South Korea also spurred Chinese demands to show loyalty to the civilizational aspects of identity being constructed along with support for an increasing sense of a common economic space and of political restraint in siding with the United States without accepting balance with China. The meaning of civilizational deference was inseparable from historical memory, i.e., to recognize the benevolence of China’s past regional order as a source of harmony and stability, which should not be challenged, as in the “cultural wars” on the Internet between Chinese and South Koreans around 2007-10 or in hosting the Dalai Lama with obvious invocations of a shared past in dealing with China’s centrality. South Korean dramas attracted a wide audience in China, but they were carefully screened to avoid historically sensitive themes, revealing the wide gap in thinking about history—not only about Koguryo, as took center stage from 2004, but about any indication of a “superiority complex” unwilling to credit the Chinese order for its great merits.

The four chapters that follow cover Chinese publications on Korea’s past chronologically. The first chapter by me ranges from the ancient period with an emphasis on the 7th century, when three states vied for control in Korea and drew Japan and China into their wars, to the 16th and 17th centuries, when Japan’s invasion of Korea drew Chinese troops back

but also Korea's role in the Ming-Qing transition that garnered Chinese writers' attention, to the 19th century, when a third period of instability and international rivalry rocked the peninsula. In each of the three cases, China is seen as virtuous, Japan as evil, and Korea as vacillating—falling short of what was expected of it. Some of the same shortcomings found in Japan's conduct were visible on the Korean side too: pursuing autonomous diplomacy in contradiction to the norms of the China-led order; aspiring to a micro-order of its own in relations with neighbors such as the Jurchens, the Ryukyus, and Tsushima, and lacking gratitude for the benevolence of China in sustaining its harmonious regional order. In each instance, Korean intrigues did not bode well for peace and stability, Koreans suffered, Japan capitalized on Korean moves, and finally only China coming to the rescue saved Korea, although in the last case, that is still a work in progress as China recovers from a period of weakness and is only beginning to offer a “community of common destiny” as a way forward for Seoul as well as a better solution for North Korea's future in the context of the nuclear crisis and uncertainty over how reunification can ensue.

Gilbert Rozman, “Chinese Views of Korean History to the Late 19th Century”

The premodern era seemingly presented a promising opportunity for China to find common ground with South Korea. Both see Japan's aggressive moves in the three critical periods noted above in a similar light. Both have a benign outlook on Confucianism, at least in comparison to other countries' thinking. China could have concentrated on the commonalities and proceeded to nudge Koreans to accept a positive attitude toward revival of an East Asian community. Yet, the historical writings in China eschew common ground for insistence on demonization of Japan with spillover to guilt by association for Korea, for glorification of Confucianism interpreted in so narrow a manner that a hierarchical, authoritarian element stands out, and for making full support for a China-led community a *sine qua non*. As the Koguryo dispute made crystal clear, historical issues related to Korea are too important to leave room for seeking understanding.

Kirk Larsen, “Chinese Views of Korean History in the Late 19th and Early 20th Centuries”

Kirk Larsen makes clear in his chapter that Chinese officials identify a shared understanding of history with Korea as one of the pillars of the Sino-ROK relationship, emphasizing the response to imperialism in the 19th and 20th centuries. Yet, whereas Chinese insist that their country was uniquely peace-loving and benevolent to neighbors, Koreans recall aggressive and overbearing Chinese historical behavior. Chinese make no apology for China's unassailable position of political superiority and civilizational arbiter, while Koreans find this incompatible with the principles of equality between states and respect for autonomy—a relic for which no pride should be taken.

Larsen finds not only that a sense of mutually-shared victimization at the hands of the Japanese has been utilized by leaders in both Beijing and Seoul to seek to cement closer ties, but that this is manipulated by Chinese to drown out other narratives on the Korean side: a Korea struggling for separation from China to establish a modern national identity and to clarify its sovereignty. What he views as Chinese moves to assert greater control by

an empire—contrary to both the notion of “national humiliation” and the idea of China as an exceptional, non-aggressive, and peace-loving power—are perceived differently in Chinese publications, which show no sympathy with neighbors fearful of China’s intentions as they draw on different memories of its past deeds.

After Japan had annexed Korea, Larson finds Chinese contemporaries as well as recent writings longing for Korean liberation not so much because they envisioned an independent Korea but rather because it would allow Korea to return to its proper status as a Chinese possession or, at least, a subordinate in a China-led hierarchical order. He writes that one can imagine a future in which Xi Jinping’s attacks on Western values might be expanded to include an attack on the Westphalian system itself, opening up space for China to re-imagine and re-structure its relations with its neighbors in ways that might be consistent with a new tributary order. Capitalizing on the popularity in South Korea of An Chunggun, the assassin of Ito Hirobumi, Chinese have made him a central feature of the narrative they seek to share about the history of this period and its significance for Sino-ROK cooperation against Japan’s current policies and aspirations. The high-water mark of such historical comradery was 2015, but doubts were building over: 1) the tension between the lionization of An’s heroic act of violence and the general tendency today to condemn violence in general and acts that can be described as “terrorism” in particular; 2) An’s vision of Sino-Korean-Japanese cooperation is ignored in China as is its inspiration for regional cooperation on an equal basis; and 3) Park’s late 2015 breakthrough with Abe on the “comfort women” issue threatened to derail the “maximum pressure” campaign against Japan centered on history. Recent Chinese heavy-handedness toward South Korea has put Chinese writings on the past in a more unfavorable light, serving as warnings to Koreans about being dragged into any “history war” with a partner whose intentions may be sharply at variance with Seoul’s interests.

Jin Linbo, “Chinese Views of Korean History in the Cold War Era”

The singular event shaping Chinese views of the Korean Peninsula in the Cold War era and to the present was the Korean War. Jin Linbo examines its impact on writings on history during the height of the Cold War and even in the 1980s, while assessing changes in the 1990s and 2000s. In 2016 he argues that the THAAD deployment rekindled attitudes lingering from the Cold War period, which had been deeply embedded in historical memory. The engrained interpretations were that the capitalist enemy, not the socialist friend, started the Korean War with a view to overthrowing not only the socialist government in Pyongyang but also the similar one in Beijing. Against this background China’s attitudes and policies toward the two Koreas in the post-Korean War era were doomed to be ideology-driven and DPRK sympathetic, completely fixed within the Cold War framework of friend and foe until the end of the 1970s and only partially modified after normalization to convey an “objective description” of the origin of the Korean War without accusing South Korea of provoking it. As China’s national image of the ROK has generally transformed into a much more positive one in comparison to the image of the DPRK, the insuperable differences between mainstream Chinese and South Korean views of Korean history have endured with significant implications for relations in the post-Cold War era. Perceptions of the Korean

War formulated right after the start of the war and partially reshaped four decades later when diplomatic normalization was realized and the relevant dossiers of the former Soviet Union were released from the middle of the 1990s have remained influential in shaping China's attitudes and policies toward the Korean Peninsula at the present time.

The sudden deterioration of Sino-South Korean relations caused by the deployment of THAAD in 2016 explicitly revealed the limits of the economic cooperation centered redefinition in China-ROK ties since the end of the Cold War, Jin explains. After more than two decades of the redefinition efforts, the mainstream Chinese view of Korean history in the Cold War era remains largely unchanged. In 2014-15 China's expectations for Sino-South Korean relations rose to an unrealistic level, as the South Korean political will for broadening shared interest in history issues against Japan raised expectations, the potential for a sharp letdown was obvious in the historical understanding conveyed in China, that went far beyond the era of Japanese imperialism.

If some Chinese authors started making arguments against North Korea with regard to the origin of the Korean War and questioned the legitimacy of China's participation in it, including its negative impact on the resolution of the Taiwan issue and on China's economy at that time, those academic arguments had only resonated weakly and were far from embraced by the mainstream. In Chinese eyes the situation created by the THAAD deployment was something quite similar to the situation in the 1950s-60s when China and the DPRK fiercely condemned the U.S.-Japan-South Korean military alliance relations. China's disapproval of the ROK-U.S. alliance and the trilateral military cooperation remains unchanged from what it was during the Cold War years.

After more than two decades of redefinition efforts, mainstream Chinese views of Korean history in the Cold War era remain largely unchanged, especially when it comes to the confrontational relations between China, South Korea, and the United States, concludes Jin, who refers to a congenital deficiency—the mutual security distrust caused by the remaining Cold War legacy. China's disapproval of the continued military alliance relations among the United States, Japan, and South Korea has clearly revealed the limitations in the redefinition of perceptions towards South Korea in the post-Cold War era. As long as the assessments of the history of the Cold War era remain rooted in arguments long familiar to the Chinese people, there will be a disposition to find continuities and doubt that the post-Cold War decades and the history of China's relations with South Korea have brought fundamental change on matters of geopolitics or national identity.

Yun Sun, "The Chinese Perception of the U.S.-Japan-ROK Triangle"

In writing about the post-Cold War period with an emphasis on geopolitics, Chinese authors do not often treat South Korean policy or Sino-ROK relations as autonomous. Because of the weight given to the U.S. role, it is important to take a triangular approach in assessing these writings centered on South Korea. There are primarily three angles that the Chinese policy community adopts in its discussion of relations with South Korea. First is the bilateral angle between China and South Korea, of which the Chinese assessment has been largely positive. This lens concentrates on what authors regard as the state of evolving relations

between Beijing and Seoul, but it does not escape the shadow of triangularity since Seoul gains credit by boosting bilateral ties with strategic implications while losing credit when it makes strategic decisions that ignore Beijing's concerns and demonstrate greater U.S. significance. The second lens is the regional one. For China, South Korea has an important regional role and could become a key supportive force in China's desired regional order as a critical "ally" in battling Japanese historical revisionism and militarism and jointly keeping Japan's political and regional ambitions in check. A test of this lens is whether Seoul subscribes to either U.S.-Japan-ROK triangularity, deemed to be aimed at containment of China, or the Indo-Pacific framework touted by both Abe Shinzo and Donald Trump in late 2017. The third lens is the U.S. angle. All the damage and/or burdens that South Korea has imposed on China originates from the U.S.-ROK military alliance. Because of the existence of the military alliance, South Korea is not believed to have the authority to pursue completely independent national security policies, authors argue.

Chinese have identified growing indications of South Korea subtly recalibrating its relations with China and the United States. Although the U.S.-ROK military alliance remains dominant, the hope of strategic realignment has always been on the horizon. Under Kim Young-sam, South Korea's relations with the United States endured some major turbulence, primarily because of different policies toward North Korea, showing the possibility of a closer relationship with South Korea even as a U.S. ally. In the 1995 rift between South Korea and the United States, as well as the negative changes in South Korea-Japan relations, the Chinese saw an opening. Under Kim Dae-jung and Roh Moo-hyun the rifts between South Korea and the United States over the North Korea issue and South Korea's pursuit of equality with the United States undermined, to some degree, the military alliance. The emerging anti-Americanism and South Korea's growing nationalism were also affecting ties with China. Chinese experts found a list of issues that South Korean nationalists exploited that damaged bilateral relations. Under Lee Myung-bak, the decision by Obama and Lee to regionalize and globalize their strategic alliance during Lee's 2009 visit to the United States proved very alarming. Chinese saw this as an extension of the U.S.-ROK strategic alliance beyond its original focus on the Korean Peninsula. In 2010 China blamed the North Korean provocations and the cooling of inter-Korea relations almost entirely on Lee's abandonment of the Sunshine Policy.

With Park Geun-hye in charge, Xi Jinping raised his hopes to improve China's strategic position, planning to turn South Korea into China's "pivotal" state in Northeast Asia, thus undermining the U.S. alliance system. This was the boldest attempt during the entire quarter century to fundamentally alter the shape of the triangle, although it came at a time of conservative leadership in Seoul and of intensified South Korean alarm about the direction of North Korea's actions. One might have assumed that expectations would not have risen so high in such inauspicious circumstances. Xi Jinping seized the opportunity of Park's early overtures to intensify contacts and boost ties, while Chinese narratives extolled the significance of these improved relations. Xi's diplomacy was more a sign of taking Pak's straddling for granted than of wooing her in a sustainable manner. Chinese writings obscured the essence of the challenge and fueled the far-reaching letdown that followed.

China sees the THAAD deployment as a threat to strategic stability with the United States and an obstacle to its desired regional blueprint. Simply aiming to improve ties with South Korea and undermine the U.S.-ROK alliance without answering the critical question of China's relationship with North Korea is unlikely to succeed. To the Chinese, Moon appears more interested in a balanced approach toward the United States and China than did Park at the end of her time in office. He did not withdraw the decision to deploy THAAD but tried to appease China with the "three noes." Hopes for driving a wedge in the alliance are again on the upswing.

Chinese Views of Korean History to the Late 19th Century

Gilbert Rozman

In the tradition of imperial China and communism, Chinese publications see history as a morality tale. In the case of Korean history to the late decades of the nineteenth century there are essentially three actors: virtuous China, evil Japan, and variable Korea. There are three critical periods which receive the bulk of attention: the 7th century, the late 16th century trailing into the 17th century change of dynasty in China, and the last decades of the 19th century. The narrative advances the notion of competing visions of regional order, contrasting Chinese and Japanese frameworks and examining Korean policies in light of the choices made between these options.

Official Chinese narratives couch today's opportunities in historical context. A battle rages between socialism and capitalism, offering China a unique prospect to tip the balance.¹ This is not only a present-day challenge; it is a struggle over consciousness of history—a campaign against “historical nihilism” that disagrees with orthodoxy in support of communist party legitimacy and the rectitude of Chinese civilization. A speech given by Xi Jinping in July 2010 at the Central Party School and only recently made available leaves no doubt about the tight censorship imposed on publications about history.² South Korea's history is especially sensitive as the poster-child for the benevolence of the imperial Chinese regional order, the battleground for the key war fought by China to maintain its surroundings against capitalist encroachment, and a chief testing grounds for the rejuvenation of China against U.S. hegemonism and Western civilization. Premodern history is an inseparable part of this agenda.

How official Chinese thinking treated Korean premodern history did not become a matter of concern during the first decade after normalization of PRC-ROK relations. It was assumed that outdated narratives in the tradition of socialist realism would be replaced, given that much of communist hagiography failed the test of “seeking truth from facts” or only seemed to linger due to sensitivity toward North Korea. History writings from normalization to the early 2000s were less tendentious, as Chinese authors lacked a clear narrative from which to draw required deductions.³

World attention took little interest in Chinese views of history, especially before the revolutionary era. A 1997 book on history, cognition, and peace in East Asia covered perceptions of other countries but left aside Chinese narratives.⁴ When a collection of articles on memories of WWII appeared in 2014, Chinese thinking was again not a major theme, even as I pointed to Chinese writings on premodern times to showcase their significance. I wrote that they “idolize the order led by imperial China” and accuse South Korea of making a “direct challenge to China's civilization and its positive influence but also to mutual understanding at a time when South Koreans are proceeding to erase traces of its legacy.” The nation, arguably most shaped by Chinese civilization—after all it considered itself the purest case of Confucianism—is distancing itself from China and its interpretation of that posed a big challenge.⁵

When the Koguryo controversy burst into the limelight in 2004, it was a wake-up call for South Koreans, who interpreted China's unexpected thinking about ancient history as a danger signal for bilateral relations and China's approach to the future of North Korea. Yet, diplomats soon set this aside, and many were comforted to see it as an aberration by historians in Northeast China unlikely to gain ascendancy.⁶ It was not until six years later—in the midst of a downturn in Sino-ROK relations—that there were concrete indications

of Chinese policies reflecting such thinking. Xi Jinping later brought history more to the forefront of ideology and demonstrated more clearly the impact of sinocentrism backed by views on past regional relations. Recent Chinese articles cited in this chapter reveal a morality tale disguised as history.

Examining these writings on Korea's past, I put them in the context of Xi's national identity rhetoric and foreign policy. The underlying assumption is that China built a regional order centered on itself with room for neighboring states to pursue their own national interests in accord with civilizational ethics that promoted stability.⁷ Historical studies insist, however, that Korea was not content: with individual states turning to Japan rather than Tang China or breaking with the etiquette of the Ming China-led order in their dealings with Japan after trying to form a micro-order of their own incorporating the Jurchens, or by abandoning the traditional order when China was weakening in the late 19th century. All of these manifestations of a Korean "superiority complex" ended badly, requiring armed intervention by China to rescue their country. The choice between China and Japan is essentialized as Korea's fate.⁸

Implicit in historical writings are parallels to the situation on the Korean Peninsula in the 2010s as well as implications that South Koreans lack a correct view of their past that could guide them to make the correct foreign policy choices. They fail to appreciate China's historic contributions to Korea, insufficiently link Japan's past perfidy to its lingering threat, and have succumbed to Western ways of thinking. Interpreting history and national identity in this manner, Chinese sources link this to ongoing bilateral relations, blaming Seoul for the tensions that have been rising.

The Context of Xi's National Identity Rhetoric and Foreign Policy

Historical narrative is often an offshoot of some political agenda, and in communist ideology it is an essential element of an unquestioned national identity showing the righteousness of national policies. The 2008-10 Internet "culture wars" on who is entitled to claim UNESCO sites were enflamed by Chinese authorized publications casting history and the way it is treated today in a zero-sum light.⁹ The continued way Korean history was treated even after Lee Myung-bak was gone and political ties had been mended exposed the superficiality of the "honeymoon" between Xi Jinping and Park Geun-hye.¹⁰ Instrumental to this messaging was Xi's assertiveness about national identity, boosting sinocentrism as the historical core of identity to the twentieth century. It became incontrovertible that China had benevolently managed its neighborhood, forging a harmonious region under the unimperialistic leadership of China. Just as the history of Chinese communism is whitewashed of negative elements, so too has the history of dynastic China's foreign relations been culled of incriminating evidence—a trend that began even when Confucianism was condemned and then intensified when it was tightly embraced as a positive force.

South Korea presents a challenge for Chinese historians as for those writing more broadly about national identity. It is a dangerous outpost of a Western worldview, as seen from China, in the values Koreans espouse, in their outlook on past inequality between states, and in their aspirations to build pride in past Korean achievements. The ongoing sinocentric

narrative lauds the regional architecture that kept Korea in a subordinate status, denigrates Western thinking about history, and attributes the main, premodern achievements and cultural symbols of Korea to participation in the China-led regional order. This divide makes history a battleground in China's effort to shape the future order of East Asia, notably the rhetoric to make it "harmonious."

National identity in China has a multi-layered ideological dimension, including not only socialism centered on the twentieth century and anti-imperialism starting from the nineteenth century, but also Confucianism, roughly 180 degrees removed from Mao's verdict on it, and sinocentrism, for which Korea is a prime example. Virtuous China is, in this ideological understanding, the source of civilizational beneficence, of strategic protectiveness, and of economic unselfishness in this unassailable rhetoric. There is an unmistakable legacy of communist thought in this outlook on national identity, which makes consciousness of North Korea's communist heritage a factor in the approach to South Korea's thinking about history as well as its U.S. alliance.¹¹ Yet, the divide with North Korean views of history to the 1900s is unbridgeable too.

Korean history presents an opportunity for Chinese to pinpoint a villain in contrast to China's benevolence. This, of course, is Japan. In the national identity dimension of external relations, China appears as a protector and even savior. It offers a world order that provides peace and stability in contrast to what Japan threatened or did. In 2014-16 when Xi Jinping was striving to align South Korea closely with China in condemning Japan's historical revisionism with implications for its illegitimate steps at military strengthening, the battle over Seoul's historical acknowledgements was in full force, but this should not be seen as only limited to the period of the 1890s to 1940s. For China, Korea's insubordination about the harmonious, China-centered, regional order is proof of distorted attitudes toward China both in the past and the present. The Sino-ROK national identity gap has an ineradicable premodern component.

Deference starts with symbolic boundaries such as not inviting the Dalai Lama to South Korea despite the shared Buddhist tradition. It proceeds to avoidance of the historical and cultural themes of high sensitivity to Chinese authorities, which also become lightning rods for public arousal against South Korea. Yet, there is no way to escape the entanglement of Korean and Chinese national identity themes, leaving no room for prideful Koreans to find common ground on such emotionally charged items as the provenance of the Koguryo state. If room for a shared outlook appears unimaginable for the Korean War and Cold War era and has proven elusive and easier for the joint humiliation in the half century leading to 1945, then the prospects are likely to be best for the long period in the late nineteenth century when three things potentially bring China and Korea closer: 1) demonization of Japan; 2) adoration of Confucianism; and 3) pride in the legacy of an Asian community that can be revived.

The problem with appeals to these shared historical memories is that Chinese insist on narrow, self-serving interpretations of them, threatening both to Korean national identity and to future mutual respect. South Koreans do not demonize Japan in the manner of a zero-sum framework of benevolent imperial China against malevolent Japan. Confucianism has been twisted by China in ways that contradict its meaning in Korea, undermining its continued value as a component of national identity. Also, the Asian "community of common destiny" sought by Xi Jinping poses a direct threat to South Korean autonomy and,

arguably, sovereignty. Thus, premodern history has failed to become the starting point for shared identity to which other elements could have been added. Chinese writings show little interest in looking for commonalities that could bridge existing differences instead of imposing their own narrow scheme.

The Ancient Period

Chinese writings on Korean history, even the ancient period, approach it from the angle of regional history. Integrative forces in East Asia are assumed to be busy at work at an early date.¹² The *tianxia* order is viewed as in place with China its sole, unrivaled center. Yet, states within the boundaries of present-day Korea are seen as seeking support to defy that order, even to make themselves the center of an order usurping the existing one. The Koguryo state expanded exchanges with Japan in this pursuit during the Tang era, seeking strategic backing when Silla and Baekje were drawing together and finding support from Tang troops. One article accuses Japan of trying to forge its own *tianxia* order, shifting to help Baekje attack Silla. But it ended up on the losing side and was finally driven out by the Tang, readers are informed.¹³

The message suggested in writings on this decisive period in Korean history is that China saved Korea from an undesirable fate. This is sometimes echoed in writings on contemporary international relations. In 2012, citing one such source from 2010, I summarized the argument that “Koreans should look back with gratitude to their good fortune, rather than with resentment, insisting on their own superiority and determination to remove the legacy of Chinese culture.”¹⁴ Already Japan was eager to establish an alternative regional order with negative consequences for Korea as well as China, and the Koreans were not sufficiently on guard but finally escaped.

Much has been written about the Koguryo dispute and its deeper meaning.¹⁵ There has been exploration of China’s motives in claiming the state that straddled today’s North Korea and Northeast China as part of its own tradition, as if this were not the forerunner of modern Korea. One interpretation is that this strengthens China’s claims to legitimacy for control over a border area, i.e., what remained Manchuria in the 19th century. Another explanation is that this muddles the question of North Korea’s sovereignty, along with socialism leaving in doubt whether South Korea has the right to take control of reunification. An even more sinister interpretation is that the issue of full sovereignty is put in question for the entire Korean Peninsula. There is no reason to expect clarity in Chinese sources on these choices in today’s climate.

Koguryo remains a thorn in Sino-ROK relations nearly a decade and a half after it emerged as the focus of conflict. Korean dramas could no longer broach this period in a manner befitting national identity. Chinese no longer sought to assuage concern by arguing that this issue had been raised locally without official authorization. Not looking for common ground, Chinese have simply dismissed Korean thinking as if it is one more manifestation of narrow nationalism arousing emotions toward China. As the great power, China has shown no need to approach the national identity gap with its less powerful neighbor with sensitivity in order to gain its trust. Historians should have no trouble sticking to facts in recalling what is known from the extant records, but they are pressed into the service of a far-reaching sinocentric agenda.

The Medieval Period

The so-called *hua-yi* (China-barbarian) order is treated as essentially sacrosanct, assuming that there is no reason to overturn it. When in the 1590s it is challenged, some Chinese argue that it was not just Japan with its expansionist ambitions that did so, but also Korea that harbored designs on establishing its own *hua-yi* order. According to Liu Yongnian and Xie Xiangwei, pursuant to the expansion of a China-centered order, both Korea and Japan had a sense of superiority themselves and intended to bring the other side into their own order. Each sought to include the other in its own smaller regional order. At fault is not only Japan's aspirations to be a "small China" (*xiao Zhonghua*), as Silla also had called itself in the 7th century, but Korea's deceit in conducting independent diplomacy with Japan, contrary to what was permitted in the existing regional order.¹⁶ Actually, Koreans from the mid-16th century had acted in a manner that made relations with China tenuous, violating the existing protocol, readers are told, after Japan had broken altogether from the tribute system. Policy toward the Jurchens and the Ryukyus was indicative of this effrontery. At its core, this is a denial of autonomous diplomacy as well as of armed actions such as Hideyoshi's invasion of Korea. Yet, after Korea ignored the attitudes of the Ming, it eventually had to turn to the Ming for help, revealing the importance of sticking to the existing regional order as the foundation of peace and stability. Its disloyalty, e.g., getting embroiled in a dispute with Japan over Tsushima, had led to painful results from which only appealing for China's help finally rescued Korea.

The article charges that Korea had been coveting its own regional order for a long time, arousing friction with the Ming over the Jurchens and then seeking tribute from Tsushima in a burgeoning dispute with Japan. Korea's defiant exchanges with Japan are variously viewed as seeking to bring Japan into Korea's own *hua-yi* circle, as Japan was seen as the barbarian side: in an effort to save Tsushima, a vassal facing war or even as a way to save face for the Korean king. In any case, these accusations suggest that China could not accept Korea as a sovereign state not only in premodern times, when the *sadae* relationship has been deemed benevolent in forging a civilized order with a functional ritual system supportive of peace and stability, but today as well. Inequality between states does not seem to be a problem for the Chinese analysts. The idea that a Chinese hub and spokes does not allow room for full-fledged Japan-Korea bilateral ties is not questioned in these works.

Joining the *huayi* order, as Japan did in the 7th-9th centuries, is regarded as a source of transferring civilization, which others may proceed to emulate as Japan did in its relations with the Ainu. Yet, some are tempted to go too far. With the Ming in decline in the second half of the 16th century, neighbors even saw a chance to adjust the East Asian regional order. Long-cradled ambitions had risen to the surface, targeting the edges of the empire, such as the Ryukyus. Japan and Korea each saw the other as inferior and a target for one's own order-building, leading them both to violate the existing order. Actions were not just based on differentials in power, but on one's civilizational assumptions. Thus, the Japanese annexation of Korea in a later period is not accidental, the article concludes, without having to add that Korean as well as Japanese attitudes in the 2010s are outgrowths of such erroneous thinking and are barriers to the reemergence of a natural China-centered order. The charges of self-serving thinking based on ethnic superiority are, of course, not leveled at China.

Wang Guidong asked why did the Qing leaders, after the battle of 1637 with Korea, not obliterate Korea?¹⁷ The Qing made Korea their first vassal state but limited their demands despite heavy financial impositions. Although there were differences from the way past dynasties dealt with Korea, the Qing once ruling over China accepted a compliant Korea's acquiescence to its authority. The article omits discussion of how Koreans questioned the Qing's legitimacy and quietly cast doubt on the *sadae* order, taking the perspective that Korea was more truly Confucian than the upstart Qing.

The morality tale of rapacious Japan attacking innocent Korea and being saved by a benevolent China is complicated by charges against Korea as culpable in its dealings with Japan and others, unsavoriness in Qing-Korean relations before and after the dynastic changeover, and accusations against signs of Korean uneasiness with and even undermining of the sinocentric order during the Qing era. Many of these criticisms appear in publications tracing the roots of Korean actions in the 1890s.

One finds in Chinese publications a long-term outlook on history, suggesting that the civilizational underpinnings persist from one era to the next and that commonalities exist in aspirations for power. There is no indication of fault by any Chinese dynasty in managing external relations or conceptualizing the regional order. Impugning the motives of Koreans as well as Japanese serves a simplistic historical narrative, while also carrying implications for unwelcome policy choices by these nations of late.

The Nineteenth Century

The nineteenth-century story of Korean history adds more actors to the mix and is unavoidably encapsulated in a broader narrative of China's decline and inability to project power or offer a path to modernity. Much could be written about the Korean dilemma of losing China as a bulwark of regional order and the inevitability of eying other, modernizing states as essential partners. Yet, the Chinese narratives on this era blame Korea's choices without striving to understand the circumstances clearly.

One example is Jin Chenggao's analysis of a switch in Korean thinking toward China over roughly half a century from the mid-1870s as Koreans shifted from *sadae* to "leave China, open the country" as well as "join Japan, exclude Qing." In 1876 Korea was forced to enter the whirlpool of modern capitalist civilization, readers are told. Koreans awakened to a world of richer and more civilized states than China after long embracing traditional Chinese thought as their political foundation. One faction stuck firmly to the old thought, seeking to purge what was new and stop any social reforms. A second sought to use the West but keep China as the foundation. The third group was reformist. Harking back to past socialist jargon, the author sees a struggle between feudalism and capitalist culture, a split in the feudal classes, and the rise of patriotic independence thinking opposed to both feudalist and capitalist forces. China was in decline, and Japan was quick to reform; so, the struggle soon became one between these two countries. Feudal Qing China sought to retain its position, while capitalist Japan aimed to annex Korea, readers are told. It was both a battle of aggression vs. anti-aggression and feudalism vs. capitalism. China's stance was non-interference, but from the early 1880s with this goal still in mind it started to use barbarian

against barbarian, as the Russo-Japanese competition was building, seeking a balance of power to maintain its framework in Korea. It strove to preserve Korean sovereignty and secure its own Northeast China borders. Feudal China could not prevail in Korea. Only a different China could assist Korea in restoring an order that had served it well and would serve it again once aggressors were driven away.

When the Qing dynasty stepped up its interference in 1882 it had a positive effect, but it damaged the China image in Korea, fueling the reform school's call to "join Japan, expel the Qing." The Qing obstructed modernization reforms, could not protect Korea, and could not develop bilateral relations, readers are told, despite the insistence that China's effect was positive. Korea needed to find its own path toward independence. Only then on the basis of equality and Korean sovereignty could its bilateral relations be rebuilt, the article concludes, but it leaves these concepts ill-defined and avoids criticism of the old China-led order.¹⁸ In the final analysis, Koreans recognized that only standing with China against Japan in the resistance from the 1920s was the pathway to achieve the civilizational, strategic, and political balance that they had been seeking since losing the security of the old order.

Hahm Chaibong has written that Korea was torn between a longstanding and deeply entrenched understanding of civilization—drawn from China but centered more on its past than on the Qing—which was unsustainable, as notions of race and nation were taking hold.¹⁹ Defensive of Confucian civilization, many Koreans in the earliest decades of interaction with the West were slow to embrace race and nation, which delayed the adoption of a national identity capable of mobilizing the mass of people. Modernity proved to be an irresistible civilization. Chinese writers, however, ignore such categories of analysis, as they insist on the outworn concept of feudalism and the all-purpose notion of capitalism for the modernity that was being introduced. Linguistic fidelity to traditional socialist categories leaves recent publications blind to modern social science analysis of historical periods as in the case of Korea.

The Chinese narrative dismisses alternatives to China's regional order as negative: imperialist, exploitative, and at odds with national aspirations. There is no liberal order based on equality among countries, no mutual respect for national interests. China may have lost its appeal for Koreans, but this did not mean that what other countries offered was in Korea's interest. Only by repudiating them and fighting for socialism in place of capitalism would Korea eventually escape from this dilemma. This is the rote message that is conveyed regarding the situation Korea faced from the latter part of the nineteenth century to the revolutionary upsurge decades later.

The struggle for Korea was not just against imperialist powers in favor of self-determination. There was no alternative to regaining a regional system amid the continuing great power struggles under way. The nineteenth century saw China unable to protect the Korean Peninsula—Japan prevailed, Russia tried to prevail, and the United States later became the hegemon imposing its regional system. In time, however, China would again be capable of protecting the peninsula, while offering a regional system favorable to it, Chinese authors argue in many writings.²⁰

Great power conflicts from the 19th century sacrificed small countries, leaving little hope until recently, argue Chinese sources. China's revival offers promise of peace and stability. Koreans may have lost confidence in China in the nineteenth century and been deceived

by Japan. They should refocus on great power balancing and on how China will continue to rise, while appreciating the historical contribution China made to Korea. This view from the 1990s foreshadows what is argued of late with ever more certainty and more obvious implications for international relations.²¹

Conclusion

Chinese publications on Korean history, before Japanese imperialism swept across East Asia and the Chinese Communist Party, with assistance from the Soviet Union and collaboration with Korean communists, became the centerpiece in writings on China and its environs, would appear to be an easy place to find objective analysis. The history of sinocentric relations with neighboring states has generally gained a favorable response in Western historiography, while Japan's treatment of Korea in the late sixteenth century and three centuries later has drawn condemnation. If the memories in Korea are ambivalent, Chinese could accentuate a shared Confucian tradition beneficial to both nations in many, undisputed ways. Showing respect for core elements of South Korean national identity would come with little cost to what is most valued in Chinese national identity. The foundation exists for accentuating the harmonious character of Sino-Korean history to reinforce newfound harmony.

Acceptance of modern principles of state-to-state relations in reflecting on what was not ideal in the past could also be accomplished without meaningful self-abasement. That past Sino-Korean relations were hierarchical and left matters of sovereignty in some doubt is not a more serious blemish than is found elsewhere in premodern times. Acknowledging flaws in the old order in recognition of the importance of forging new bilateral relations on modern principles should be standard fare for modern social scientists. Yet, Chinese writers appear to be compelled to justify and even glorify China's record as if it alone warrants pride and can serve as a model for the future. Hagiography slips into coverage in ways that can discredit the analysis.

It would seem natural that countries that had imbibed the Chinese model in building their state institutions and realized substantial achievements through the transfer of Chinese civilization would consolidate their gains and aspire to more autonomy and even a mini-tribute system on their own periphery. Recognition of the development trajectories of Korea and Japan, which were gaining rapidly on China in indicators of premodern development, would be a useful starting point for historical analysis, not the deceptive and often stagnant category of feudalism. Appreciation for national identity formation and how maintenance of China's identity should not preclude acceptance of Korean identity as it was evolving is also missing in Chinese sources.

Chinese publications are intent on conveying a morality tale. Class struggle is gone in versions since Deng Xiaoping changed the fundamental narrative. Nonetheless, a zero-sum approach to foreign policy puts virtuous China at odds with those seeking to distance themselves from the China-led order. This serves several purposes: for an authoritarian system it presents a simplistic vision typical for sustaining what is not to be questioned; for an aspiring regional hegemon it affirms the historical role of regional leadership without any tolerance for doubt; and for a state determined to shape the future of the Korean Peninsula it rejects alternative versions of lessons to be drawn from historical memories in favor of one clear-cut story-line.

Three questions appear to be answered, if indirectly, in the Chinese narrative about premodern Korea. First, which country should the Korean people trust in promoting peace, stability, and prosperity? The answer looking back to the history reported in Chinese sources is China, not Japan. Elsewhere, the U.S. role too is demeaned, but this takes us beyond the premodern era. Second, are Korean efforts to forge a regional order, whether as a balancer or as an intermediary in managing a balance of power, deserving of support? Given the ill-advised nature of how upstart Korea strove to separate itself from the China-led order, the answer obviously is “no.” Koreans must not only reconcile themselves to their fate but positively accept it as in their country’s own best interest. Third, in the whirlpool of intrigue over the North Korean nuclear weapons and missile programs, what echoes of earlier power struggles can be seen? Whether in the seventh century or sixteenth century when China came to the rescue or in the nineteenth century when tragedy struck because China could not play the savior role, Koreans should recognize the parallels to today.

There was a time not long ago when hope was placed on joint histories to narrow the wide gaps over memories aroused for political purposes. It was assumed that professional historians dedicated to objective standards of analysis would jointly in the course of academic exchanges find common ground on which to agree. While many doubted that any consensus could be achieved in perceptions of the sensitive decades of the first half of the twentieth century, the premodern period looked most promising. After all, shared Confucianism could be invoked. Yet, once the Koguryo dispute came to light, hopes were dashed in South Korea. Given recent Chinese writings on the entire sweep of Korean history to the late nineteenth century, no illusions should persist that the Sino-Korean divide can be bridged. As long as the foreign policy of China remains fixated on a sinocentric order inclusive of Korea and on a path to Korean unification conducive to that order, the gap over the premodern era of history has no prospect of narrowing.

Endnotes

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² “Party History and What the People Can’t Be Told,” China Digital Times, January 14, 2018, <https://chinadigitaltimes.net/2018/01/translation-party-history-people-cant-told/>

³ See the index of titles over 10 years in Fudan daxue *Hanguo yanjiu zhongxin*, *Hanguo yanjiu luncong*, no. 10 (Beijing: Zhongguo shehui kexue chubanshe, 2003).

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- ¹³ "Gaojuli Bohai Lishi Yanjiu," *Dongbeiya yanjiu luncong*, 2016, 45-56.
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- ¹⁶ Liu Yonglian and Xie Xiangwei, "Huayi zhixu kuodahua yu Chaoxian Riben de jian xianghu renzhi de piancha," *Shijie lishi*, no. 2 (2015): 60-68.
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Chinese Views of Korean History in the Late 19th and Early 20th Centuries

Kirk W. Larsen

In July 2014, Ambassador Qiu Guohong in preparation for Xi Jinping's visit to Seoul stated that the "relationship between South Korea and China couldn't be any better."¹ Among the many reasons for this—economic, geostrategic, cultural—was a shared sense of history. China and Korea, officials and commentators in both nations claimed, were close because of their agreement regarding the significance of their experiences as victims of foreign, particularly Japanese, imperialism in the 19th and 20th centuries.

History, that constellation of memories, stories, and notions about the past, has often been deployed to reinforce conceptions of identity, to support certain courses of action, and to demarcate between the in-group and the other. But history is ever malleable and protean. Not only do individuals, institutions, and ideas change but so does the understanding of them. When one draws on the past, one inevitably focuses on a limited set of events or narratives that best serve one's interests—to the exclusion of potentially equally valid candidates. Their utility can vary over time; one need only think of how figures such as Zheng He or Confucius have been imagined and re-imagined over the last century.

This has been the case with the history of relations between China and Korea from the late-nineteenth to the mid-twentieth centuries. For many Chinese, Korea has served first as a subject of contestation as China's position in Korea was challenged by both Western and Japanese powers. Then, when it became increasingly clear that China (or the Qing Empire) was losing this contest, Korea became an omen of China's own fate absent significant course changes. As Japan's growing empire engulfed Korea and subsequently threatened parts of China, resistance served to bring China and Korea closer; many in China celebrated what they saw as courageous resistance to Japan—such as when An Chunggun assassinated Ito Hirobumi in 1909. Shared status as victims of Japanese imperialism in an age of "humiliation" brought the two closer, and the mutually shared memory of "humiliation" has been deployed by contemporary Chinese and South Korean leaders—Xi Jinping and Park Geun-hye—to foster greater levels of cooperation.

However, past conceptions of China, Korea, and the Sino-Korean relationship have sometimes ranged far afield from the cherished tropes of humiliation and the struggle for independence. Even seemingly universally agreed upon symbols, such as An's heroic 1909 assassination, find themselves subject to changing interpretations such as recent emphasis by some on his pan-Asian vision of Sino-Korean-Japanese cooperation rather than his bold anti-Japanese act. As interests and priorities change, so does the utility of any particular historical narrative.

From a Peaceful "Tribute System" to "Humiliation"

Several broad concepts thought to have been present in China's past have animated China's sense of itself and its perception of its relations with others. The first is a general sense of China and the Chinese as a peace-loving people. While other cultures may have glorified violence, war, and conquest, China, largely by virtue of its "Confucian" culture, is thought to have been different. This perception of traditional culture goes back at least to Confucius's refusal to even discuss military formations with Duke Ling of Wei² and Mencius's denunciation of claiming military expertise as a "grave crime."³ Sun Yat-sen echoed these sentiments, stating "China has never attempted by economic weapons to oppress other races...China's aspirations for peace were fully evolved even at the time of the Han Dynasty." Chiang Kai-shek concurred, "We do not oppress the weak and we do not bow before tyranny."⁴

These sentiments have been echoed by contemporary Chinese leaders such as Wen Jiabao, who declared that “peace loving has been a time-honored quality of the Chinese nation.”⁵ While the notion of Chinese or Confucian pacifism has not been without its critics,⁶ recent PRC rhetoric has more or less accepted the idea—everything from Hu Jintao’s idea of “China’s peaceful rise” to Xi Jinping’s extensive references to “peaceful development,” e.g., in Xi’s declaration, “The Chinese nation loves peace. To abolish war and achieve peace has been the most pressing and profound aspiration of the Chinese people since the advent of modern times. Pursuing peaceful development is what the fine traditional Chinese culture calls for...”⁷

The idea of China as exceptionally, if not uniquely, peace-loving has also influenced perceptions of interactions with its neighbors. It is assumed that China has eschewed policies of coercion or aggression, using these to expand the size of the realm, in favor of allowing the persuasive power of Chinese culture and the benevolence of Chinese rulers to structure peaceful relations with neighbors. Mencius had nothing but praise for King Wu who “marched on Yin,” but proclaimed “Do not be afraid. I come to bring you peace, not to wage war on the people.”⁸ China was thought to have interacted with its neighbors through the peaceful mechanism of “tribute,” with neighbors voluntarily approaching China seeking amicable relations in response to the power of China’s culture (or the lure of trade). Chinese officials have accepted this conception of Chinese foreign policy. “China has never had the tradition of expanding abroad,” declared Qian Qichen in 1997.⁹ Liu Mengfu, author of the influential 2010 book *The China Dream* expresses similar sentiments when he declares,

“The Chinese Empire, at its peak, could have looked at the world in disdain, because there was no other nation strong enough to challenge it, and if China had had the desire to expand, no other nation could have resisted. However, the Chinese Empire made the choice not to impose its central authority on the ethnicities or territory of other nations. As we can see, China is a nation that does not invade smaller or weaker nations and does not threaten neighboring countries...China was a major power for thousands of years, but the small countries bordering it, like Annam (Vietnam), Burma, Goryeo (Korea), and Siam, all maintained their independence.”¹⁰

Xi Jinping concurred with his 2013 statement that “we have made a solemn pledge to the whole world that we will never seek hegemony or commit any act of expansion...Looking back on history, we can see that those who launched aggression or sought expansion by force all ended in failure. This is a law of history.”¹¹

Thought to have demonstrated these characteristics of Chinese political and cultural identity and foreign policy most clearly has been the relationship with Korea, which is seen as having eagerly imported and adopted a wide range of Chinese practices—everything from statecraft to major belief systems to written language—and the attendant Korean respect for China made Korea the tributary *par excellence*. Korea topped the list of tribute nations and peoples in the Ming and Qing and was renowned for the consistent dispatch of tribute missions, which reinforced the core principles of the relationship: Chinese superiority in a hierarchical structure but also the lack of coercion in the relationship. Liu Mingfu provides a summary of the conventional wisdom in China regarding the nature of the “tribute system” when he declares “The universal spread of China’s civilization and the variety of nations that sent emissaries to China were simply a reflection of the attractiveness of the central nation, and the admiration that neighboring countries had for China’s civilization.”¹² Hence,

the confusing (given Westphalian conceptions of sovereignty and international relations) 19th-century Qing Chinese declarations that Korea was simultaneously a Chinese vassal and an autonomous state.

This “harmonious and mutually beneficial” relationship was challenged by the arrival of Western and Japanese imperialists. Juxtaposed against the Chinese self-conception of pacifism and benevolent foreign relations is a narrative of “national humiliation” that China endured from the first Opium War (1839-1842) to the establishment of the PRC in 1949. While those doing the humiliation were initially Westerners, Imperial Japan occupied an increasingly prominent place among those who sharply reduced China’s power and sphere of influence in Asia and ultimately threatened its very survival. Invocations of “national humiliation” as well as admonitions to “never forget” this period of China’s history are legion.¹⁴ Xi Jinping summarized them aptly in 2014:

“In the 100 years from the Opium War in 1840 to the founding of the People’s Republic in 1949, China was ravaged by wars, turmoil and foreign aggression. To the average Chinese, it was a period of ordeal too bitter to recall. The war of aggression against China waged by Japanese militarism alone inflicted over 35 million Chinese military and civilian casualties. These atrocities remain fresh in our memory.”¹⁵

Korea plays a prominent role in this conventional narrative, first as an object of contestation among the various powers in Asia, then as a cautionary tale for what might befall China itself (absent significant awakening and reform), then as a mutual victim of Japanese depredations and a comrade in the anti-Japanese struggle. It is perhaps this last element that occupies the most attention in contemporary Chinese (and Korean) declarations about the period in which Korea fell into Japanese colonial rule.

While the suffering of both Koreans and Chinese under Japanese imperialism should not be neglected, other elements of the Sino-Korean relationship do not fit easily into the straightforward narrative of Chinese peace and benevolence supplanted by Japanese aggression finally overcome with a presumed return to peace and benevolence.

The Late Nineteenth Century

The arrival of Western and, later, Japanese powers in and around the Korean Peninsula in the mid-to-late nineteenth century challenged long-held mutual assumptions about Sino-Korean relations. For two centuries, relations between the Qing Empire and Korea had more or less followed a pattern described as “tributary relations.” But both this pattern, which reinforced the idea of Qing/Chinese superiority and Korea’s acceptance of its inferior position in the East Asian hierarchy, and the very idea of an East Asian hierarchy were challenged by Western powers that had forcefully changed the Qing Empire’s relations with the West via military force. The ensuing struggle for power saw Japan “open” Korea in 1876, compete with the Qing Empire, Russia, and other Western powers for preeminence in Korea, and annex Korea in 1910.

The Qing Empire’s claimed suzerainty over Korea was challenged first by Westerners, who sought to explain the relationship in ways that accorded with Westphalian norms and who sought to force Asian powers to accede to these norms by signing and abiding by treaties. It was then challenged by more aggressive imperialism, which often gave little heed to the

very treaties that Western powers had imposed upon China, Japan, and Korea or to the notions of sovereignty that the treaties supposedly guaranteed. Insult was added to injury as Meiji Japan quickly Westernized and joined the game of “high imperialism.” Japan’s defeat of the Qing in the 1894-95 Sino-Japanese War brought the annexation of Taiwan. The 1904-1905 Russo-Japanese War paved the way for the establishment of Korea as a Japanese protectorate (1905) and ultimately for the annexation of Korea in 1910.

Chinese observed these developments with increasing alarm. Not only did the loss of Taiwan and Korea highlight a growing sense of weakness, it also provided a stark example of the fate that China itself would suffer, absent significant reform and self-strengthening. “Our ‘Colossal Empire’ is about to be divided into about ten Koreas,” lamented one commentator in 1909.¹⁶ Works such as *A Mirror of Fallen Countries* and its supplement, a “Record of National Shame” listed Korea among the “fallen countries,” serving as a warning to China about what was to come.¹⁷

As foreign, particularly Japanese, imperial encroachment upon China itself only increased in the early 20th century, Korea and Koreans functioned both as victims of foreign/Japanese imperialism and as allies in the anti-imperialist struggle. For example, in 1945 Chiang Kai-shek declared that “for fifty years, the National Revolution of the Kuomintang-overthrowing the Manchu government and resisting Japan-has not only been a movement for China’s own freedom and equality, but also for the liberation and independence of Korea.”¹⁸ Looking back on this period of mutual suffering and struggle, Xi Jinping concluded, “China and the ROK represent important force [sic] in promoting regional and world peace. People from the two countries stood by and helped each other in opposing the Japanese colonial invasion and fighting for national liberation, making important contributions to the victory of the World Anti-Fascist War.”¹⁹

The sense of mutually-shared victimization at the hands of the Japanese has been utilized by leaders in both Beijing and Seoul (and to some extent Pyongyang) in order to cement closer ties. While there is much in the historical record to support the notion that an important story for both China and Korea is one of victimization and resistance, exclusive focus on the tropes of “humiliation” masks other ways of understanding the relationship in the late 19th and early 20th centuries. Re-imagining Korea not as a Chinese vassal but as an independent nation-state according to Western, Westphalian principles was only one way that Chinese conceptualized the relationship. Many also focused on a Korea that was much more thoroughly integrated into China in ways that complicate the full-throated defense of Korean independence.

The focus on loss and humiliation masks a countervailing narrative, one that took root at the time and has been noted more by scholars than by politicians or the general public, not of Chinese weakness and humiliation but of Chinese dynamism and strength. Some have found unexpected strength and resiliency even in moments of defeat like the 1894-1895 Sino-Japanese War.²⁰ Others have noted a dramatic increase in state capacity—fiscal, strategic, and even military—in the last decades of the Qing Empire.²¹

Korea presents a dramatic example of events where one can envision both weakness and strength, failure and dynamism. When the Qing Empire’s position in Korea as well as the sovereignty and security of Korea itself were challenged by Western nations and by Japan, the Qing Empire’s response was to engage in a series of unprecedented acts designed to

protect and promote China's interests in Korea. Qing officials negotiated Korea's first treaties with the United States, Great Britain, and Germany. Qing troops went several times to the peninsula to protect Chinese interests, at one point kidnapping King Kojong's father and holding him prisoner in China for three years. Chinese merchants, supported and protected by new Sino-Korean treaties and by a multilateral infrastructure often labeled the treaty port system, did a growing and successful business in Korea. Indeed, it is remarkable how many of the tactics described by Liang Qichao as being used by the "new" (foreign) imperialists were actually utilized by the Qing in the late 19th and early 20th centuries. "Some use trade to destroy the nation...Some use debts. Some use military training. Some use consultants. Some use (rail)road-building. Some take advantage of factionalism. Some use the excuse of quelling domestic disturbances. Some use the excuse of assisting revolution."²² With the possible exception of "assisting revolution," all of these tactics were considered or used by the Qing in Korea.

These actions were understood by some observers of the time as at least somewhat effective assertion of greater control by an empire that was far from dead. In 1887, Zeng Jize described that in response to "the loss of some of the most important of her possessions, China, to save the rest, has decided on exercising a more effective supervision on the acts of her vassal princes, and of accepting a larger responsibility for them than heretofore."²³ Zeng called for the "colonization of these immense outlying territories" mentioning Manchuria, Mongolia, and Chinese Turkestan by name" for both "economical" and "military reasons." In an age of "high imperialism" the Qing Empire proved to be a worthier competitor and participant than many in China recognized.

The idea of a "China" that actually behaved like many other imperialist powers runs contrary to both the notion of "national humiliation" and the idea of China as an exceptional, non-aggressive, and peace-loving power. Acknowledging the reality that the Qing Empire forced an unequal treaty upon Choson Korea which granted many of the same privileges—extraterritoriality, self-governing concessions in treaty ports, favorable tariff rates, etc.—to Chinese in Korea that were resented when imposed on Chinese in China is inconvenient to the narrative of innocent victimhood and humiliation.

The PRC has forgotten these narratives of China as a successful imperialist or colonial power, choosing instead to characterize the doubling of Chinese territory under the Qing (nearly all of which is either controlled or claimed by the PRC today) as "national unification" or "border affairs" rather than as conquest or colonization. Moreover, non-Chinese scholars who choose to view the history of the Qing through the lens of empire and imperialism are sometimes castigated in China as "academically absurd" with one Chinese calling upon "all scholars with a sense of righteousness to fiercely oppose it [the so-called New Qing History]."²⁴ This collective forgetting is understandable—few are the major world powers that do not regard themselves as exceptional—and somewhat astonishing. Early Republic of China maps of Asia sometimes labeled Korea as "originally our vassal, now a vassal of Japan" or listed Korea among China's "lost territories." But as William Callahan aptly observes, "spaces marked as 'lost territories' on twentieth-century maps were conventionally marked as 'gained territories' on Qing dynasty's eighteenth-century maps."²⁵

The implications of which narrative—China as benign, peace-loving power or China as an imperialist power akin to other powers—is predominant in the minds of actors in East Asia (and beyond) are significant. China’s refusal to acknowledge the imperialist parts of its own past results in an inability to sympathize with the fears of China’s neighbors.

Re-imagining Korea in the Early 20th Century

The notion of “liberation” is predicated on acceptance of the Westphalian norms of the modern international order in which sovereign, independent nation-states interact with each other on the basis of equality as expressed by treaties and international law. While the Qing Empire was thought to have resisted accepting these new international norms, preferring its own traditions of hierarchical relations with its neighbors and a relative absence of diplomatic representation or exchange (to say nothing of treaties or embassies), once the new international order was forced upon East Asia, largely at gunpoint, there were influential statesmen—everyone from Li Hongzhang to Sun Yat-sen—who embraced the new norms. They were often critical of the myriad cases in which Western powers and Japan failed to live up to the ideals of the “family of nations.”

In the first half of the twentieth century, Chinese opinion on both the actual and the ideal status of Korea was much more varied. The straightforward narrative of transformation from willing vassal of China (dramatically different from other forms of imperialism) to independent nation-state to Japanese colony belies the fact that as Chinese grappled with the implications of both a Westphalian system of international relations and the age of high imperialism, they imagined Korea’s relations with China—both past and present—in a variety of ways, some not conducive to the idea of Korean independence.

Many Chinese assumed that, in the words of Gwen Guo, “‘Chinese’ empires had exhibited more grace or benevolence to other countries than modern Western and Japanese colonial empires have.”²⁶ However, some wondered whether Korea’s status was something more akin to an actual Chinese possession than a tributary vassal. Wei Yuan wrote in 1842 that Korea should be regarded as part of China’s “inner realm.”²⁷ Similar declarations can be found in the 1883 *Twenty-four Rules for the Traffic on the Frontier between Liaodong and Korea*²⁸ and in Choson King Kojong’s 1887 expression of thanks to the Qing for negotiating an end to the Komundo (Port Hamilton) Affair.²⁹ The fact that, in the 1880s and early 1890s, the trade reports of the Korean Maritime Customs Service, which had been established at the behest of the Qing Empire, were simply included in the reports of the Chinese Imperial Maritime Customs Service, “in the same manner as though Korea were but a province of China,” caught the attention of some foreign observers as well.³⁰ Jiang Dengyun, while maintaining some distinction between inner and outer domains, argued that Korea (along with Vietnam and Ryukyu) were “no different than Chinese territory” because they were such good tributaries.³¹

Even after the complete loss of Chinese influence in Korea and the Japanese annexation, many in China longed for Korean liberation but not so much because they envisioned an independent Korea but rather because it would allow Korea to return to its proper status

as a Chinese possession. Li Zhipu mourned the loss of Korea but concluded that “in the last 2,000 years, [Korea] has never had a day of independence. Historically, it does not have the qualifications to be a nation.” Another wrote “Korea originally was our China’s subject country’ but with the Sino-Japanese War ‘Korea first broke away from its shackles to our motherland and became independent for a short while.’ This ‘independence’ was a beautiful name, he commented, but true political power had been in the hands of the Japanese all along.”³³ In 1933, Zhang Binglin and Ma Xiangbo described Japanese territorial encroachment into Rehe as moving like a “rubber band” and concluded that “the aforementioned rubber band not only should not be extended to our Rehe; it should also retract to beyond Korea, in accordance with universally accepted truths.”³⁴ A 1935 map highlighted by the geographer Ge Suicheng listed both Korea and Taiwan as “Japanese-held territory that came from our country.”³⁵ In an extensive review of the voluminous and diverse literature on Korea in early 20th century China, Gwen Guo finds a “hardening of boundaries” to have taken place in the 1920s and 1930s: “boundaries were hardened in the historical imagination, or re-invention of the past, that took place in the minds of writers of the time. Boundaries that once held ambiguity now yielded a single interpretation: Korea had belonged to China.”³⁶

The adoption of Westphalian norms and the increasing acceptance of Western notions of the nation-state would appear to have left little room for tributary relations. Chinese would be forced to choose between territories and peoples that were “Chinese” (even if now lost) and were, therefore, suitable for recovery and those that were other peoples and, therefore, allies in the anti-imperialist struggle but with the ultimate aim being independence rather than incorporation into China. Most would readily conclude that some cases such as Xinjiang and Taiwan would fall into the former category while Korea (and perhaps Mongolia) would fall into the latter—the official position of the PRC today. However, running through the discourse in the first half of the twentieth century is the strong sense that things were not so clear. Often, Korea would be included in a list of “lost” places with little to no distinction between Korea and other putatively Chinese possessions. The 1919 *Textbook of Chinese Language for Elementary School* includes the following: “Japan is an island nation developed after the Meiji Restoration. It placed Okinawa prefecture on our Ryukyu, forced us to cede our Taiwan, leased our Luda [an industrial port in northeastern China], annexed Korea, colonized our Manchuria.”³⁷

Similar ambiguity can be found in the declarations of Chiang Kai-shek. The need to reclaim China’s full sovereignty in the face of the unequal treaties forced upon China was an abiding concern of his. So, too, was maintaining the territorial integrity of nearly all (if not all) of the territory once controlled by the Qing as part of the new and modern China. However, the rhetoric concerning lands and peoples that had been lost and needed to be regained often did not make a clear distinction between areas that remain firmly claimed by China and those that have managed to stake out an independent existence (Mongolia and Korea). In one breath, Chiang would speak of his goals of regaining the Northeast (Manchuria), recovering Formosa (Taiwan), and restoring Korea to freedom.³⁸ And while one might see a meaningful distinction between, say, the Northeast (Chinese territory) and Korea (ally to be liberated), Chiang declares that the Nationalist government has never regarded “Outer Mongolia as colonials” and calls for continued “friendly relations “not only with the Outer Mongolians but also with the Tibetans” in the name of “the spirit of our National Revolution,”

“our entire program of national reconstruction,” and “world peace and security.”³⁹ Chiang strongly implied that support for independence in either Tibet or Korea was somewhat conditional: “I solemnly declare that if the Tibetans should at this time express a wish for self-government, our Government would, in conformity with our sincere tradition, accord it a very high degree of autonomy. If in the future they fulfill the economic requirement for independence, the National Government will, as in the case of Outer Mongolia, help them to gain that status. But Tibet must give proof that it can consolidate its independent position and protect its continuity so as not to become another Korea.”⁴⁰

After 1945, all of the indeterminacy found in the writings when China was actively resisting Japanese imperialism would seem to be water under the bridge. The PRC recognized the independence of Korea and went to war to help defend the independence of North Korea. Not only did it accept the Westphalian system of nation-states, it elevated non-interference into to the affairs of other sovereign nations as one of the most important principles of its foreign policy, especially during the Maoist era. However, one can imagine a future in which Xi Jinping’s attacks on Western values might be expanded to include an attack on the Westphalian system itself. Such an outcome might open up space for China to re-imagine and re-structure its relations with its neighbors in ways that might be consistent with a new tributary order or perhaps even include the more ambitious and aggressive designs of some Chinese in the late 19th and early 20th centuries.

An Chunggun in China

The case of An Chunggun illustrates many of the themes already established including the overarching Chinese emphasis on peace and overcoming “humiliation,” the use of history to support current political and diplomatic initiatives, but also of how the protean nature of history sometimes supports and sometimes subverts these aims. On October 26, 1909, An shot and killed Ito Hirobumi at the Harbin Railway Station. An was quickly captured, put on trial by Japanese authorities, and executed. But his fame and notoriety quickly spread. Worried about the growing Japanese presence in Korea, Manchuria, and beyond, as well as about the seeming inability of the Chinese state to successfully resist Japanese imperialism, many looked to An’s example for motivation.⁴¹

As is the case with nearly any historical event, the reasons why Chinese commented on and commemorated An’s assassination of Ito varied. Some, while acknowledging An’s courage, noted that his deed did little to slow the expansion of the Japanese empire and may have actually accelerated the Japanese annexation of Korea. Others questioned An’s choice of target, arguing that he should have focused on “national traitors” among the Korean population (such as Yi Wan-yong) and called on Chinese to do likewise.⁴²

But the majority of Chinese public opinion and commentary celebrated An’s heroism, saw it as inspiration for China’s own struggle against foreign imperialists, and looked forward to the day when a Chinese An Chunggun might arise. When one surveys the commentary on An, one is struck by how frequent and widespread it was and how many luminaries in 20th century China participated. Sun Yat-sen praised An whose name was known “through myriad countries.”⁴³ Li Dazhao wrote a shadow puppet play entitled “An Chunggun Assassinate Ito Hirobumi” which was performed by Sun Zhaoxiang.⁴⁴ A young Zhou Enlai

directed a play celebrating An at the First Women's Normal School of Zhili and would later marry the actress who played An in the play, Deng Yingchao.⁴⁵ Liang Qichao composed a well-known poem "The autumn wind cuts down wisteria" (with "wisteria" being a pun for Ito); there is strong evidence to support the conclusion that Liang traveled from Japan to Lüshun to personally witness An's trial.⁴⁶ On May 4, 1919, Chen Zhidu, a leader of the student demonstrations that now bear the name May 4th Movement, severed his finger in imitation of An and as an indication of his commitment to his country.⁴⁷ It is probably not an exaggeration to conclude that An Chunggun was the most well-known Korean in China in the first half of the twentieth century.

An Chunggun continued to be commemorated in post 1949 China. 1950s elementary school textbooks recounted his story. Reputed scholars such as Yang Shaoquan and An Qingkui wrote academic studies of An. In a meeting with a North Korean scholar in 1963, Zhou Enlai declared "The common struggle of our two countries' peoples against Japanese imperialism began with An Chunggun's assassination of Ito Hirobumi."⁴⁸

However, as the decades passed and as the CCP developed and promoted its own pantheon of heroes (Long March veterans, Lei Feng, etc.), it is not surprising to find that knowledge and celebration of An in China declined. But he was to experience something of a resurgence in the early 21st century. This was largely due to the continued promotion of An in South Korea and was particularly manifest in the public diplomacy of South Korean President Park Geun-hye. In 2013, Park visited China and gave a well-received speech (part of it in Chinese) at Qinghua University. Also in 2013 she suggested to Xi Jinping that An's assassination of Ito should be commemorated by the establishment of a memorial at the Harbin Railway Station. In something of a reciprocal speech to South Korean college students at Seoul National University in 2014, Xi Jinping quoted the "righteous martyr An Chunggun," albeit only giving rather anodyne advice on not wasting one's irreplaceable youth.⁴⁹ In the same speech, Xi declared that "China will always be a country that maintains peace," and characterized PRC-ROK ties as "their best in history."⁵⁰

Xi and local authorities in Harbin responded with enthusiasm to Park's 2013 request and the "Ahn Jung-geun Memorial Hall" was created and opened to the public on January 19, 2014. The Hall introduced visitors to An's life and shows the exact spot where the assassination took place (the clock on the outside of the hall is permanently stuck at 9:30 am, the moment when the shooting took place, and markers on the ground indicate where both An and Ito were standing at the time).⁵¹ Writing of the memorial to a Korean on Chinese soil, Lü Chao, a researcher at the Liaoning Academy of Social Sciences, noted "Previously there have been almost no sculptures or memorials for foreigners in Chinese territory...So this thing is out of the ordinary."⁵² Chinese media reported on the Hall, some noting that memorials to An had been established in North Korea, South Korea, China, Russia, and even Japan.⁵³

Since then, growing numbers of Korean tourists have joined local Chinese in visiting the Memorial Hall which was praised for stimulating the local economy in Harbin and increasing interest in joint cultural activities.⁵⁴ Some Chinese visitors expressed only a dim awareness of An and his deed before visiting the Hall. But as one visitor, Ms. Gao, noted, "I'm indignant at Japan, and this man is a hero...The things Japan has done lately has forced China and South Korea to launch an anti-Japanese campaign. This shows heroism has no borders."⁵⁵ The South Korean musical "Hero" which lionizes An and his deeds has toured in China both in Harbin and beyond.⁵⁶ A group of prominent Chinese and South Korean filmmakers have also announced their intention to produce a feature film that will re-tell An's story.⁵⁷

The new-found cooperation and admiration for An Chunggun was part of a broader effort to bring the PRC and the ROK closer together in their mutual acknowledgment of their suffering at the hands of imperial Japan and their shared determination to hold Japan accountable. In 2015, the PRC and the ROK joined forces to seek UNESCO acknowledgment of Japanese atrocities.⁵⁸ Both sides also expressed appreciation for progress in the repatriation of Chinese Korean War remains and the establishment of a memorial in Xi'an honoring Korean independence fighters. In the same year Park Geun-hye attended a parade in China that celebrated the victory over Japan in World War II, standing alongside Vladimir Putin, Xi Jinping, and former Chinese leaders Jiang Zemin and Hu Jintao. Park's presence made her perhaps the second-most prominent foreign head of state (second only to Putin) to attend the parade (the United States by contrast sent only its ambassador Max Baucus) and was surely appreciated by Xi and the PRC government.

This public display of shared identity and aims demonstrated, according to Yang Xiyu, an analyst at the China Institute of International Studies, that "cooperation between the two countries has moved from non-sensitive fields to traditionally sensitive ones." Qu Xing, head of the same institute declared that "China-ROK relations are now at their best in history."⁵⁹ Some analysts noted that this newfound amity threatened to transform the ROK-US relationship; for example, Beijing University's Jin Jingyi declared, "Since South Korea had joined China in opposing Japan's regression on history and had appeared to be distancing itself from its alliance with the US, China pulled South Korea closer..."⁶⁰

After this high point, a series of developments, some related to the ways in which An Chunggun has been deployed, some related to broader security and cultural issues, threatened to complicate and fray relations between China and South Korea.

First was the ever-present tension between the lionization of An's heroic act of violence and the general tendency among many in the world today to condemn violence in general and acts that can be described as "terrorism" in particular. Unsurprisingly, it was Japanese officials and commentators who first raised this issue in connection to the recent celebrations of An. For example, in January of 2014, Chief Cabinet Secretary Suga Yoshihide declared, "The Japanese opinion of Ahn Jung-geun...is that he is a terrorist who was sentenced to death for murdering Ito Hirobumi, our first prime minister."⁶¹ This direct challenge was forcefully met by Chinese officials such as PRC Foreign Ministry Spokesman Qin Gang who replied that "Ahn Jung Geun was a renowned anti-Japanese activist" and quipped that "If Ahn Jung Geun was a terrorist, then how should we define the 14 Japanese Class-A World War II criminals enshrined in the Yasukuni Shrine?"⁶² Moreover, "Ahn Jung Geun was not a terrorist but one who confronted colonists bravely," said Da Zhigang, director of the Institute of Northeast Asian Studies of the Heilongjiang Academy of Social Sciences.⁶³ Nevertheless, there likely remains at least some cognitive dissonance generated by the fact that the same regime that was openly celebrating An's use of violence to resist unwelcome imperial encroachment also freely utilizes the term "terrorist" when referring to Uighurs or others who arguably are engaged in a similar struggle against the PRC itself.⁶⁴ Interestingly, this cognitive dissonance may have recently manifested itself in South Korea when the Inch'on police used the famous handprint of An Chunggun (recognizable in part because of the missing portion of An's ring finger—An had severed his finger as a testament to his determination to kill Ito) in an anti-terrorism campaign.⁶⁵

A second manifestation of tension or divergence is found in the fact that a growing minority of those who focus on An Chunggun, his life, and his writings, increasingly emphasize his unfinished treatise *On Peace in the East*. A collection of An's observations on the current state of Korea and East Asia as well as recommendations for future action, *On Peace in the East* stands in contradistinction to An's famous act of violence in that it not only calls for peace, but it also articulates a vision of a future East Asia in which Korea, China, and Japan cooperate in a pan-Asian unity. Although the existence of *On Peace in the East* was known immediately after An's execution, few in China (or Korea) paid its contents much attention. Wang Yuanzhou is surely correct when he concludes that "An's *On Peace in the East* would have had difficulty earning the acceptance of a Chinese audience."⁶⁶ However, after the full contents of An's treatise were discovered in 1979, some have argued that An's vision of Sino-Korean-Japanese cooperation might provide inspiration for regional cooperation and even the creation of a European Union-like apparatus in East Asia. While an inclusive vision of a future East Asia that actually includes Japan as a full partner seems unlikely to take hold in today's climate of competition and hostility, perhaps some future thinkers and opinion-makers might draw on both An's vision as well as that of Sun Yat-sen (as per his famous 1924 speech on "Greater Asianism") to deploy An Chunggun in a very different fashion.

Finally, it bears noting that a shared veneration for An Chunggun was not, in and of itself, sufficient to bind South Korea and China together in the face of other centrifugal forces. For example, while Park Geun-hye and Xi Jinping's mutual focus on shared suffering at the hands of Japan may have served to bring the PRC and the ROK closer together, Park's decision to pursue a breakthrough with Japan regarding another thorny historical issue—the "comfort women"—threatened to see the ROK veer off of its anti-Japanese course. Hailed as Park's "main diplomatic achievement," the December 2015 agreement between Park and Japanese prime minister Abe Shinzo promised to resolve the issue in a "final and irreversible" way and to restore a "veneer of normalcy to the Japan-South Korean relationship."⁶⁷ Some noted that this bold South Korean move more or less constituted "deserting China in their joint front on historical issues."⁶⁸ And even though Moon Jae-in, the successor to the impeached Park, has expressed criticism of the terms of the December 2015 agreement, he has also declared his intent to continue to abide by it (at least for the time being). Clearly, geopolitical and economic concerns can and do trump shared historical consciousness or even historical enmity.⁶⁹

This is perhaps most clearly demonstrated in the case of the recent dispute over the ROK's 2016 decision to allow the deployment of American Terminal High Altitude Area Defense (THAAD) missile batteries on South Korean soil. Ostensibly aimed at defending against a North Korean missile strike, the move was vigorously criticized by the PRC, which engaged in a campaign of ratcheting up pressure on Korea by denying K-Pop groups the right to tour in China, banning the sale of some South Korean products citing safety concerns (grassroots boycotts of Korean goods also meant that Chinese purchases of Korean food products and automobiles dropped sharply in 2016-2017), and ordering Chinese travel agencies to stop selling package tours to South Korea. Some estimates indicate that the resulting decline in

Chinese tourism in Korea cost South Korea nearly \$7 billion dollars in revenue in 2017.⁷⁰ These latest conflicts are only the most intense of a series of disputes—the “garlic wars” and the “kimchi wars” (among others) of the 1990s and early 2000s—that characterize what many Koreans see as a heavy-handed Beijing wielding its power and influence in ways that belie the rhetoric of cooperation and mutual affection. South Korea, it seems to some, is allowed to be “independent” only when such independence leads to decisions and actions that comport with Chinese interests.

In this heated atmosphere, the number of South Koreans traveling to Harbin dwindled and South Korean media observed that when the An Chunggun shrine was removed from the Harbin Railway Station (ostensibly to allow for renovation of the station), “many people have doubt that the memorial will be reopened at the railway station after the remodeling, given the strained relations between Seoul and Beijing.”⁷¹

However, An continues to be deployed as a potential symbol of PRC-ROK comity as when a Chinese think tank, the Charhar Institute, donated a statue of An to the South Korean city of Uijongbu in mid-2017 in order to “promote friendship between the two countries.”⁷² Despite official denials, some in Korea speculated that the statue was sent under the direction of Xi Jinping and hoped that it augured better relations between China and South Korea.⁷³

In his 2014 speech to South Korean students at Seoul National University, Xi Jinping noted that “as China is a country with over 5,000 years’ history of civilization, it is a matter of concern to many people that facing the future, what kind of country China will choose to be.”⁷⁴ Xi’s consistent message to the world is that China will continue to be what it has always been: a peace-loving, friendly neighbor. These themes were on full display in a speech Xi gave the following year at the parade marking the 70th anniversary of the end of World War II, where he was visibly flanked by Park Geun-hye. The themes of peace, “humiliation,” and regional cooperation were repeatedly mentioned with Xi declaring:

“In the interest of peace, China will remain committed to peaceful development. We Chinese love peace. No matter how much stronger it may become, China will never seek hegemony or expansion. It will never inflict its past suffering on any other nation.”⁷⁵

Of course, also on display at this event was in impressive array of modern battle tanks, artillery, and missiles (with helicopters and fighter jets overhead). Given its protean nature, history is unlikely to be dispositive in shaping “what kind of country will choose to be.” China could very well draw on its long tradition of loving peace and respecting the sovereignty and independence of its neighbors. But it could also draw on strands of history in which China is understood to have behaved as a “normal” nation, or, indeed, a great world empire subject to the same dictates of realpolitik as other great powers. Should decision-makers in China opt for the latter, it is unlikely that a dozen or even a hundred shrines to An Chunggun will be able to stem the tide.

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- ³³ *Ibid.*, 59; citing “Ai Hanguo,” 43.
- ³⁴ *Ibid.*, 190.

³⁵ Ibid., 239.

³⁶ Ibid., 218.

³⁷ French, *Everything Under the Heavens*, 70.

³⁸ Examples include Chiang Kai-shek, "One half of the world's people," *The Collected Wartime Messages of Generalissimo Chiang Kai-shek*, 1937-1945, 667; Chiang Kai-shek, "A solid foundation for victory," *The Collected Wartime Messages of Generalissimo Chiang Kai-shek*, 1937-1945, 778. In his diary, Chiang focused on his efforts to xuechi (wipe clean humiliation), including "Recover Taiwan and Korea. Recover the land that was originally part of the Han and the Tang dynasty. Then, as descendants of the Yellow Emperor, we will have no shame." French, *Everything Under the Heavens*, 249.

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Chinese Views of Korean History in the Cold War Era

Jin Linbo

This chapter draws a rough sketch of the evolution of Chinese views on Korean history in the Cold War era in three parts. The first focuses on the formulation of Chinese views of the Korean War in 1950 and the mainstream assessment of the war after Sino-South Korean diplomatic normalization in 1992. The second focuses on China's attitudes and policies toward the two Koreas in the Cold War years. The third deals with the changes and limits of perceptions on Korean history after diplomatic normalization and their impact on bilateral relations between Beijing and Seoul.

For centuries many Chinese have firmly believed that the relationship between China and the Korean Peninsula is like that between lips and teeth, they are not only close to but also dependent upon each other. If the lips are gone, the teeth will be cold. From the middle of nineteenth century, the geopolitical proximity and interdependence between the two have become the determining factors in formulating Chinese perceptions towards Korea. Since then the national security concerns symbolized by the sense of lips and teeth had been frequently stressed by some Chinese intellectuals and officials when both China and Korea were exposed to the growing imperialist expansion and geopolitical competition in East Asia. In order to maintain the traditional tributary relationship between China and Korea, China fought the first Sino-Japanese War in 1894-95. Although it was miserably defeated, and Korea was consequently annexed to the Japanese empire in 1910, the Chinese sense of lips and teeth remained undiminished. Rather, it was further strengthened among ordinary Chinese when the Cold War began and especially when the Korean War broke out in 1950.

After the end of World War II, China faced a new situation on the peninsula. Korea was liberated from Japanese rule but soon divided into the Soviet backed socialist North Korea, the Democratic People's Republic of Korea (DPRK), and the U.S. backed capitalist South Korea, the Republic of Korea (ROK). As a newly established socialist country, China naturally allied itself with the Soviet Union and viewed the DPRK as a close friend while regarding the United States and ROK as hated foes. The intensified Cold War confrontation between the two camps and two Koreas triggered the outbreak of the Korean War. In order to safeguard its own political, ideological, and security interests, China quickly got involved in the war by sending the Chinese People's Volunteer Army (CPVA) to fight together with its DPRK friend against their common enemies. The war ended with a cease-fire armistice and created a friend and foe Cold War framework, which the new China was compelled to face even beyond the Cold War era. Under these circumstances, the majority of Chinese held the view that it was the capitalist enemy rather than the socialist friend who started the Korean War with a view to overthrowing not only the socialist government in Pyongyang but also the similar one in Beijing. Therefore, it was against this background that China's attitudes and policies toward the two Koreas in the post-Korean War era were doomed to be ideology-driven and DPRK sympathetic.

Throughout the Cold War period national images of the two Koreas had drawn a sharp contrast. In Chinese newspapers and magazines, the DPRK was always portrayed as politically democratic, economically prosperous, and socially stable while the ROK was always seen as a political dictatorship, in economic crisis, and in social chaos. In foreign policy, China praised almost all the arguments and policies of the North while denouncing almost everything

from the South. Thus, the contrasting descriptions of, and opposite policies toward the two made Chinese views completely fixed within the Cold War framework of friend and foe until the end of the 1970s, when China started to adopt the reforming and opening up policies and then mitigated its harsh attitudes toward South Korea from the late 1980s.

The change in China's attitudes toward South Korea accelerated around the end of the Cold War by a series of internal and external events, including China's desperate need for breaking its diplomatic isolation and the final collapse of the Soviet Union. China's redefinition of its attitudes broke the long-fixed Cold War framework of friend and foe and eventually led to the establishment of diplomatic ties between the former adversaries in 1992. The long-awaited normalization has not only made remarkable progress in bilateral economic cooperation, but also pushed overall relations to an unexpectedly high level in only one decade. In 2003, the two countries announced the establishment of an "all-around cooperative partnership," and it was further upgraded to a "strategic and cooperative partnership" in 2008.

The swift upgrading of Sino-South Korean ties not only demonstrated the strong political willingness on both sides to further strengthen their relations, but also brought about explicit changes in Chinese views of Korean history in the Cold War era. For instance, after normalization almost all Chinese publications used an "objective description" of the origin of the Korean War without accusing South Korea of being the provoker of the war. At the same time, China's national image of the ROK has generally transformed into a much more positive one in comparison to the image of the DPRK in many aspects. Although the favorable South Korea image was seriously undermined by the "Koguryo controversy" in 2004, the positive momentum in Sino-South Korean relations has been largely sustained by the swift crisis control efforts of the two governments.¹

With all these achievements, however, China-ROK relations remain unable to overcome a congenital deficiency. The contradiction between the economic cooperation centered Sino-ROK relations and the security cooperation centered ROK-U.S. relations has made South Korea's balanced big power diplomacy unsustainable. The sudden deterioration of Sino-South Korean relations caused by the deployment of the Terminal High Altitude Area Defense (THAAD) system in 2016 explicitly revealed the limits of the economic cooperation centered redefinition in China-ROK ties since the end of the Cold War. Although the redefinition of China's attitudes toward the ROK and Chinese views of Korean history has made a great difference in many areas, China's disapproval of the ROK-U.S. alliance and the ROK-U.S.-Japan military cooperation remains unchanged from the Cold War years. Thus, after more than two decades of the redefinition efforts, the mainstream Chinese view of Korean history in the Cold War era remains largely unchanged, especially when it comes to the confrontational relations between China and South Korea. Even when the two sides have successfully stabilized relations through the summit between President Xi Jinping and President Moon Jae-in in Beijing at the end of 2017, it remains to be seen if the insuperable differences between mainstream Chinese and South Korean views of Korean history could be greatly narrowed in the years ahead.

The Korean War

It is no exaggeration to say that the Korean War was the most crucial event in formulating contemporary Chinese perceptions towards the Korean Peninsula, not only directly affecting attitudes and policies toward the two Koreas during the Cold War, but also having significant implications for these relations in the post-Cold War era. Chinese perceptions of the Korean War were first formulated right after the eruption of the war and were partially reshaped four decades later when diplomatic normalization was realized, and the relevant dossiers of the former Soviet Union were released from the middle of the 1990s.

On July 25, 1950, a month after the war began, Xinhua News Agency issued a crucial report entitled “On the Issues of the Korean War,” giving a comprehensive interpretation in a Q&A format about what had just happened on the peninsula. In answering the thirteen questions such as “who provoked the Korean War?” and “why did American imperialism invade Korea?” the report first provided background information about the policies of the two Koreas and the overall security situation on the peninsula, and then pointed out that “it was Syngman Rhee’s puppet troops which were instigated by American imperialism that had started the war.” The report described the details as follows. “The puppet troops launched a sudden attack from three directions all along the 38th parallel at dawn on June 25 and invaded into North Korea one to two kilometers.” With regard to the aim of the provocation, the report stressed that “the aim of the American imperialist invasion was to seize the whole of Korea, establish an anti-people puppet regime, deprive the Korean people of independence, freedom, and unification, and transform the whole of Korea into an American colony to serve as the aggressive springboard on the eastern borders of China and the Soviet Union for the United States.”² This report helped to shape mainstream Chinese views on the Korean War right after it broke out and remained largely influential throughout the Cold War years.

Although such an interpretation of the origin of the Korean War contradicted the mainstream views in the international community, the report’s description of the situation on the peninsula as a whole, especially the escalating political rivalry and military tensions between the two camps, and the anti-communist attempts taken by the South Korean authority and the U.S. forces, was much easier for the majority of the Chinese public to embrace. In fact, since the end of WWII, the Cold War confrontation between the Soviet-led socialist camp and the U.S.-led capitalist camp on the Korean Peninsula had loomed large. As the report explained, the South had long been preparing for the invasion of the North, and “from January 1949 to April 1950 Syngman Rhee’s puppet troops had already launched 1,274 attacks on the 38th parallel,” and Syngman Rhee himself had repeated his desire to conquer the North just days before the eruption of the Korean War.

Under these circumstances, the newly founded China had no option but to further strengthen its ties with North Korea and the Soviet Union, with which it already shared a wide range of political and diplomatic interests as well as security concerns. From China’s perspective, supporting the DPRK’s stance was not only a political and diplomatic necessity, but also an essential measure for safeguarding its own political and national security interests. When the U.S. Seventh Fleet was dispatched to the Taiwan Strait and a Chinese

city near North Korea was bombed, China was compelled to fight the war for not only the survival of its communist ally but also its own national security. The war slogan of “resisting American aggression and aiding North Korea, protecting our homes and defending our country” clearly reflected both the circumstances and the perceptions in which China had made the decision to send the CPVA to cross the Yalu River and head south in October 1950.

During the three years of war on the peninsula, the CPVA experienced the hardest fighting and paid a heavy price. However, from the mainstream Chinese perspective, as one Chinese high school history book described the event a half century later, the outcome of the Korean War was quite positive for China. “In the Korean War, the new China has carried out three years of war with the United States—the most powerful country in the world—and broken the myth of the invincible American army. The attempt by the U.S. to kill the Asian socialist countries through the war was a complete failure. The new China was forced to carry out the war of ‘resisting America and aiding North Korea, protecting our home and defending our country’ when the imperialist forces spread the flames of the war to its threshold. Consequently, the war has helped secure China’s national security, aided the just cause of the Korean people, and China’s international status has been greatly improved.”³

The significance of the war has been further stressed by Xu Yan, Ruan Jiaxin, and Zhang Shunhong. Xu made an impassioned argument, saying that current “China’s status as a strong world military power was just created by the war, the national pride lost during the hundred years after the Opium War had been restored, and thus it became the psychological strong point for the Chinese national rejuvenation...the war of ‘resisting America and aiding North Korea, protecting our home and defending our country’ was the most glorious victory in Chinese modern foreign war history. It started from the Yalu River and repelled the world’s strongest army back for 500 kilometers and saved its neighbor. From the military point of view, the war forged a security buffer zone for several hundred kilometers and a peaceful situation for several decades. Today, looking back to the war, we feel deeply the correctness of Mao Zedong’s analysis, that is, ‘we should participate in the war, we must participate in the war, the interests of participation will be enormous, and the damages of non-participation will be tremendous.’”⁴

In his article refuting some criticisms of China’s participation in the war, Ruan criticized the argument that China had actually supported North Korea to wage the Korean War as “ill-founded,” and emphasized that China’s participation in the war was not only necessary and significant, but also “demonstrated new China’s national image and responsibility as a rising big power to the world.”⁵ Similar to Yuan’s argument, Zhang rebutted the view that “China’s participation in the war was a mistake” by raising four points to further emphasize the meaning of China’s involvement in the war, namely: 1) the United States compelled China’s involvement; 2) the spirit of the CPVA was world shaking; 3) China’s participation enormously inspired the Chinese people; and 4) China’s participation highly raised China’s international status.⁶ As mentioned above, all these enthusiastic assessments of China’s participation in the Korean War have represented the mainstream Chinese perception of the Korean War and remain influential in shaping China’s attitudes and policies toward the Korean Peninsula at the present time.

Friend and Foe

There seems no doubt that the Korean War demonstrated to the world that new China had substantially stood up as a strong political as well as military power, but it also produced an unfortunate result by which Chinese perceptions of and relations with the two Koreas were completely confined to the Cold War framework of friend and foe for nearly four decades. Within this framework, Chinese viewed North Korea as a close political friend and security ally while regarding South Korea as a hated political foe and security threat—national images of the two presented a sharp contrast.

In the early 1950s depictions of the two Koreas in Chinese newspapers and magazines were as follows. “The government of the DPRK was democratically elected by the People of all of Korea” and its political, economic and social policies have made great progress. On the contrary, “Syngman Rhee’s so-called ‘government of the ROK’ was an anti-national and anti-people regime which was supported by American imperialism by bayonets and unlawful elections.”⁷ In the late 1950s, the economy of the DPRK had made incredible achievements, its per capita production of major industries such as coal and electricity had already exceeded or would soon catch up with that of Japan by 1961.⁸ Around the same time South Korea was in a state of economic bankruptcy. Its statistics showed that in 1959 the trade deficit and the unemployment rate reached a high level, more than 70 percent of the small and medium-sized enterprises, which accounted for 99 percent of South Korean manufacturing companies, had collapsed or stopped doing business, and South Korean industrial output had fallen to only half of that at the end of Japanese imperialist rule. Furthermore, political life was in chaos. In 1960 the election fraud triggered mass protests and Syngman Rhee’s puppet government was finally overthrown by the South Korean people, this was the message transmitted to Chinese audiences.⁹

In the 1960s and 1970s similar stories appeared. A report in the early 1960s noted that in the past 15 years the DPRK had achieved two great victories—safeguarded its freedom and independence by defeating the annexing attempts of American imperialism, and successfully “built a hundred times better industrial and agricultural socialist country.” “During the recent 15 years Korean history has entered into an era of leaps-and-bounds development.”¹⁰ It has continued to march smoothly along the road of socialist construction and constantly made new achievements in both the agricultural and industrial areas.¹¹ And the people of the DPRK are “living in great happiness.”¹² South Korea, however, was reported to be under the strict control of U.S. imperialism and to have become an American colony, i.e. “American commodity market, raw material base, and military base.”¹³ Meanwhile, the American and Japanese colonization of Korean culture has become a serious social problem in South Korea,¹⁴ readers were told.

Due to two decades of economic plunder by U.S. imperialism, the economy of South Korea was not only going bankrupt, the country as a whole had turned into “a hell on earth.”¹⁵ Politically, South Korea was under the brutal dictatorship of Park Chung-hee whose fascist rule had encountered constant crisis and could collapse at any time.¹⁶

In the 1980s the positive tone of Chinese views on the DPRK remained the same. For example, a member of the Chinese governmental delegation which visited the DPRK in 1983 wrote his thoughts on North Korea as follows. “During the past 35 years the DPRK

has undergone dramatic changes. This is the most glorious time in Korean history.”¹⁷ In 1987 a Chinese reporter who revisited the DPRK after 34 years could not believe his eyes: the city of Pyongyang had not only turned into a completely new modern city, but also an unbelievably huge city of industrial arts. During his trip near the DMZ, he felt that there was one thing disastrous for Koreans—the continued division of the Korean Peninsula.¹⁸

Although China’s views on North Korea remained unchanged, its views on South Korea have shown some positive change from the late 1980s—not only had the tone on South Korean politics become less negative, but also the comments on its economy shifted completely to the positive side, partially due to China’s adoption of the reform and opening up policy at the end of the 1970s. In the increased reports and articles focusing on the economy, South Korea was for the first time in the Cold War years introduced positively by Chinese media as the top economic power among “the four dragons in Asia,” which not only created “the most recent successful story in Asia,” but also showed its strong capacity in economic competition with Japan and the United States. In this regard, “South Korea’s experience is worth learning.”¹⁹

The friend-and-foe framework had been reiterated by Chinese mainstream sources for more than three decades with serious implications for China’s foreign policy and diplomacy in the Cold War era. Attitudes and policies toward the two Koreas were consequently twisted to a great extent by those perceptions. On the one hand, China formed a “special relationship” with the North and tried hard to maintain it at any cost. On the other, China took a harsh attitude towards the South and made great efforts to denounce the South’s stances and policies. As a result of the unbalanced approach, China-North Korean relations showed signs of unusual development while China-South Korean relations made no progress until the end of the Cold War.

China’s stereotyped attitudes and policies toward North Korea stand out. Throughout the Cold War period, China had supported almost all the arguments and policies of the North even when they were pursued in an inconsistent and self-contradictory way. For instance, China had been a strong supporter of North Korea’s reunification policies during the Cold War years. In the 1950s China enthusiastically supported North Korea’s argument of withdrawing all foreign troops from the Korean Peninsula in order to achieve reunification through free elections by all Koreans. In August 1960 when North Korean leader Kim Il-sung made a reunification proposal that the North and the South should achieve their reunification by federalism, China quickly issued a statement backing the North’s stance. In June 23, 1973 when Kim Il-sung issued a five-point plan for achieving “independent and peaceful reunification,” China quickly gave its strong endorsement by saying that this proposal represented all of the Korean people’s strong desire for the reunification of their motherland, and it is not only good for reunification itself, but also conducive to easing tensions on the peninsula.

Premier Zhou Enlai expressed China’s “warm welcome and firm support” two days after Kim’s remarks were made.²⁰ Even when North Korea refused the U.S. proposal for holding three-party (North, South and U.S.) talks and instead called for bilateral talks with the United States in the late 1970s, China backed North Korea’s position by saying that the three-party talks were “unrealistic and unreasonable.” However, when North Korean leader

Kim Il-sung changed his mind and picked up the U.S. proposal years later in October 1983, China quickly followed North Korea's new position by saying that the three-party talks would be "conducive to ease tensions and also promote North-South reunification on the Korean Peninsula."²¹

All these positions reflected the unusual development of the "China-North Korean special relationship" and the weakness in China's policies toward the DPRK. As Liu Jinzhi's research suggested, China's stances and policies concerning Korean reunification were "unscientific and less objective" simply because they had been more or less affected by the stances and policies of North Korea rather than independent policies of China's own, which should be based on the objective truth and China's own national interests. Consequently, they prevented China from playing a "bigger, more positive and constructive role on matters relevant to Korean reunification."²²

On the contrary, China's attitudes and policies toward South Korea in the Cold War years were stuck with a sharp contrast. In the 1950s China viewed it mainly as a security threat because the South reiterated its intention to attack the North and reunify the Korean Peninsula. In many news reports, South Korea was portrayed as an aggressive tool for American imperialism in Northeast Asia. In the 1960s, especially when South Korea established diplomatic relations with Japan in 1965, the alliance relationships among South Korea, Japan, and the United States became the main target of Chinese criticism. China believed the signing of the Treaty on Basic Relations between Japan and the Republic of Korea was a "serious step taken by American imperialism to prop up Japanese militarism to return to the Korean Peninsula, and conspire to piece together the 'military alliance in Northeast Asia' and escalate tensions in the Far East." This alliance, "which was designed and manipulated by American imperialism, would put Japan at its core and include South Korea, the Jiang Jieshi (Chiang Kai-shek) bandit gang, and the Philippines as its major members, with a view to containing the socialist countries of China, North Korea, and Vietnam. In this malicious plot, the United States wanted to "turn Asians against Asians" while Japan wanted to realize its old dream of building "the Great East Asia Co-Prosperty Sphere."²⁴

In the 1970s when the Park Chung-hee administration further strengthened ties with Japan and the United States, especially when the increasing number of U.S.-South Korea military exercises were condemned by North Korea, South Korea bashing in Chinese newspapers and magazines intensified accordingly. Park was depicted as a counterrevolutionary and saboteur of the independent and peaceful reunification of the two Koreas, who was not only making South Korean society more fascist, but also preparing war against the North, and escalating tensions on the peninsula. And, thus, even his assassination in 1979 was not sufficient punishment for his crimes.²⁵

In the 1980s Chinese attitudes toward South Korea were characterized by firm support of the North's reunification policies and harsh criticism of the South's "splitting attempts." Especially when South Korea and the United States refused Kim Il-sung's proposals for reunification and three-party talks, newspapers condemned South Korea's stance by saying that "the United States and Chun Doo-hwan forces were the culprits to obstruct the peaceful reunification of the Korean Peninsula."²⁶ And when North Korea criticized the visits to the South by Prime Minister Nakasone Yasuhiro and President Ronald Reagan in 1983 as

attempts to split the Korean Peninsula and legitimize the “two Koreas” permanently, Chinese newspapers expressed their unchanged support for the North’s position by saying that the visits were not conducive to maintaining peace and stability on the Korean Peninsula.²⁷

All these views showed that in the Cold War years China’s attitudes and policies toward South Korea were explicitly restrained by the friend and foe framework. As Liu’s research concluded, in the Cold War years, “China’s policies toward South Korea were in large part a product of a Cold War mentality. China viewed South Korea as an American bridgehead trying to contain and stifle China. China had an extremely strong ideological bias towards South Korea. In the eyes of the Chinese people, South Korea was a country under the control of the United States and with the features of a political dictatorship, economic backwardness, and constant student strife and mass movements.”²⁸ It was in this context that China had opposed all of the unification suggestions from the South even when they were in line with China’s principles, while supporting every unification proposal of the North even when at odds with China’s stance throughout the 1970s and 1980s. Thus, China’s unbalanced relationship with the two Koreas not only made the early improvement of China-South Korea relations difficult, but also gave the green light to the continuation of the unusual development of China-DPRK relations.

Redefinition and Its Limitations

The rigid attitudes and policies toward the two Koreas faced a new domestic reality in the late 1970s. The reform and opening up policy required not only a dramatic domestic policy change—from a class struggle-centered policy to an economic development-centered policy—but also a profound foreign policy change to broaden contacts with the outside world. The fast-growing domestic demand for foreign trade, investment, and technology entailed improvement of relations with the advanced economies, especially with those of close neighbors. After the successful diplomatic normalization in 1972 and smooth economic cooperation in the 1980s with Japan, the “economic miracle on the Han River” became much more attractive for meeting China’s national needs. It was against this backdrop that from the late 1980s Chinese attitudes toward the ROK have shown some signs of positive change—harsh criticism of the government disappeared, meanwhile, economy-focused reports and articles increased. Nevertheless, the Cold War framework of friend and foe was so deeply rooted in Chinese society that the economic necessity alone was not strong enough to bring a redefinition of attitudes and policies toward the ROK. It was not until several internal and external historical changes, including China’s desperate need for breaking its diplomatic isolation, the ROK’s implementation of Nordpolitik toward the DPRK and its allies, the establishment of diplomatic ties between Russia and the ROK, and the final collapse of the Soviet Union, occurred at the end of the 1980s and in the early 1990s, that favorable conditions for the redefinition of China’s attitudes and policies materialized. In 1992 China and the ROK established diplomatic relations after nearly forty years of Cold War confrontation.

The hard-won diplomatic normalization between the former adversaries facilitated fast-growing economic cooperation and led to new levels of political cooperation, as in the 2008 “strategic and cooperative partnership.” From the Chinese perspective, factors contributing

to these developments were geographic proximity, similar cultural background, interlinked values, similar experiences suffering from aggression and oppression by Japanese militarism, mutual support for each other's national liberation war against Japan, and common interests at the present time.²⁹ Furthermore, in 2013, President Park Geun-hye skipped Japan and paid a state visit to China. In return, President Xi Jinping visited Seoul instead of Pyongyang in 2015.

China's expectations for Sino-South Korean relations rose to an unrealistic level. As Li Dunqiu argued in a newspaper article published in August 2015, not only should the South Korean president attend the 70th anniversary of the victory in China's resistance war against Japan in Beijing, but also the two countries should take this opportunity to transform their relations into a "destiny community," because historically such destiny community relations were long maintained between China and the Korean Peninsula in the form of a traditional tributary relationship, and the first transformation from a tributary relationship to modern diplomatic relations was realized by signing the Sino-Korean treaty of commerce in 1899. Now China and South Korea have another historic opportunity to transform their economic community into a new destiny community. "History has long proven that only if China and South Korea will be able to maintain their destiny community, will real peace on the Korean Peninsula and real stability in Northeast Asia be achieved."³⁰

Although South Korea was far from ready for building a destiny community with China, political will for broadening shared interest in history issues against Japan remained. As the symbolic showcase of their common stance on history issues against Japan, the An Jung-geun memorial located in Harbin was open to the public in 2014. And in 2015, Park disregarded the pressure from the United States and Japan and attended the 70th anniversary of the victory of China's resistance war against Japan.

Along with these developments, Sino-South Korean normalization has also brought about explicit changes in Chinese views of Korean history in the Cold War era, especially with regard to the Korean War. After normalization, almost all formal publications have adopted the "objective description" for the origin of the war by simply saying that "the Korean War broke out in June 25, 1950" without mentioning who started the war. This change reflected both political considerations for carefully handling relations with the two Koreans and the view that the Korean War was a civil war and the U.S.-led UN intervention compelled China's involvement. Although from the late 1990s as the relevant dossiers of the former Soviet Union were released, some Chinese authors started making arguments against North Korea and the former Soviet Union with regard to the origin of the Korean War and even questioned the legitimacy of China's participation in it including its negative impact on resolution of the Taiwan issue and on China's economy at that time,³¹ it seems that these academic arguments resonated weakly and have been far from being embraced by the mainstream at the present time.

The "objective description" of the Korean War has also indicated China's political efforts of trying to play a balanced role in dealing with the two Koreas after its diplomatic rapprochement with South Korea, even though the outcomes often turned out to be less positive than China had expected. For instance, when the *Cheonan* sinking incident occurred in March 2010 and the ROK-led international investigation concluded that the South Korean warship had been sunk by a North Korean torpedo fired by a midget submarine (North Korea denied that it was responsible for the sinking), China dismissed the ROK conclusion

as not credible and argued that “China will not be partial to either side” but hopes South Korea and other relevant parties remain calm and handle the incident properly. Thus, the UN Security Council issued a presidential statement condemning the attack but without identifying the attacker. It was obvious that China’s “objective and balanced” stance concerning the *Cheonan* sinking incident was a big disappointment to South Korea’s high expectations for its already established strategic partnership with China, and consequently further strengthened the existing strategic ties between South Korea and the United States. Such a result was apparently in contradiction to what China wanted to see.

If China’s redefinition of its attitudes and policies toward South Korea has made a great difference in many respects, its limitations became apparent when Sino-South Korean relations encountered a sudden downturn in 2016 caused by the South Korean decision to deploy the U.S.-made THAAD system and the Chinese response. From the Chinese perspective, the THAAD deployment in South Korea means that “the United States’ plan to incorporate South Korea into its global anti-missile system has finally made a substantial breakthrough, it has not only continued destroying both the global strategic stability and regional security environment, but also become the fuse of a new Cold War in Northeast Asia.”³² In other words, China believed that the THAAD deployment was part of a U.S. global strategy, and in the process South Korea has already become “an accomplice of the United States in containing China.”³³ Meanwhile, South Korea’s softened attitude toward Japan including reaching agreement both on the “comfort women” issue and on military information sharing, which means building military alliance relations among the United States, Japan, and South Korea, was with the aim of eventually confronting China.³⁴

Although the Cold War was formally over in Europe, it still remained in Northeast Asia especially on the Korean Peninsula. “The reason why the Korean Peninsula is unable to get rid of the Cold War is that some countries are reluctant to give up the goal of subverting the socialist country and do not want to give up their military presence in Northeast Asia.”³⁵ Therefore, in Chinese eyes the situation created by the THAAD deployment was something quite similar to the situation of the Cold War confrontation in the 1950s-60s when China and the DPRK fiercely condemned the U.S.-Japan-South Korean military alliance relations.

It seems obvious that the sudden deterioration of Sino-South Korean relations has revealed the congenital deficiency in this relationship: the political as well as mutual security distrust sustained by the remaining Cold War legacy on the Korean Peninsula, including the existing U.S.-South Korean alliance and increasing military cooperation among the United States, Japan, and South Korea. This inborn weakness in China-ROK relations manifestly emerged when the South Korean government decided to deploy THAAD in 2016, which consequently created a sharp downturn in bilateral relations some twenty years after normalization. The sudden deterioration of bilateral ties has explicitly revealed the limits of the economic cooperation-centered redefinition in China-ROK relations since the end of the Cold War. Although altered Chinese views of the relationship and of Korean history have made a great difference in many areas, China’s disapproval of the ROK-U.S. alliance and the trilateral military cooperation remains unchanged from what it was during the Cold War years. This might be the main reason that after more than two decades of redefinition efforts, mainstream Chinese views of Korean history in the Cold War era remain largely unchanged, especially when it comes to the confrontational relations between China, South Korea, and the United States.

Conclusion

During the Cold War years, Chinese views of Korean history were decisively affected by the outbreak of the Korean War in 1950. The mainstream view on the Korean War was dominated by the following arguments: the war was planned and waged by the U.S. imperialists and the puppet South Korea authority with a view to overthrowing the North Korean and Chinese governments; China, therefore, was compelled to fight for not only the survival of its communist ally but also its own national security; the outcome of the war, however, was quite positive for China—proving to the world that China has substantially stood up as a great power which had just overwhelmed the world’s strongest army on the battleground of the Korean Peninsula. The Korean War further fixed the Cold War framework of friend and foe, in which China viewed the DPRK as a close political friend and security ally while regarding the ROK as a hated political foe and security threat. China’s images of the two Koreas were in sharp contrast. In foreign policy, it supported almost all of the North’s policies while denouncing almost everything from the South. The diplomatic normalization between China and South Korea and the redefinition of China’s views and policies toward the ROK, along with the remarkable achievements in only two decades in Sino-South Korean relations, were unable to overcome a congenital deficiency—the mutual security distrust caused by the remaining Cold War legacy. China’s disapproval of the continued military alliance relationship and cooperation among the United States, Japan, and South Korea has clearly revealed the limitations in the redefinition of Chinese perceptions towards South Korea in the post-Cold War era.

Writings about Korean history construct a framework through which to interpret how ongoing developments in bilateral and international relations will be perceived. As long as the assessments of the history of the Cold War era remain rooted in arguments long familiar to the Chinese people, there will be a disposition to find continuities and doubt that the post-Cold War decades and the history of China’s relations with South Korea have brought fundamental change on matters of geopolitics or national identity.

Endnotes

¹ Jin Linbo, “Sino-South Korean Differences over Koguryo and the U.S. Role,” in *U.S. Leadership, History, and Bilateral Relations in Northeast Asia*, ed. Gilbert Rozman (Cambridge: Cambridge University Press, 2011), 171-189.

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³ *Lishi: 20shiji de zhanzheng yu heping* (Beijing: Renmin jiaoyu chubanshe, 2004), 108.

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The Chinese Perception of the U.S.-China-ROK Triangle

Yun Sun

Since being applied to U.S.-Soviet-China trilateral relations after the Sino-American rapprochement in the early 1970s, the notion/theory of “strategic triangles” has been widely used to examine many trilateral relations. The model of “U.S.-China plus one” is popular among students of U.S.-China relations and, consequently, the policy community has witnessed an increasing amount of scholarship on triangles among U.S.-China-India, U.S.-China-Japan, U.S.-China-Russia, and even U.S.-China-Taiwan. Unsurprisingly, this begs the question whether a strategic triangle could be construed and constructed among the United States, China, and South Korea. Generally speaking, despite the trilateral nature of U.S.-China-ROK relations, the Chinese policy community rarely subscribes to the existence of a strategic triangle among the U.S., China, and South Korea. This is not necessarily because South Korea does not carry the same strategic weight as the two great powers, but more importantly is because China does not see South Korea as possessing the strategic autonomy to act as an independent player in the trilateral relations. Although arguably such autonomy might exist in economic and trade relations, on key political and security issues, the Chinese see South Korea as invariably constrained by the U.S.-ROK military alliance and unable to form its own independent national security policy.

In writing about the post-Cold War period with an emphasis on geopolitics, Chinese authors do not often treat South Korean policy or Sino-ROK relations as autonomous. Given the great weight given to the U.S. role, it is important, therefore, to take a triangular approach in assessing these writings centered on South Korea. I do so first explaining in more detail why the “strategic triangle” framework does not apply, then examining views on how this triangle has evolved in a period of rising Chinese power relative to U.S. power and fluctuating U.S.-ROK relations as the leadership in Seoul changed hands, and finally returning to the triangular theme to grasp how this shapes China’s understanding of Seoul’s policies with emphasis on the ongoing Moon Jae-in era.

Does “Strategic Triangle” Apply?

There are primarily three angles that the Chinese policy community adopts in its discussion of relations with South Korea. The first one is the bilateral angle between China and South Korea, of which the Chinese assessment has been largely positive. The Chinese official narrative describes a long mutual isolation between China and South Korea during the Cold War, referring to the hostility and lack of official relations during this period. However, according to the government’s official definition, bilateral relations have experienced rapid growth since diplomatic normalization in August 1992. In 1998, the leaders of the two countries agreed to establish a 21st century-oriented cooperative partnership.¹ Two years later, the two countries announced their joint decision to expand areas of cooperation. In 2003, presidents Hu Jintao and Roh Moo-hyun agreed to enhance bilateral relations to the level of comprehensive cooperative partnership.² Roh’s successor, President Lee Myung-bak, added a layer of strategic importance to the partnership.³ After President Park Geun-hye ascended to power, her interest in closer alignment with China further elevated bilateral relations to the so-called “honeymoon” period since diplomatic normalization.⁴ The “honeymoon,” however, was short-lived after the deployment of the Terminal High Altitude Area Defense (THAAD) system decisively sank bilateral ties to its nadir, leading to China’s tacit sanctions to punish South Korea. Since the inauguration of the Moon Jae-in government, for China, South Korea has shown signs of again pursuing a balanced foreign policy between the United States and China. Although China’s efforts to undermine alliance

relations have not borne fruit, Moon Jae-in's desire to strengthen and improve ties with China has been particularly appealing for Beijing.

This bilateral lens concentrates on what Chinese authors regard as the state of evolving relations between Beijing and Seoul, but it does not escape the shadow of triangularity since Seoul gains credit by boosting bilateral ties with strategic implications while losing credit when it makes strategic decisions that ignore Beijing's concerns and demonstrate the greater U.S. significance. Even as an upward trajectory prevailed over a quarter century, Beijing's expectations for balance were growing along with its reasoning that its leverage over Seoul was rising. While leaders in Seoul may have tried to avoid openly flaunting their tilt toward Washington, they were under increased pressure due to North Korea's growing threat capacity and the U.S. response to it. Thus, in 2016 Park Geun-hye defied Beijing with THAAD, leading to assessments of a sharp setback to Sino-ROK relations, while Moon Jae-in has won some praise for paying more heed to the concerns over THAAD and other Chinese strategic interests since he took office in 2017.

The second lens through which South Korea is discussed in the Chinese foreign policy community is the regional one. For China, South Korea has an increasingly important regional role to play and could become a key positive and supportive force in China's desired regional order. China sees South Korea as a critical "ally" in battling Japanese historical revisionism and militarism and jointly keeping Japan's political and regional ambitions in check. As victims of Japanese occupation during World War II, China believes that it and South Korea share a natural interest in denying Japan's regional leadership role. In addition, South Korea as a "middle power" could prove highly valuable in China's pursuit of regional leadership. For example, South Korea's decision to join the China-led Asian Infrastructure Investment Bank (AIIB) and Park's participation in China's anti-Japanese WWII anniversary military parade in 2015 strongly backed China's regional and political agenda, alleviating China's isolation and embarrassment internationally. Overall, although both are U.S. allies, South Korea is seen as categorically different from Japan and is regarded as generally complacent with China's future leadership role.

A test of this lens is whether Seoul subscribes to either U.S.-Japan-ROK triangularity, deemed to be aimed at containment of China, or the Indo-Pacific framework touted by both Abe Shinzo and Donald Trump in late 2017. Its refusal to endorse these concepts despite U.S. pressure is treated as a test in Beijing, avoiding crossing what could be a red line comparable to the THAAD deployment decision. Yet, creeping security cooperation with Tokyo is viewed with suspicion, and Moon Jae-in's decision to include as one of the "three noes" a promise not to join with Japan in a trilateral military alliance was one step in reassuring China on this dimension.

The third lens through which China-South Korea relations are examined and considered in China is the U.S. angle. No discussion on political and security issues between China and South Korea could happen without the United States being a critical, if not determining, factor. The Chinese essentially do not see South Korea itself as posing a serious threat to China's national security. However, in the Chinese view, all the damage and/or burdens that South Korea has imposed on China originates from the U.S.-ROK military alliance. Thus, the U.S. factor permeates nearly every discussion of the bilateral and regional dimensions as well as ongoing triangular analysis.

In the sense that inclusion of the U.S. factor is unavoidable in Chinese narratives on the history of South Korea's post-Cold War security policies, there is indeed a trilateral relationship among the United States, China, and South Korea. However, whether this trilateral relationship qualifies as a strategic triangle is far less obvious in the Chinese judgment. The Chinese instinct to deny the presence of such a strategic triangle, in fact, coincides with Lowell Dittmer's original definition of a strategic triangle. According to Dittmer, two conditions need to be fulfilled to form such a relationship:⁵

1. All three parties must recognize the strategic salience of the three principles. What are the 3 principles? Each player may concurrently engage in various side-games, but these must be subordinate to the central game with other members of the triangle.
2. The second condition is that although the three players need not be of equal strategic weight, each must be accepted as a legitimate autonomous player.

Obviously, while both the United States and China recognize the strategic salience of South Korea, neither really sees South Korea as a legitimate autonomous player. Especially for the Chinese, because of the existence of the U.S.-ROK military alliance, South Korea is not believed to have the authority to pursue completely independent national security policies. Therefore, for China, rather than this relationship qualifying as a strategic triangle, the trilateral relationship should be more accurately characterized as U.S.-China bipolarity, with the ROK existing as a pro-U.S. minor player moving along a spectrum with the U.S. and China on the two far ends.

Evolution of China-U.S.-ROK Trilateral Relations

Since the diplomatic normalization between China and South Korea in 1992, six South Korean presidents have tried to navigate relations with the United States and China: Kim Young-sam, Kim Dae-jung, Roh Moo-hyun, Li Myung-bak, Park Geun-hye, and Moon Jae-in. The six are evenly split between conservatives (Kim Young-sam, Li Myung-bak and Park Geun-hye) and progressives (Kim Dae-jung, Roh Moo-hyun, and Moon Jae-in). While all of the presidents have attempted to pursue a more friendly and positive policy toward China to different degrees, in the Chinese perception their affinity toward and cooperation with China are subject to overarching dominance by and the priority of the U.S.-ROK military alliance. However, throughout the years, combined with South Korea's domestic aspirations for strategic independence, the Chinese have identified growing indications of South Korea subtly recalibrating its relations with China and the United States. Although the U.S.-ROK military alliance remains a dominant theme, the hope of a South Korean strategic realignment has always been on the Chinese horizon. In publications on each period, this theme is either explicit or implicit, beginning soon after normalization of ties.

Initial Exploration: President Kim Young-sam

When President Kim Young-sam was inaugurated in February 1993, months after the diplomatic normalization with China, bilateral relations with China were still at an initial explorative stage. For China, the factor of North Korea played a key role in advancing positive development in China-ROK relations. North Korea's withdrawal from the Non-Proliferation Treaty in March 1993 and its provocative stance in the following negotiations with the

Americans and the South Koreans paved the way for South Korea's strategic demand for China to play a more important role in dealing with North Korea. In the Chinese perception, this hope for China to deliver more on North Korea made Kim Young-sam decide to pay the first visit to China by a South Korean head of state.⁶ China reciprocated the visit by committing to a more "positive and cooperative policy to promote the solution of the North Korean nuclear issue."⁷ This is also regarded as the first instance of cooperation between China and South Korea on the North Korean nuclear issue.⁸ At least from the Chinese side, it has preferred to portray this relationship as cooperative during the following years. From 1997, China participated in six rounds of the Four-Party Talks in Geneva proposed jointly by the United States and South Korea.

Under Kim Young-sam, South Korea's relations with the United States endured some major turbulence, primarily because of different policies toward North Korea. First, between 1993 and 1994, the United States and North Korea held three rounds of bilateral talks on the nuclear issues. The Chinese believe that Kim Young-sam was irritated by these talks because they disregarded South Korea's priority of reunification based on absorption.⁹ Second, when President Clinton informed Kim Young-sam of the U.S. decision to bomb the North Korean nuclear facilities, Kim Young-sam's ardent opposition eventually forced Clinton to abandon such an attack plan.¹⁰ For China, these events indicated different priorities between the two allies. Although the differences were not sufficient to undermine the foundation of the alliance, it did show China the possibility of forging a closer relationship with South Korea even as a U.S. ally.

Such an opportunity rapidly emerged under Kim Young-sam in 1995. With the attack on the South Korean government's legitimacy by North Korea, the rift between South Korea and the United States, as well as the negative changes in South Korea-Japan relations, the Chinese saw the Kim Young-sam government in a serious domestic and foreign policy crisis. Therefore, when President Jiang Zemin accepted Kim Young-sam's invitation to pay the first state visit to South Korea by a Chinese head of state, the Chinese believed that they were doing Kim Young-sam a huge favor.¹¹ Chinese narratives took this rift in the alliance as an opening for triangularity of the sort that allowed some possibility of widening, but without promise of a strategic triangular relationship.

Troubled Alliance: Presidents Kim Dae-jung and Roh Moo-hyun

For China, the ten years under presidents Kim Dae-jung and Roh Moo-hyun (1998-2008) witnessed significant growth of China-ROK ties. The rifts between South Korea and the United States over the North Korea issue and South Korea's pursuit of equality with the United States were undermining, to some degree, the military alliance between the two.¹² On the other hand, although China identified more common positions with South Korea on key issues such as engagement with North Korea and the future of the U.S.-ROK alliance, nationalism and growing national pride under Roh also brought out thorny historical issues between China and South Korea, such as over the ancient state of Goguryeo.

Kim Dae-jung initiated the Sunshine Policy toward North Korea, which led to the inter-Korea summit with Kim's visit to North Korea in June 2000.¹³ For China, the Sunshine Policy agreed with its desired approach toward the North Korean nuclear issue, which is through engagement, assistance, and reassurance. Chinese experts have not been shy about complimenting the significant historical achievements of the Sunshine Policy, such as the

promotion of inter-Korea engagement and dialogue as well as the realization of economic, social, and cultural ties between North Korea and South Korea. In their view, the Sunshine Policy was conducive to bringing China and South Korea closer together. On the philosophical level, China shares the premise of the Sunshine Policy to promote inter-Korea reconciliation and affinity through economic cooperation and social exchanges. China consistently calls for understanding and addressing the origin of North Korea's insecurity, which coincides with the approach of the Sunshine Policy. On the working level, the Sunshine Policy provided opportunities for China to play a bigger role in the inter-Korea dialogues and take credit for their progress. Under Kim Dae-jung and Roh Moo-hyun, many of the key inter-Korea dialogues in fact happened in China, such as those between senior officials, vice-ministerial level officials, and the Red Cross of the two countries.¹⁴

To China's greater satisfaction, the Sunshine Policy successfully deepened the rift between South Korea and the United States. The conciliatory tone of the policy fundamentally differed from President George W. Bush's hostile position toward North Korea. In his famous 2002 State of the Union address, he listed North Korea, along with Iran and Iraq, as an "axis of evil, armed to threaten the peace of the world."¹⁵ Bush's insistence on North Korea's acceptance of the 1994 Framework Agreement conflicted with South Korea's priority of the implementation of the Sunshine Policy. Therefore, the differences in their North Korea policies became the main factor in the discord between the United States and South Korea in the Chinese perception.

Meanwhile, brewing anti-Americanism in South Korean society further undermined the social foundation for the U.S.-ROK military alliance. With the growth of South Korea's comprehensive national power, a rising sense of independence and sovereignty increased dissatisfaction in South Korea with the unbalanced relationship between Washington and Seoul.¹⁶ The controversies over the activities of the U.S. Forces in Korea stirred up more anti-Americanism in the country.¹⁷ For China, the anti-Americanism in South Korea was the foundation for Roh Moo-hyun's pursuit of "independent national defense," which eventually led to him raising the issue of the transfer of wartime control of South Korean troops.¹⁸

While the emerging anti-Americanism had undermined the military alliance with the United States, the underlying cause, South Korea's growing nationalism, was also affecting ties with China. Chinese experts found a list of issues that South Korean nationalists exploited that damaged bilateral relations, including but not limited to the disputes over the Koguryo kingdom, territorial disputes over Mount Baekdu, and the change of the Chinese translation of the South Korean capital Seoul from "汉城" to "首尔."¹⁹ For China, South Korea's desperate attempt to strengthen historical legitimacy, credibility, national cohesiveness, and domestic support of the government's agenda distorted historical facts and led to the creation of extreme nationalism. The anti-China nationalism and the victim mentality of South Koreans also damaged relations with China, as well as China's potential support for a South Korea-led reunification.

Swinging between Two Extremes: Presidents Lee Myung-bak and Park Geun-hye

Although Lee Myung-bak and Park Geun-hye both belonged to the conservative political party, their policies toward China and the United States represent the two extremes of the spectrum. Lee prioritized the military alliance and completely subordinated South Korea's

national security agenda to that of the United States, as seen in China, which considers him the most pro-U.S. South Korean leader since the diplomatic normalization with China. In order to regain the lost decade between the United States and South Korea under Kim Dae-jung and Roh Moo-hyun, Lee exhausted all possible efforts to repair U.S.-ROK relations, by catering his foreign policy to the American foreign and security policies, observing an ultra-conservative policy toward North Korea, restoring policy coordination with the United States and Japan on North Korea issues, strengthening cooperation on the regional missile defense system, actively participating in the U.S.-led war on terrorism, and repairing and consolidating the U.S.-ROK military alliance.²⁰

China was further disturbed that during his visit to the United States in April 2008, Lee agreed to the establishment of a “21st century strategic alliance,” elevating the alliance structure from a traditional military one to a comprehensive strategic alliance that encompasses political values, mutual trust, and alliance in peace time. What was even more alarming was the decision by Obama and Lee to regionalize and globalize their strategic alliance during Lee’s 2009 visit to the United States. Chinese cannot help but see this as an extension of the U.S.-ROK strategic alliance beyond its original focus on the Korean Peninsula that inevitably will have a China-related utility.

Later developments on North Korea under Lee, especially the *Cheonan* sinking and the North Korean shelling of Yeonpyeong Island heightened South Korea’s desire to protect its national security through a strengthened military alliance with the United States. The two reached an agreement in June 2010 to delay the transfer of wartime control of the military from April 2012 to late 2015. The *Cheonan* incident also promoted the first “2+2” consultation between the two, in which they agreed to counter any threat from North Korea and to deepen their alliance cooperation on bilateral, regional, and global levels.²¹ For a time, China saw the Lee Myung-bak government as the nadir of China-ROK relations since diplomatic normalization, blaming the decline on the *Cheonan* incident, the Yeonpyeong shelling, and the issue of North Korea defectors.²² North Korea’s provocative behavior had precipitated South Korea’s desire to strengthen its U.S. alliance. However, China blamed the North Korean provocations and the cooling of inter-Korea relations almost entirely on Lee’s abandonment of the Sunshine Policy.²³ China’s biased position on the *Cheonan* and Yeonpyeong issues was obvious. Not only was it reluctant to hold North Korea responsible for the sinking, but it termed the Yeonpyeong shelling “North Korea and South Korea firing at each other” to mitigate North Korea’s responsibility.²⁴

The significant deterioration of bilateral ties between China and South Korea laid the groundwork for the Park Geun-hye administration. Lee Myung-bak seemed to have proved to China that the campaign to drive a sharp wedge in the U.S.-ROK military alliance was rather futile. Even though South Korea understands that China’s support is essential for the reunification of the Korean Peninsula, faced with the real and acute national security threat by North Korea, Seoul has no other option than to consolidate its alliance with the United States, which, in turn, will inevitably undermine China’s support for reunification. At the same time, no matter what signs of improvement there are between Beijing and Seoul, North Korea always has the option to sabotage such rapprochement through its provocations, knowing that Beijing will not punish it to Seoul’s satisfaction.

This, as shown by the record of the Park government, is indeed the dilemma of China-ROK relations. It is no secret that for the first three years of her government, both China and South Korea attempted to test a different alignment strategy. Frustrated with North Korea's brinkmanship that continuously damaged China's security interests, Xi Jinping placed his hopes on Park to improve China's strategic position. At the heart of this scheme was a plan to turn South Korea into China's "pivotal" state in Northeast Asia, thereby undermining the U.S. alliance system in the region and diminishing its threat to China. According to Chinese specialists, "The paradigm shift of China's Korean Peninsula policy paid special attention to the China-South Korea relationship in order to replace the quasi-'special' state-to-state relations with North Korea."²⁵ This was the boldest attempt during the entire quarter century to fundamentally alter the shape of the triangle, although it came at a time of conservative leadership in Seoul and of intensified South Korean alarm about the direction of North Korea's actions. One might have assumed that expectations would not have risen so high in such inauspicious circumstances.

Xi Jinping seized the opportunity of Park's early overtures to intensify contacts and boost ties, while Chinese narratives extolled the significance of these improved relations. As a result of the China-ROK rapprochement, senior-level visits soared. Xi and Park held eight summits between 2013 and 2016, while until March 2018 there had been no meeting between the Chinese top leader and North Korean leader Kim Jong-un.²⁶ China became South Korea's largest trading partner in 2014, and the two countries signed a Free Trade Agreement in 2015.²⁷ South Korea arguably supported China's global strategy, as manifested through its participation in the China-led AIIB as a founding member, and Park's attendance at China's World War II military parade in 2015.²⁸ The United States declined participation on both occasions, and China saw South Korea's participation as successfully arousing alienation in the alliance relationship.²⁹

How fragile was the edifice on which Chinese optimism about Park's foreign policy and Sino-ROK relations in 2013-15 had been built? Kim Jong-un was testing the patience of Obama as well as many in South Korea. Obama was pressing for an end to the standoff between Park and Abe. Park may have gone to the September 2015 parade in a last-ditch effort to secure greater cooperation from Xi in pressuring Kim Jong-un, but China's booming economic ties with North Korea only emboldened Kim, in the eyes of many South Koreans. Xi's diplomacy was more a sign of taking Pak's straddling for granted than of wooing her in a sustainable manner. Chinese writings obscured the essence of the challenge and fueled the far-reaching letdown that followed.

Events after the fourth North Korean nuclear test in January 2016 entirely derailed China's scheme. Overestimating its presumed influence over Seoul, Beijing refused to adequately address South Korea's legitimate security concerns, which eventually led to Seoul's decision to deploy the THAAD system. China sees the THAAD deployment as a threat to strategic stability with the United States and an obstacle to its desired regional blueprint. In this sense, the year of 2016 witnessed a significant evolution of China's policy toward the Korean Peninsula—not because of North Korea's unprecedented nuclear and missile tests or South Korea's decision to deploy the THAAD system in response. Rather, it was important because it served as a wake-up call to China that simply aiming to improve ties with South

Korea and undermine the U.S.-ROK alliance without answering the critical question of China's relationship with North Korea is unlikely to succeed. It was evidence that South Korean security anxieties must be taken into consideration without blithely assuming that a balanced triangle can soon be within reach.

Moon Jae-in: A New Independent Foreign Policy?

The deterioration of bilateral ties between China and South Korea in 2016 was triggered by North Korea's nuclear test, the South Korean decision to deploy the THAAD system, the perception in China that the THAAD deployment is a threat to its security, and the political and economic pressure it applied on South Korea to revoke the decision. When China realized in the fall of 2017 that the deployment had become irreversible, it abandoned its uncompromising position in favor of a more pragmatic course to halt the downward spiral in bilateral ties. To give Beijing cover for its retreat, the Moon government is reported to have agreed to the controversial "three noes": no further THAAD deployment; no trilateral military alliance with Japan and the United States; and no participation in the U.S. missile defense system. In response, the Chinese quickly agreed to Moon's visit to Beijing in December 2017.

To the Chinese, Moon appears more interested in a balanced approach toward the United States and China than did Park at the end of her time in office. He did not withdraw the decision to deploy THAAD, but at the same time tried to appease China with the "three noes." While his intention might be to avoid angering either China or the United States, the end result is that both Washington and Beijing are perturbed by the perceived damage to their interests. One issue on which South Korea may have exceeded, at least for the time being, the expectations of the United States and China is the inter-Korea dialogue. With improved engagement and relations with North Korea, South Korea has enhanced its bargaining position with both great powers, although this advantage seems to have been easily overwhelmed when bilateral channels opened between both countries and North Korea.

Chinese expectations for Moon have not reached the lofty heights seen in Park's first years. This could be because of the lingering THAAD impact. It could be because the security environment is sufficiently uncertain or even ominous, despite recent diplomacy, that the prospect of Moon pursuing balance against U.S. wishes appears too improbable. Yet, Moon is a progressive with an agenda focused on North Korean diplomacy that is problematic for the Trump administration and promising for China. The spring of 2018 just may be too early to assess Chinese responses to the impact of the Moon administration on prospects for major change in the trilateral framework.

Back to the Triangle Concept

The Chinese narrative of China-U.S.-ROK trilateral relations is largely focused on the development of two bilateral relations: between South Korea and China, and between South Korea and the United States. Since the establishment of bilateral relations in 1992, what China sees is a gradual process of China strengthening ties with South Korea economically,

politically, and socially. Generally, China has seen the progressive governments of South Korea as more in line with its strategic agenda, particularly given South Korea's innate desire to pursue independence from the United States and its interest in engagement with North Korea. However, both the nadir and the peak of China-ROK relations occurred under conservative governments, under Lee Myung-bak and the first three years under Park Geun-hye respectively.

In China's view, given its regional power status, geographic proximity, and economic influence over South Korea, it is natural for South Korea to bear affinity and anxiety toward China at the same time. However, although China and South Korea do not share the same political system, there are no fundamentally irreconcilable differences or clashes of national interests between the two, other than the North Korea factor (for South Korea) and the U.S. factor (for China), according to Chinese thinking. From the Chinese perspective, all the most critical damage to China-ROK relations for South Korea invariably comes from the North Korea issue due to China's reluctance to abandon North Korea. Meanwhile, also from the Chinese perspective, all the most critical damage to China-ROK relations for China comes from the South Korean alliance with the United States. That is, out of its consideration for national security, South Korea has to choose to support American security deployment and policy in Northeast Asia, which is seen by China as undermining Chinese national security.

Dittmer listed three primary scenarios for a strategic triangle:³⁰

- *Ménage à trois*: symmetrical amity among all three principals
- Romantic triangle: amity between one pivot player and two wing players, who have enmity between them
- Stable marriage: amity between two players against a third

Because China does not see South Korea as having strategic autonomy or independence, it therefore does not qualify as an essential player of the triad. This is similar to the China-U.S.-Soviet triad between 1949 and 1960, when China was perceived as a member of the communist bloc led by the Soviet Union, and the primary nature of the global power structure was a bipolar cold war. Therefore, a strategic triangle did not exist.

The current state of China-U.S.-South Korea dynamics is closer to the situation among China, the United States, and the Soviet Union from 1960 to 1971. Dittmer argued that during this stage none of the three scenarios applied fully, and the decade was an ambiguous and transitional one. Not until China decided to break away from the Soviet bloc and identify Moscow as China's biggest threat, and not until the United States decided to exploit that opening and pursue détente with Beijing vis-à-vis Moscow, did the real strategic triangle begin to form.

If we hypothesize that South Korea is an equal, legitimate, and autonomous player in the triad (which it is not), some Chinese characterize the U.S.-China-South Korea triangle as a "stable marriage" scenario. That is, the United States and South Korea enjoy amity between them but both bear enmity toward China. However, this characterization misses important factors such as South Korea's differing regional strategic outlook. If the determining factor of the amity between the United States and South Korea is their common enemy—North Korea—and if China is seen as essential to the resolution of the North Korea threat, it is conceivable that South Korea will not want to maintain a hostile policy toward China. This is

not just because the U.S.-ROK military alliance has proven insufficient to help South Korea achieve its goal of national unification, but also because China's economic and strategic influence over South Korea is so significant that South Korea must increasingly respect China's tolerance and accommodation in its national security policy.

Chinese specialists further point to a *ménage à trois* as China's desired endgame in the triangular relations among the three. Symmetrical affinity among the three may be desirable for South Korea, but China's ambition may not end at merely undermining and dismantling the U.S.-ROK military alliance. Given China's strategic aspirations under Xi Jinping, South Korea's neutrality might be China's bare minimum requirement for Seoul. In the long run, China would demand South Korea's deference on key strategic issues and not just its neutrality. In this sense, the Chinese narrative of a desired *ménage à trois* might just be bait to entice South Korea to distance itself from its military alliance with the United States.

Due to South Korea's fundamental constraints, including its status, national power, and, more importantly, its vital need for the United States to ensure its national security and for China to assist in reunification, it remains to be seen how South Korea could achieve the same status China enjoyed in the 1970s between the United States and the Soviet Union. Perhaps upon the completion of its national reunification, South Korea could really begin to assert itself as a middle power with strategic salience and autonomy.

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**ADVANCING THE REGIONAL TRADE
ORDER IN EAST ASIA WITH A LESS
ENGAGED UNITED STATES**

In the aftermath of Donald Trump's election and immediate pullout from the TPP, a scramble ensued over how to proceed with constructing a regional trade order centered on East Asia. For China this brought closer scrutiny of its pursuit of the Belt and Road Initiative (BRI). In the case of Japan, questions followed about what to do with the residue of TPP. Others, notably countries in Southeast Asia, were left contemplating the balance between eastern exclusive regionalism and the western presence in regionalism. In the background were efforts in South Asia aimed at advancing economic integration with East Asia. A kind of free-for-all was in progress without the moorings that had been lost after the paradigm of competition between a U.S.-led TPP and a China hub-and-spokes BRI no longer was guiding the strategic calculations of Asian countries. Then, in March 2018 came Trump's disruptive tariffs, threatening to set a trade war in motion.

Four chapters explore the challenge of advancing a regional trade order in East Asia in the new circumstances of 2017-18. Tu Xinquan in Chapter 10 questions whether BRI is a path toward regionalism, delving deeply into the Chinese strategy for BRI. T.J. Pempel follows in Chapter 11 by exploring Japan's thinking about TPP and the process of refocusing on TPP-11 following the U.S. withdrawal. Chapter 12 by Sanchita Basu Das offers a hopeful ASEAN perspective on economic regionalism. Finally, in Chapter 13 Pradumna Bickram Rana traces thinking about re-energizing economic integration between South Asia and East Asia. With no finality to the RCEP talks and the recently concluded TPP-11 pact still taking shape and Trump's "America First" trade policy casting a dark shadow, we aim to capture signs of a new trade order at a time of flux.

Tu Xinquan, "Is the Belt and Road Initiative a Chinese-Style Regionalism?"

The expansion of bilateral and regional trade agreements as the driving force in the world trade system is facing serious challenges from anti-globalization forces symbolized by Brexit and the U.S. pullout from TPP, explains Tu Xinquan, adding that, next to the WTO, regionalism is seen as the second-best choice in promoting globalization. Now two regional initiatives led by developed countries are facing a serious backlash, raising concern that this means a reversal of globalization. For China, BRI offers an opportunity to fill the gap, but Tu downplays its potential while writing about some advances it can realize. He finds it difficult to defend Chinese FTAs as comparable to those of developed countries in market access and institutional changes, noting that China is not in such a comfortable strategic and economic position as the United States in negotiating FTAs with either developed or developing countries. The former want to obtain more market access concessions and institutional reforms from China, while the latter fear exposing their domestic industries to China's competitiveness in manufacturing. In addition, the Chinese government is more confident in its own institutions and unwilling to change them due to outside pressure, especially after the 2008 global financial crisis. Expectations for Chinese leadership on economic regionalism need to be kept in check, including understanding the limitations of BRI.

BRI focuses more on improving physical connectivity than reducing institutional barriers. If it looks like an attractive alternative to promote regional economic integration, there are also plenty of uncertainties surrounding it, particularly due to its China centrality and

China's direction of economic and strategic development. Noting that the most prominent force of regionalism is the emergence of mega-regional agreements—deep integration partnerships between countries or regions with a major share of world trade and FDI, in which two or more serve as hubs in global value chains, while beyond market access, emphasis is on regulatory compatibility and a rules basket aimed at ironing out differences in investment and business climates—Tu observes that the United States and the EU promoted mega-regionals because they were dissatisfied with the slow pace of multilateral trade liberalization and tried to keep the lead in globalization. Few expected that such like-minded groups would lose their way with the historical leaders in retreat. Where to find a new driver of globalization is a question, and many are asking if China is ready.

By the end of 2017, China had signed 16 FTAs with 24 countries and regions, but it lags behind in the number of FTAs signed, the coverage of FTAs in its total foreign trade, and the economic weight of FTA partners. China's FTA strategy has not focused on its major trading partners. The liberalization level of China's FTAs is moderate at best. The government is not driven primarily by economic concerns; political factors play just as important a role, especially with neighbors—FTA networks work to reward strategic allies in a strategy to build an international environment conducive to China's "peaceful rise." Its intentions in FTAs are largely strategic, not economic.

Chinese firms are also much less internationalized, not able to serve as an engine to steer a new wave of globalization. The service industry is not yet very open to the global community. In almost all sectors China has a much higher level of FDI regulatory restrictiveness compared with advanced economies. It would be difficult to negotiate FTAs with big, advanced economies because they would compel China to make significant and fundamental institutional reforms and open up, while it is unrealistic for China to negotiate with big developing countries, which fear its competitiveness in manufacturing.

The economic rationale behind China's BRI proposal usually refers to three dimensions: to boost exports of overbuilt sectors such as machinery, steel, and cement by infrastructure building in BRI countries; to encourage Chinese companies to invest abroad, enhance their international competitiveness, and become China's "national champions"; and to expand internationalization of the renminbi. The five connectivities are the core program of BRI: policy coordination, facilities connectivity, unimpeded trade, financial integration, and people-to-people bonds. BRI is a network of China-centered bilateral arrangements rather than a multilateral framework simultaneously covering all participant countries. It is not intended to or able to form a more institutionally integrated Eurasia continent. Individual projects are not organically connected with each other and could be operated separately. The brand of BRI is not indispensable for most projects; it is about getting easier access to Chinese government money.

While the necessity of BRI for achieving the economic benefits of projects under its rubric is open to question, it has strategic values as a Chinese model based on its traditional culture competing with the Western style. BRI does not only promote these Chinese characteristics through infrastructure connectivity and economic cooperation, but also spreads Chinese traditional culture and current politics. The competition between China and the United States is inescapable and will happen everywhere. China intends to achieve strategic purposes from BRI through economic approaches. Both FTA strategy and BRI are more

for strategic purposes than economic goals. China is cautious about including developed countries under BRI. It deserves praise for its support for globalization when globalization is blamed and rejected in the U.S. and Europe, but more explanation is needed for how BRI specifically helps globalization.

The most distinctive area of BRI is connectivity of infrastructure and facilities. BRI is not a multilateral institution but a set of bilateral arrangements between China and BRI countries. It would be very difficult for China alone to coordinate relations between these countries. For now, most infrastructure projects under BRI are inside one country or between China and one country rather than connecting multiple countries. BRI is not mandatory, legally-binding, or unilateral. It is a new grand strategy to link many economic purposes with strategic intentions. There are also many uncertainties about whether it can promote globalization differently than existing models.

T.J. Pempel, “Japan in the Driver’s Seat: Reshaping the Regional Trade Order without the United States”

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTTP), or TPP-11 was formally signed in Chile on March 8th. It will take effect once ratified by at least six countries. Japan is planning to push the treaty through the Diet within 2018, anticipating that it will come into force in 2019. The agreement represented a major recovery by the eleven countries following initial expectations that TPP was dead after the election of Donald Trump, who wiped out 10 years of work on the so-called “Pacific” route to regional trade integration, anchored on the U.S. market. It also defied multiple economic analyses demonstrating the strong economic benefits that TPP would provide for the U.S. economy. Turmoil immediately prevailed among the remaining eleven signatories amid concern that China would be the primary beneficiary. In fact, as the signing of the CPTTP indicated, all eleven countries were prepared to recommit themselves to the deal and to continue to advance the goals of a liberal trading order.

Pempel explains that for roughly thirty-years the regional order was defined primarily by increased economic interdependence, rising institutional multilateralism, and the absence of state-to-state military conflicts. No challenge is potentially more upending of past patterns than the American pull-back from regional engagement since the Trump administration took office. Japan was deeply affected. It had unleashed a massive combination of official aid, trade, and investment throughout the region, including with China—a vital component in China’s economic take-off. As Japan’s economic ties with Asia expanded, congruent with the expansion of intra-Asian production networks involving Japanese firms, the country found itself facing increased tension between the economic pulls of Asia and the diplomatic and foreign policy focus that kept Japan unshakably anchored to the United States through its bilateral security alliance. This tension became increasingly acute as Japan’s economic interdependence with China ballooned, even as security tensions between the two countries mounted. Japan continually sought to bridge these competing pulls. Japan became increasingly wary of the economic challenges and military reach of China, of demonstrations against China-based Japanese companies, and of China’s wariness about strong sanctions against North Korean nuclear and missile programs.

Japan actively supported the formation of new regional bodies. Its embrace of an Asian tilt was less than fulsome. Japan continually sought to avoid making any painful choices between its ties to the United States and those to East Asia, and the competing pulls of its economic and hard security interests. Certain core constituents of the ruling LDP such as agriculture, small and medium-sized businesses, and the auto industry, left Japan as rather sclerotic in joining the burgeoning wave of bilateral and multilateral FTAs. Before Japan agreed to join TPP, the country had few FTAs and the rate of coverage of its trade was low. Negotiation of more comprehensive agreements would have required substantial liberalization of key sectors of its domestic economy and the goading of numerous politically sacred cows. Nonetheless, in a break with prior reluctance, and in contradiction to his prior criticisms of the then-ruling Democratic Party of Japan (DPJ) for even considering TPP, on March 15, 2013, less than three months after taking office, Abe announced that Japan would enter negotiations for the TPP.

As it had evolved by 2015-16, TPP promised monumental changes to the existing Asia-Pacific trade regime in four central ways. First, as the most comprehensive and ambitious regional trade agreement the United States had ever concluded, it was to serve as the centerpiece in the Obama “pivot.” Second, TPP represented a monumental shift by the Japanese government in pushing back against domestic political protectionism. Third, TPP promised “high quality” and “ambitious” “21st Century standards” for trade relations. Fourth, the trade pact would respond to many of the geostrategic interests of the signatories. It promised Japan a vehicle by which to retain close economic and security ties with the United States while also embracing many of its key trading partners in East Asia. Under Abe, Japan became a full-throated proponent of the trade pact by the time negotiations were completed, and Japan became the first nation to give parliamentary approval to the final deal in November 2016. Abe was anxious to bolster Japan’s relationship with the United States and shared the Obama view that extending the liberal trade order across Asia would not only bolster the economies of both countries but would solidify their bilateral ties more comprehensively. Abe envisioned TPP as providing him with a cudgel with which to break open some of the closed sectors of the Japanese economy—a boon for Japanese consumers—and, in the process, repositioning the LDP to make a stronger electoral appeal to the rising numbers of urban consumers.

The decision to withdraw the United States from TPP represented but one trade specific component of its broader self-isolation from the Asia-Pacific more broadly. Abe envisioned the TPP as fulfilling multiple goals: as an anchor for the bilateral relationship with the United States; a commercially valuable tool to advance Japanese corporate market access to the United States and Asia; a firebreak against rising Chinese regional influence; and a lever with which to dislodge powerful veto groups impeding economic reforms at home. The question of what to do next puzzled Japanese policymakers for several months. Japan ultimately determined that a TPP, even minus the United States, remained its best option to advance regional economic integration in accord with the general principles of the liberal trade order. For now, Tokyo has to strike a delicate balance between engaging Trump in the TPP and maintaining unity among the 11 Pacific countries. This will not be easy. But by taking a leadership role in resuscitating the TPP-11, Japan has shown a renewed commitment to reinforcing the global trade order in the Asia-Pacific, even if the Trump administration seems determined to undermine it.

Sanchita Basu Das, “Economic Regionalism is Key to Openness and Growth: An ASEAN Perspective”

The ASEAN countries are involved in several regional economic arrangements, not only their own ASEAN Economic Community (AEC), but also ASEAN+1 FTAs and RCEP. A subset of these countries is partaking in Asia-Pacific deals, the latest Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) and the Asia-Pacific Economic Cooperation (APEC). Some are pursuing bilateral deals in pursuit of deeper economic cooperation. Finally, all are members of BRI, which although not labelled a trade agreement, is concerned with trade-related concerns. Basu Das examines ASEAN’s perspective on economic regionalism in the Asia-Pacific region, focusing on initiatives that ASEAN countries are currently negotiating or implementing in their national economies, discussing economic and strategic motives, and viewing the future of regionalism from an ASEAN perspective. Although the ASEAN countries are facing some uncertainties in their pursuit of economic regionalism, they will continue to support the endeavor as it serves their economic structure of openness, argues Basu Das. They have realized the benefits of economic integration through the confidence building of investors.

The ASEAN countries established an economic community in 2015. While many targets, such as the near elimination of import tariffs, had been met, non-tariff barriers (NTBs)—regulatory requirements, pre-shipment inspections, non-automatic licensing, price control measures, etc.—remain prevalent. Service sector liberalization remains patchy, with political sensitivity linked to the movement of professionals. Investment cooperation is constrained by lack of domestic reforms. While ASEAN has recognized the importance of building infrastructure for deepening economic integration, it is struggling in securing financing. ASEAN has now moved to the next phase of economic integration, the AEC 2025, where earlier regional commitments are retained.

It has been estimated that the ASEAN-6 (Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam) economies contribute only 1 percent of global online retail sales, although they account for 3-4 percent and 8 percent of world GDP and population respectively. ASEAN’s decision-making process, i.e. the ASEAN Way and principle of “non-interference,” discourage the private sector to take an interest in ASEAN matters. Businesses reported that the reasons for not using FTAs were: lack of information, low margin of preference (between MFN and ASEAN FTAs), prevalence of NTBs, long exclusion list, multiple rules-of-origin (ROOs), and administrative cost. Basu Das adds that the less developed members need to be supported for their engagement eventually. Commitments around trade facilitation, customs reform, harmonization of standards, and improved connectivity are crucial. Since the AEC policy document only lists that policy and responsibility of implementation resides with individual member states, in the process of integration some are laggards with implications for FDI flows.

Along with trade, attracting FDI is also an important consideration in agreeing to regional policy measures. Cooperation among small countries was important to ensure economies of scale to foreign investors and committing to reform at the regional level of ASEAN helped countries to accelerate their reform process at the national-level, raising the confidence of foreign investors. To attract foreign firms, it became important for governments to work together on AEC to provide a large market of 650 million people, develop transport and

regulatory infrastructure, and commit to facilitation measures to lower transaction costs. For Indonesia, the Philippines, and other less developed ASEAN members, bilateral FTAs are not very popular. They are more concerned about domestic issues. Most suffer from a weak domestic regulatory environment and lack of infrastructure, big hindrances for trade and investment liberalization. They are not sure of the benefits from FTAs. Indonesia worries about the low competitiveness of its manufacturing and agricultural sectors. Despite ASEAN's effort to facilitate trade and investment through AEC and ASEAN+1 FTAs, they were largely unappreciated by the private sector, the final users. The private sector continues to face challenges in cross-border transactions, mainly from multiple rules-of-origin and inefficient customs. Given low utilization of ASEAN FTAs, policy makers need to think about a deeper form of integration that will not only support trade and investment flows but will also take into account regional value chains. This is where RCEP assumes importance.

Since commencing negotiations in 2013 and completing 20 rounds by December 2017, RCEP continues to face challenges. It has missed three deadlines for concluding negotiations since 2015. Negotiators quickly realized that they cannot merely add the individual ASEAN+1 FTAs as they are very different. Many of the non-ASEAN participants do not have an existing trade agreement. The biggest challenge was observed between China and India as the latter runs a huge trade deficit with the former. Most ASEAN members and China are involved in labor-intensive manufacturing, while Japan and South Korea lean towards capital-intensive production. India is an outlier with comparative advantage in the service sector, mostly in information technology. Australia and New Zealand's economies are primarily driven by the agriculture sector and mining. The advanced ASEAN countries, China, Japan, and South Korea have relied on their external sector for economic growth and entwined themselves in regional value chain activities. India, on the contrary, has been less outward-oriented. RCEP is mired in difficulty mainly due to the differences in structure and growth strategies, Basu Das concludes.

In order to balance Chinese influence, ASEAN will welcome CPTPP and earnestly try to conclude RCEP negotiations, which the negotiating parties are optimistic will conclude by the end of 2018, under Singapore's chairmanship of ASEAN. The negotiators have been instructed to explore new ways of formatting the RCEP deal, perhaps to suit India's interests, a two-tier structure. RCEP without India would dilute the economic and strategic value of the agreement and offer China an opportunity to advance its own regional cooperation agenda. ASEAN's principle of "open regionalism" seems to have hit a ceiling, as countries like China are seeing this as an opportunity to gain economic access into the region, while the other big economies are either turning inwards or have limited economic resources to expend to ASEAN members. ASEAN is also struggling internally to manage the momentum of its own economic cooperation.

Yet, after five years of negotiations, RCEP is still facing challenges, including issues of market access, services, and investment. Looking at a strategic opening, China is promoting its own economic cooperation model of BRI and slowly making in-roads into neighboring developing economies. Even ASEAN's own economic community is facing difficulties. Member countries, although not discarding AEC, are not willing to commit to deeper measures, despite the fact that RCEP would showcase ASEAN's capability to bring together its members and external partners.

While AEC, ASEAN+1, and RCEP lead to economic integration, they are relatively shallow as they involve countries from different development stages. A plurilateral deal, like TPP, would be useful to enable ASEAN countries to participate in high-standard agreements on issues like government procurement, labor, and environment, which are not yet discussed in regional FTAs of ASEAN. The deeper agendas help ASEAN countries to use an external agent to undertake domestic reforms. Even the BRI serves the economic interest of closing the infrastructure gap—seen as the next phase of ASEAN integration. While the region has its Masterplan of ASEAN Connectivity, it suffers from financing issues. Will ASEAN survive this uncertainty? The answer is probably “yes,” as the countries have already tasted some benefits of regional integration. The region, after all, has regained a lot of FDI, which was getting diverted to China in the mid-1990s. In 2013/2014, FDI inflows of \$125 billion to ASEAN were almost on a par with China.

Pradumna B. Rana,” Re-energizing Economic Integration between South Asia and East Asia”

Pradumna Rana focuses on economic integration (linkages) between South Asia and East Asia, a component of South-South trade and a useful buffer should North-South trade soften, or populism lead the North to view trade as a “zero-sum” game. Deeper South Asia-East Asia integration would be mutually beneficial to both regions and could jumpstart South Asian economic development, currently an economic laggard, readers are told. Such integration could also revive economic integration in South Asia, while spurring the arrival of the Asian century. Yet, South Asia’s participation in global production networks and supply chains is still limited. In 2014, the Modi government adopted an Act East policy, signaling a more pro-active approach towards East Asia. This initiative, however, has yet to spell out any focused policies that link the country to global production networks, Rana concludes, arguing that South Asian countries need to embark on a second round of Look East policies to link themselves to global production networks, especially those in East Asia, which is their largest potential market. Rana proceeds to identify policies that South Asian countries should implement at a time when TPP-11 is going forward, while RCEP negotiations are also to be expedited.

Two distinct periods of South Asia-East Asia integration can be identified in the modern era: a period of limited integration from independence until the late 1980s, and one of intensifying efforts at integration from 1990 onwards. India’s engagement with East Asia ended with India’s border war with China in 1962 and its preoccupation with Pakistan. India turned inward and adopted the closed Soviet model of economic development characterized by import-substitution policies and high levels of protection. This remained through the first period. In the second period, India has signed FTAs, including the Comprehensive Economic Cooperation and the Comprehensive Economic Partnership Agreements, with ASEAN as a whole and two members, Singapore and Malaysia. An ASEAN-India FTA in goods was signed in 2014, and the ASEAN-India Services Trade and Investment Agreement was signed a year later. India has also signed FTAs with Japan and Korea. Thus, it accounts for the largest share of South Asia-East Asia trade, with Pakistan and Bangladesh a distant second and third. Other countries trade much less with East Asia.

All South Asian countries have a trade imbalance with East Asia, with India's imbalance being the largest (about \$90 billion). In order to benefit from the new type of parts and components trade, South Asia countries need to link themselves to global production networks—especially those in East Asia. Focusing on trade in components and parts is a proven method for developing countries to move up the value-added chain, benefiting their long-term development. Rana points to the need for logistics development in different forms; business environment and regional economic ties are viewed as possible catalysts of global value chain participation. Rana further stresses that incoming FDI is a key driver of such participation. This implies that countries with conducive business environments to foreign investors tend to participate more in this trade. With this in mind countries should pursue the following policies: improving the investment environment by deepening the reform process begun in the 1980s and early 1990s, reducing logistics costs including trade facilitation “at the border,” and signing regional cooperation agreements with and participating in various on-going regional trade and financial cooperation efforts in East Asia. Rana urges South Asian countries to deepen the economic reform process that they began in the 1980s and the early 1990s. In particular, they need to implement microeconomic reforms comprising sectoral reforms (agriculture and industrial sectors) and second-generation reforms, comprising reforms of public institutions for improved governance at all levels (civil service, bureaucracy, and public administration); institutions that create or maintain human capital (basic and skill-setting education and health); and improving the private sector environment (such as a country's regulatory regime including intellectual property rights, flexibility in labor market); difficulties in registering property, enforcing contracts, paying taxes, and trading across borders. With production fragmented across countries, efficient logistics is a key determinant of a country's competitiveness and ability to attract production blocks. Trade facilitation “at the border” is also important. Delays in customs inspection, cargo handling, and transfer and processing of documents need to be reduced. Customs procedures need to be modernized too.

Rana also argues that South Asian countries should continue to sign bilateral and plurilateral FTAs and comprehensive economic partnership agreements with East Asian countries. India, the largest South Asian country is already involved in negotiating RCEP. Eventually other states in this area should join it.

After over two centuries in the doldrums, the post-1990 period traditional trade (that is, trade in final goods) between South Asia and East Asia has increased rapidly, albeit from a low base. This finding lends support to the view that we are witnessing the “re-emergence of Asia.” Growing economic linkages between South and East Asia can be explained mainly by the partial macroeconomic and structural reforms implemented by the South Asian countries and the Look East policies adopted either formally or informally. Participation in global production network trade (trade in parts and components) is, however, limited. To realize that, Rana concludes with five proposals: 1) further improving the governance system and the business environment; 2) reducing logistics costs including trade facilitation “at the border”; 3) signing regional cooperation agreements with and joining regional trade and financial cooperation efforts in East Asia; 4) improving information and communications technology; and 5) enhancing regional physical connectivity through hardware and software development.

Kim Sangkyom, “Advancing East Asia’s Trade Agenda: A Korean Perspective”

The growing interdependence and interconnectedness of the global economy has intensified the need for most East Asian countries, including Korea, to engage in regional economic cooperation and integration. Korea’s high dependency on trade explains its preference for the rapid expansion of regional trade agreements. ASEAN and China, Japan, and Korea have come to use FTAs for maintaining their economic influence in East Asia. The Composite Regional Integration (CRI) Index serves as empirical evidence to support the argument that East Asian markets have great potential to grow into a larger scale market. The level of economic integration for Western Europe (EU members), North America (Canada, Mexico and the United States), and East Asia is 0.89, 0.70 and 0.50 respectively. If we assume that Western Europe has reached its full potential of integration, with a normalized value of 1, East Asia’s normalized value can be calculated as 0.61, i.e. it has untapped potential of further integration by 39 percent.

The network of existing trade agreements in East Asia creates a positive growth environment for the region. There is potential to consolidate them into a larger scale RTA, such as the Free Trade Area of the Asia-Pacific (FTAAP). A CPTPP engendering greater openness is one of the most desirable pathways for the region, along with RCEP. The flexibility adopted by the Korea-U.S. FTA (KORUS FTA) in terms of coverage, scope, and timing of tariff elimination may provide a good precedent for the successful implementation of an FTAAP if obstacles are addressed.

First, the most fundamental obstacle is the heterogeneity among East Asian countries and the lack of community spirit and political leadership. Second, many cooperation agreements have no specific work plan, time schedule, or review mechanism. There are not many FTAs/RTAs in East Asia containing chapters on next generation issues and behind-the-border reforms. Third, complex rules of origin (ROOs) could disrupt the cross-border production networks which have been central to the region’s successful integration. Uncoordinated proliferation of FTAs may lead to inconsistent provisions in FTAs—especially ROOs—which could hamper the process of production networking across countries. Fourth, the spread of protectionism is a great threat to most East Asian countries and may produce adverse effects for domestic reform agendas. Policy uncertainty imposes a significant additional cost since the launch of the Trump administration.

As of early 2018, Korea had concluded 16 FTAs/RTAs with 52 trading partners, of which 10 are with members of APEC. Korea’s dependency on overseas markets is very high. As of 2015, 84 percent of the Korean economy was open to international markets. Korea became the first East Asian country to have FTAs with the United States, China, and the EU. It will continue to play a meaningful role in advancing the trade agenda in East Asia. “Eliminating trade barriers” is only one aspect of enhancing economic integration, while there is a remaining but still very important arena that requires further cooperation among East Asian countries, which is reducing behind-the-borders impediments. Korea is well aware that promoting and strengthening structural reforms are a prerequisite for achieving sustainable economic growth in East Asia.

Several conditions have been advanced to strengthen Korea's competitiveness, adjust its industrial structure to adapt to the 4th industrial revolution, gain greater access to global markets, share the fruits of economic integration, and reform for greater Asia-Pacific co-prosperity. These include revision to the KORUS FTA in March 2018 and the leaders of Korea, Japan, and China agreeing in principle to accelerate the C-J-K FTA negotiations. In addition, Korea should keep an eye on the progression of the CPTPP while reinforcing its FTA roadmap. If violence on the Korean Peninsula finally came to an end, that may trigger new opportunities for Korea to play the role of linchpin for East Asia economic cooperation and become a much larger force in the world economy.

Is the Belt and Road Initiative a Chinese-style Regionalism?

Tu Xinquan

In the last two decades, bilateral and regional trade agreements (RTAs) have been considered a primary force to advance the world trading system because the Doha Development Agenda of the WTO has stagnated since its launch in 2001. The continuous expansion of the European Union and the American-led NAFTA and TPP as well as bilateral FTAs between the United States and EU and their partners best exemplified this phenomenon. However, such an approach is facing serious challenges from rising anti-globalization sentiment originating in the EU and United States in recent years. In June 2016, the United Kingdom decided to exit the EU as a result of a referendum. This is the first time a EU member chose to leave. On January 23, 2017, at the start of his presidency, Donald Trump signed as his first executive order the withdrawal from TPP, which his predecessor spent years concluding with 11 partners. These two consecutive dramatic actions of the previous and current world leaders shocked the globe. Next to the WTO, regionalism is seen as the second-best choice in promoting globalization. Now, two regional initiatives led by developed countries are facing a serious backlash. The world is concerned that this means the end and a reversal of globalization.

Since its WTO accession in 2001, China has also been actively negotiating FTAs with its neighbors as well as some remote partners such as Iceland and New Zealand. While its WTO accession package was praised for its ambition and courage, it is difficult to defend Chinese FTAs as comparable to those of developed countries in terms of market access and institutional changes. One explanation for that is China has made very high-level multilateral commitments. Another one is China is not in such a comfortable strategic and economic position as the United States in negotiating FTAs with either developed or developing countries. The former want to obtain more market access concessions and institutional reforms from China, while the latter are afraid to expose their domestic industries to China's overwhelming competitiveness in manufacturing. In addition, the Chinese government seems more confident in its own institutions and unwilling to change them due to outside pressure, especially after the 2008 global financial crisis.

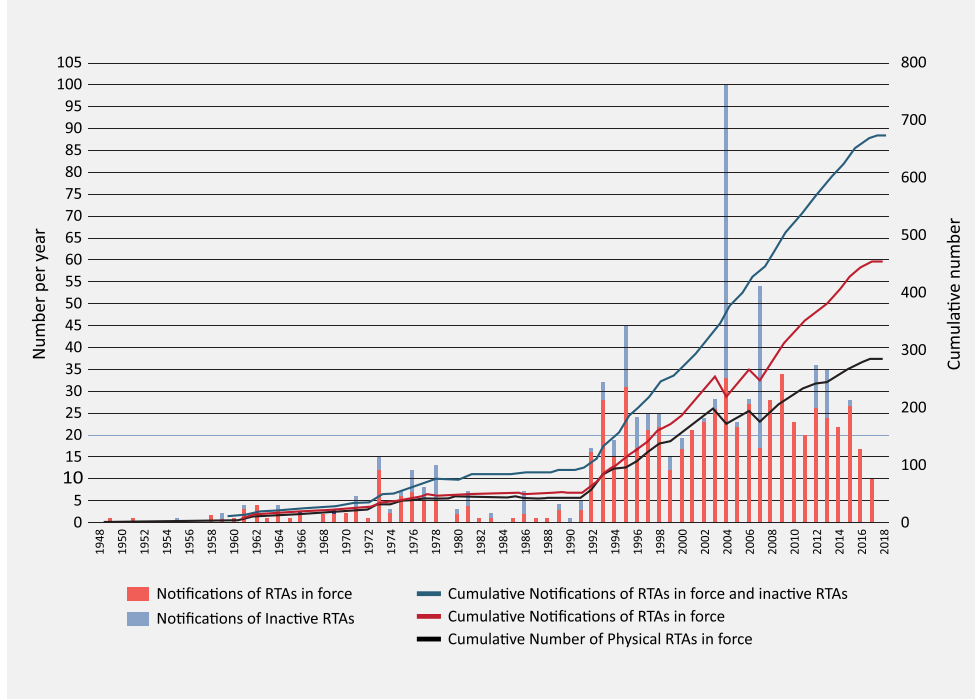
President Xi Jinping proposed the Belt and Road Initiative (BRI) during his state visits to Kazakhstan and Indonesia in September and October 2013, which soon was made a top national priority and even included in the Constitution of the Communist Party of China at the 19th Party Congress in 2017. Nadege Rolland labels this China's Grand Strategy¹ and the organizing foreign policy concept in the Xi Jinping era.² One key feature of BRI in comparison with RTAs is that BRI focuses more on improving physical connectivity rather than reducing institutional barriers. The logic of physical connectivity is undoubtedly powerful, especially for developing countries with poor infrastructure. The impact of more and better international links on the regional landscape could be huge, not only by boosting trade and commerce but also by easing flows of energy and other resources, stimulating technological innovation, influencing culture and politics, and shaping strategic choices. Given the fact that RTAs are facing serious difficulties, the BRI looks like an attractive and feasible alternative to promote regional economic integration and globalization. However, there are also plenty of uncertainties and ambiguities surrounding the BRI, particularly due to China's centrality as well as its direction of economic and strategic development. Hence, this chapter explores BRI characteristics in promoting regional economic integration and whether it could become an alternative approach to regionalism and globalization for China as well as the world.

The Embarrassment of Regionalism in the Era of Anti-globalization

Regionalism is not a new phenomenon in world trade history. Preferential trade agreements (PTAs) or RTAs have been around for centuries—long before the creation of the General Agreement on Tariffs and Trade (GATT) in 1947. Throughout modern history, countries have secured and strengthened their trade relations through various arrangements—from colonial preferences to bilateral commercial treaties to broader regional agreements. However, the “Great Depression” of the early 1930s helped fuel the spread of defensive and increasingly hostile trade blocs in the inter-war period. A main justification for creating the GATT in the postwar period was the widely held belief that hostile trade blocs had contributed directly to the economic chaos of the 1930s and the outbreak of WWII.

Nonetheless, the establishment of the postwar multilateral trading system did not diminish the attraction of bilateral or regional approaches to trade arrangements and led instead to a period of creative interaction and sometimes tension between multilateralism and regionalism. The first wave of regionalism in the late 1950s and 1960s was driven by Western Europe’s push for continental integration, leading to the establishment of the European Economic Community (EEC) in 1957 and the European Free Trade Agreement (EFTA) in 1960. Subsequent waves of regionalism, from the mid-1980s, reflected an increasing embrace of such arrangements in the Americas, Asia, and Africa, as well as in Europe. The continuing proliferation of regional agreements over the last three decades involves diverse networks—including bilateral, plurilateral, and cross-regional initiatives—and encompasses countries at different levels of economic development. However, a rising concern with the proliferation of RTAs is whether burgeoning regionalism signals a weakening of international commitment to open trade and foreshadows a return to a more fragmented trading system. An alternative view is that RTAs may be part of a broad pattern since WWII—where some countries want to move “further and faster” in trade rule-making than others, where bilateral and regional agreements can have a positive, “domino effect,” encouraging the pace of multilateral cooperation, and where regional and multilateral agreements are becoming coherent, not conflicting, approaches to managing a more complex and integrated world trading order.

In practice, countries seem ignorant of which side of the debate is right. They have been quite determined to pursue as many RTAs as possible with partners around the world. Figure 1 shows that the number of RTAs has kept increasing. Nearly all WTO members participate in one or more RTAs. In recent years, the most prominent development of regionalism is the emergence of so-called mega-regional agreements, which are deep integration partnerships between countries or regions with a major share of world trade and foreign direct investment (FDI), and in which two or more of the parties are in the driver position, or serve as hubs, in global value chains. Beyond market access, emphasis in this integration is on the quest for regulatory compatibility and a rules basket aimed at ironing out differences in investment and business climates.³ TPP and TTIP are the most important and indicative mega-regional agreements.

Figure 1: Evolution of Regional Trade Agreements in the World, 1948-2018

Note: Notifications of RTAs: goods, services and accessions to an RTA are counted separately. Physical RTAs goods, services and accessions to an RTA are counted together. The cumulative lines show the number of notifications/physical RTAs that were in force for a given year.

Source: RTA Section, WTO Secretariat, 25-Jan-18.

TPP was intended to be a comprehensive accord that encompasses provisions on lowering barriers to trade and investment in goods and services and covers critical new issues such as digital trade, state-owned enterprises, intellectual property rights, regulatory coherence, labor, and environment. Like all trade pacts, TPP elicited praise and criticism from economic interests in the United States and the other 11 participating countries: Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam. Although it was originally a small four-way FTA between Brunei, Chile, New Zealand, and Singapore, U.S. participation in 2009 and the subsequent joining of Japan, Canada, and others led to its members accounting for nearly 40 percent of global GDP. The United States was undoubtedly the leader of the group. President Obama strongly supported the TPP and argued that it would strengthen the American economy and national security. He said to opponents of trade liberalization that “I understand the skepticism people have about trade agreements, particularly in communities where the effects of automation and globalization have hit workers and families the hardest. But building walls to isolate ourselves from the global economy would only isolate us from the incredible opportunities it provides.”⁴ TTIP negotiations were launched in June 2013 by the United States and EU, aiming for a far-reaching trade agreement focusing on trade liberalization and behind-the-border and other non-tariff barriers, as well as seeking a “high standards” approach to alignment, compatibility, and possible harmonization of regulations and standards governing the goods, services, investment, and public procurement markets.

The rise of TPP and TTIP can be perceived as a continuation of the regional cooperation trend from the mid-1990s, with the United States and EU as the driving economies. Lack of agreement at the WTO Doha negotiations reinforced the perception of inefficiency of policy-making in the multilateral trading system. Mega-regional agreements aim to meet the liberalization needs of developed members of the WTO. With the WTO seemingly stymied by a governance structure that enables a handful of members to impede consensus and block all but the lowest common denominator outcomes, mega-regionals provide the opportunity for like-minded countries to work together to achieve higher order agreements. With the slow pace of WTO negotiations, the rules-based multilateral trading system has fallen woefully behind the reality of global trade and emerging protectionist practices. The longer a given set of trade-distorting practices has to get entrenched, the greater the challenge of creating disciplines to address them later. Issues related to e-commerce, forced localization, data privacy, competition policy, and levelling the playing field between state-owned and private enterprises are all examples of topics under consideration in various mega-regionals, with a view to finding potential formulations that might eventually be adopted by a broader WTO membership.

The United States along with the EU promoted mega-regionals because they were dissatisfied with the slow pace of multilateral trade liberalization and tried to keep the lead in globalization through these high-standard mega-regional agreements. Ironically, while these agreements have yet to yield the intended outcome, their originators disrupted their progress by themselves. Though the TPP negotiations ended in February 2016, Trump withdrew from it as soon as he could. Obama's biggest trade liberalization success was totally destroyed shortly after leaving office. The next victim was the TTIP. Though it was already under attack during Obama's term, TTIP was fully frozen by Trump.⁵ Furthermore, Trump started the renegotiation of NAFTA, the milestone of North American regional economic integration, although that is considered a retreat from his original threat to terminate it.⁶

In comparison with Trump's "America First" targeting external partners, the EU, arguably the most courageous and successful experiment in human history to combine a number of sovereign countries under the same institutions, started its breakdown internally. It was awarded the Nobel Peace Prize in 2012, in recognition of efforts to promote peace and democracy in Europe. It achieved the deepest and widest regional economic integration in history. Although Article 50 of the EU Treaty allowed for withdrawal, nobody expected any member to invoke it. As a result, when the UK referendum in 2016 led to the Brexit decision, both sides were not prepared for the enormous complexity of the departure, meaning that there was no clear plan nor the technical resources to meet that challenge. Many believe that Brexit is likely to damage the UK and EU economically and the transatlantic alliance.⁷

Mega-regional agreements such as TPP and TTIP were once considered an alternative solution to further globalization in case the WTO stagnated due to the diverse views of 164 heterogeneous members. Few expected that such like-minded groups would lose their way one after the other with the historical leaders of globalization, the United States and UK, suddenly turning inward. Therefore, finding a new driver of or approach to globalization is really a big question for the world.

Evaluations of China's FTA Strategy: Gains and Limitations

China is a latecomer in pursuing an FTA strategy. But since the signing of the Framework Agreement on Comprehensive Economic Cooperation between China and ASEAN in November 2002, China has made steady progress in FTA development. By the end of 2017, China had signed 16 FTAs with 24 countries and regions spreading over Asia, Latin America, Oceania, and Europe. In 2015, China's trade volume with its FTA partners accounted for approximately 34 percent of its total trade volume. There are 11 FTAs under negotiation and 11 in the exploratory stage.⁸

Compared with the United States, the EU, and some East Asian countries, China lags behind in its number of FTAs, total trade covered by FTAs, and the economic weight of FTA partners. This is firstly because China was the newest member of the WTO among them. Without WTO membership, it is simply unfeasible to negotiate FTAs with WTO members. However, the main reason for China's slowness in pursuing FTAs lies with its unclear FTA strategies. Simply put, China was unsure about its objectives and possible partners for developing FTAs. After its reform and opening up in the end of 1970s, China actively promoted bilateral and regional economic cooperation. However, it was in favor of traditional cooperation arrangements with regional partners and neighboring countries rather than legally binding trade agreements. It was already a big jump for China to apply to join the GATT/WTO, which would require it to systematically transform its trade laws and regulations. Only after China concluded its bilateral WTO accession negotiations with the United States in 1999 did the government start to explore the necessity and feasibility of making further trade liberalization agreements with its partners, given that it had accepted high-standard and far-reaching WTO rules. ASEAN was the natural top choice. Politically, China wanted to stabilize relations with Asian neighbors. Economically, Southeast Asia could be complementary and helpful to China's trade and economic development.

It is debatable whether political intentions prevail over economic ones or not. China's FTA strategy has not focused on its major trading partners. Theoretically, the first economic purpose of FTAs is to expand one's exports to one's top partners. In 2016, the top 10 exporting markets for China were the United States, EU, Hong Kong, ASEAN, Japan, Korea, Chinese Taiwan, Russia, Australia, Canada, and Brazil. China has FTAs with only four of them. Moreover, Hong Kong is a special case, which is part of China and a transit hub of China's trade with the rest of the world. Taiwan is also a special part of China, and the Chinese government does not recognize the ECFA with Taiwan as an FTA. The second economic purpose is usually to promote domestic marketization through reciprocal exchange with FTA partners. However, the liberalization level of China's FTAs is moderate at best. The progress of FTAs in comparison to WTO concessions is limited. In the China-Korea FTA signed in 2015, China's zero-tariff ratio in terms of volume is only 85 percent with a 20-year implementation period. Some sensitive products like automobiles and parts are exempted from tariff reduction. There are only a few WTO-plus and WTO-extra clauses, such as those on environmental protection and competition policy, in a few newly concluded FTAs with small advanced economies such as Switzerland on the condition that most of them are not legally enforceable. In this sense, FTAs are not as helpful as WTO accession to promote domestic reform through opening up.

Table 1: The implementation of China's FTA strategy

FTA in Force	Year Negotiations Began	Year Agreement in Force	FTA Currently Under Negotiation	Year Negotiations Began
Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA)		2003	China-GCC FTA	2004
China-ASEAN FTA	2002	2010	China-Norway FTA	2008
China-Chile FTA	2004	2005	China-Pakistan Upgrade	2011
China-Pakistan FTA	2005	2006	RCEP	2013
China-New Zealand FTA	2004	2007	China-Japan-Korea FTA	2013
China-Singapore FTA	2006	2008	China-Sri Lanka FTA	2014
China-Peru FTA	2007	2008	China-Israel FTA	2015
China-Costa Rica FTA	2009	2010	China-New Zealand FTA Upgrade	2015
China-Iceland FTA	2008	2013	China-Singapore FTA Upgrade	2015
China-Switzerland FTA	2011	2013	China-Moldova FTA	2017
China-Korea FTA	2012	2015		
China-Australia FTA	2005	2015		
China-ASEAN FTA Upgrade	2014	2015		
China-Georgia FTA	2015	2017		
China-Maldives FTA	2015	2017		
China-Chile FTA Upgrade	2016	2017		

The Chinese government is not driven primarily by economic concerns when pushing its FTA agenda; political factors play just as important a role, especially with its neighbors. In essence, China has been trying to use its FTA network to foster and reward strategic allies as part of its strategy to build an international environment conducive to China's goal of "peaceful rise."⁹ Though the government has persistently portrayed itself as "rising peacefully," not all of its neighbors have been charmed. For example, Beijing's rise as a regional and global power has aroused both economic and strategic fears among its ASEAN neighbors, to varying degrees. Some of these fears stem from historic mistrust and have been exacerbated by recent tensions in the South China Sea. The Chinese government has long been trying to diminish mistrust like this and build closer political ties by offering its neighbors economic benefits through FTAs.¹⁰ China's intention to negotiate a bilateral FTA with Australia also could be viewed through a political lens: China views Australia as an important country in the South Pacific and feels that Sino-Australian bilateral relations are not close enough, which may reflect its concern with Australia's strategic alliance with the United States and Japan.¹¹

Thus, China's intentions with its FTA strategy are largely strategic rather than economic. It does not mainly intend to promote trade liberalization both internally and externally through negotiating FTAs with partners. This could explain why China would like to join RCEP but rejects TPP. Nonetheless, it does not mean the Chinese government opposes further trade liberalization, but FTAs are not a proper approach for China. China's position is quite distinct from the advanced economies or those developing counterparts like Brazil and India. As the Middle Kingdom in the past, China is currently in the middle in many aspects, an awkward position to promote trade liberalization in general and to negotiate FTAs in particular.

China has emerged as the world's second largest economy and trading nation, yet it is still very distant from a developed country. GDP per capita is still below the world average. If measured by Human Development Index (HDI), China only ranks 90th, between Ecuador and Fiji. According to the 2017-2018 Global Competitive Index constructed by the World Economic Forum, a comprehensive measurement of national competitiveness, China only ranks 27th, lower than many developed economies. Even though China is one of the largest trading countries of the world, the center of globalization has recently shifted away from negotiations on trade rules to negotiations on investment rules. China has a large amount of FDI inflows and outflows; yet China's stock of inward and outward FDI as a percentage of GDP is far below the average level of developing countries. Chinese firms are also much less internationalized. The top 100 Chinese multinational firms own an average of 15.55 percent foreign assets, 19.71 percent foreign sales, and 7.64 percent foreign employment, dwarfed by those of the top 100 multinational enterprises in the world. Chinese multinational firms are not able to serve as an engine to steer a new wave of globalization, as MNCs of the advanced economies did in the past. Furthermore, globalization is not only driven by global trade and investment liberalizing policies but also by a more liberalized and open domestic market. China has a lot to reform before it can meet the requirements or make commitments as those made by developed countries in the high standard economic integration agreements. For example, its service industry is not yet very open to the global community. China has a much higher level of FDI regulatory restrictiveness compared with advanced economies in almost all sectors.

In summary, as a major trading nation unlike India and Brazil, China is truly in need of further trade and investment liberalization. Yet, as a less open and market-oriented economy, China is not in as comfortable a position as the United States and EU, which only need to require other partners to accept their demands while making few changes to their own institutions. Therefore, it would be difficult for China to negotiate FTAs with big advanced economies because they would compel China to make significant and fundamental institutional reforms and opening up.¹² It is also unrealistic for China to negotiate with big developing countries because they are afraid of its overwhelming competitiveness in manufacturing. Therefore, it is only feasible for China to negotiate FTAs with small and medium-sized advanced and developing countries because China would be unafraid to give them concessions and able to refuse calls for institutional changes from them. With so many limitations, the FTA approach is seen as, not yet at least, very suitable for China to achieve relevant economic objectives.

The Belt and Road Initiative: An Economic Project or a Grand Strategy?

The official narrative of the Chinese government on BRI always looks selfless. In several instances, Xi Jinping has argued that it is only natural that China, after having itself benefited from its integration into the international system, has now started to make its own contribution to global development by providing “more public goods to the international community.” China will do so, Xi has repeatedly claimed, not to pursue its own purposes (as a “one-man show”) or to establish an exclusive sphere of influence, but rather to produce mutually beneficial outcomes and prosperity for all. Up to now, the Chinese government has released two programmatic documents regarding the BRI. The first one is *Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road* jointly released by the National Development and Reform Commission, Ministry of Foreign Affairs, and Ministry of Commerce in March 2015.¹³ The second one is *Building the Belt and Road: Concept, Practice and China's Contribution* issued by the Office of the Leading Group for the BRI in May 2017.¹⁴ In both, all objectives of the initiative are described as peaceful cooperation and common development.

Although some observers assert that the BRI appears to be entirely a mercantile endeavor, designed to fortify China's economic interests around the world and open business opportunities for Chinese companies enduring a slowdown at home,¹⁵ most believe that the Chinese government has three complementary objectives. While no one would deny that BRI would benefit participants, China would certainly and legitimately be one of the biggest beneficiaries since it was initially proposed and mainly financed by China.

Is BRI Indispensable in Economic Terms?

The economic rationale behind China's BRI proposal usually refers to three dimensions. The first objective is to boost exports of overbuilt sectors such as machinery, steel, and cement by infrastructure building in BRI partner countries. According to Chinese official documents, boosting infrastructure development to enhance transnational and cross-regional connectivity is a priority for cooperation and has the most potential benefit for Chinese companies. At the same time, infrastructure development in Eurasia is truly helpful to economic growth. According to China's own experience, physical obstacles are often more relevant than institutional barriers.

The second objective is to encourage Chinese companies to invest abroad, enhance their international competitiveness, and become China's “national champions.” In this sense, the initiative is a continuation of the “going global” strategy formulated in 2000. The difference is now China is already the second largest source of outbound investments in the world.¹⁶ The Chinese government encourages its strong industries to go global, invest in various ways in the BRI countries, introduce their high technological and environmental protection standards, and foster new growth points for bilateral economic cooperation. Again, the internationalization of Chinese companies is an important goal of the government. China

would like to share this valuable Chinese experience with other developing countries through Chinese investments into them. This is, of course, helpful to these recipient countries. Simultaneously, China has a strong belief that making use of foreign investments is extremely important for economic growth.

The third objective is to expand the internationalization of the renminbi.¹⁷ The People's Bank of China seems to favor the gradual internationalization of the RMB through the creation of a global network of offshore renminbi clearing banks, currency-swap agreements, and integrated electronic infrastructure. BRI can help serve as a stimulus for all these developments by creating opportunities for greater use of the renminbi in international transactions, especially those related to energy development and investment in infrastructure. The internationalization of the RMB is an international economic policy priority, but an additional currency choice other than the US dollar is also good for other countries.

In summary, although the Chinese government, of course, attaches self-interested goals to the BRI, it does not mean that participants would pay for rather than benefit from it. The economic logic of the BRI looks sound. However, there is one question seemingly never raised: Could China pursue these economic goals without launching BRI? The answer makes a difference in understanding China's actual intentions.

The so-called five connectivities as the core program of BRI include policy coordination, facilities connectivity, unimpeded trade, financial integration, and people-to-people bonds. In fact, all of them are the daily jobs of relevant ministries such as the Ministry of Commerce (MOFCOM,) Ministry of Education, and Ministry of Foreign Affairs. According to MOFCOM, China had signed a variety of trade agreements and economic cooperation agreements with 156 countries by the end of 2016. Before the launch of BRI, China had signed 10 FTAs. China's overseas project contracting operations had been steadily rising earlier with a 10.5 percent annual growth rate from 2010-2015.¹⁸ BRI is largely a network of China-centered bilateral arrangements rather than a multilateral framework simultaneously covering all participant countries. It is not intended to or able to form a more institutionally or economically integrated Eurasia. One flagship project of BRI is the China-Europe Rail Routes which had connected 28 cities in China and 14 cities in Europe by the end of 2016. But these trains carry cargo either from China or from Europe, passing Asian countries en route without any additional loads. In comparison with maritime routes, these rail routes are more expensive and largely dependent on subsidies of local governments. Therefore, many individual projects under BRI are not organically connected with each other and could be operated separately. The value of the brand of BRI in economic terms for Chinese and foreign stakeholders is more about getting easier access to Chinese government attention and money. Of course, for the Chinese government, such a top-down umbrella could help to create positive network effects and to reduce organizational costs.

What Are the Strategic Goals of BRI?

While the necessity of BRI for achieving the economic benefits of projects under its rubric is open to question, the strategic value of BRI cannot be replaced by any other initiatives. The Chinese government has kept a low-profile in international affairs since 1979 with most resources and attention to economic development. Though some observers suggest that it had been thinking about a grand strategy for a long time, we have not seen any authoritative and publicly-announced grand strategy from it.¹⁹ Since the 18th Party Congress and Xi Jinping coming to power, the situation seems to be changing quickly. China's foreign policy is more self-confident than it ever was, implying that the time of keeping a low profile seems to be over. Xi states that he would lead the nation and people to realize the "China Dream," which is described as resurrecting China's ancient power, i.e., to become No. 1 in the world again. To gain such a position, it is obviously not good enough to be a follower or rule-taker. China is expected to be a rule-maker or a creator of new public goods for the world. This does not imply that China is going to give up the existing international regimes such as the World Bank, IMF, and WTO, but that it would try to establish some new frameworks to complement or compete with the current institutions. The AIIB is a good example of this on the basis of existing practices established by the West. Therefore, BRI could be viewed as a Chinese model based on its traditional culture competing with the Western style. With its secular and materialistic culture, China prefers to prioritize economic cooperation with beneficial prospects rather than ideological commonalities or institutional integration. Chinese funds and contractors will help to improve infrastructure connectivity between BRI countries and reinforce China's influence there. Chinese investors will take advantage of the infrastructure and make profits from and contributions to host countries as well, establishing a more benign and powerful image of China. Although quiet investments could achieve similar economic profits, with the striking logo of BRI, China could maximize its political influence along with material benefits.

China's economic and political model will go along with Chinese development funds and foreign investments. Though the government always claims that BRI is for common prosperity and shared destiny, the official documents never forget to emphasize that BRI is a Chinese program with significant Chinese characteristics and different from the previous and existing international regimes. BRI does not only promote these Chinese characteristics through infrastructure connectivity and economic cooperation, but also spreads Chinese traditional culture and current politics through a variety of educational, cultural, communication projects generously funded by relevant government organs.

Some argue that one strategic goal of China is pivoting westward to counter the U.S. pivot to Asia.²⁰ But the fact is the U.S. is everywhere, and there is nowhere for China to pivot. BRI is not pivoting at all. The five routes, especially the two maritime ones, could reach the whole world. The Chinese government has not made an exhaustive list of participants and has been claiming that BRI is open to everyone who is interested. In the end, the government has realized that the competition between China and the United States is inescapable and will happen everywhere.

China intends to achieve strategic purposes from BRI through economic approaches. There is no need to deny these selfish benefits. However, it is unreasonable to suspect that China is plotting to exploit countries due to self-interest because there is truly potential for common interests. As Adam Smith said, the best economic benefit for all can usually be accomplished when individuals act in their own self-interest. Although the Chinese government is ambitious to spread China's influence, China has no imperialist tradition and does not try to compel other countries to accept China's model, funds, or investments. As seen from China, China's goodwill to others is as authentic as its self-interest with regard to BRI.

The Relationship between BRI and FTA Strategy

This chapter concludes that both FTA strategy and BRI are more for strategic purposes than economic goals. BRI is designed to increase economic integration between China and BRI countries through improving infrastructure connectivity, enhancing policy coordination, promoting trade and investment cooperation, facilitating financial flows, and reinforcing people-to-people communications. Promoting trade and investment cooperation is close to the usual concept of regional economic integration, which means dismantling trade and investment barriers between regional partners. Official documents of BRI endorse trade and investment facilitation and liberalization. One main target is to build a Belt and Road free trade area network.²¹ Since the listed examples are all bilateral FTAs with BRI countries, the network is supposed to mean China's bilateral FTAs with BRI countries rather than an FTA covering all BRI countries or a FTA network including these FTAs without China. Therefore, it is hard to say that BRI is designed to promote regional economic integration in the Belt and Road region. It is only about further trade and investment facilitation and liberalization between China and BRI countries. Since many of China's FTA partners are not in East Asia or even Asia, it is debatable whether these FTAs are meant to promote regional economic integration.

China has already set up an FTA strategy which is partly incorporated into BRI and could be helpful to BRI. With or without BRI, China will still implement its FTA strategy to negotiate FTAs with selected partners all over the world. While BRI is almost boundless, China is cautious about including developed countries under the initiative, no matter whether its East Asian neighbors, West European countries, or North American countries. China's FTA strategy has even wider scope than BRI since China has concluded some FTAs with European countries like Switzerland, is negotiating with Japan, and is trying to negotiate with Canada. Therefore, whether FTA strategy or BRI should take the lead is a little confusing.

It is probably playing down BRI by comparing it with regional economic integration. While Beijing has not admitted it as the grand strategy of China's foreign policy, Xi Jinping and a lot of Chinese writers have connected BRI with globalization rather than regionalism. Some terms like the Chinese version of globalization, Chiglobalization, and Globalization 3.0 have been proposed to emphasize the extreme significance of BRI for the world.²² The Chinese Academy of Social Sciences in 2017 published a book in both Chinese and English titled "Belt and Road Initiative: Exploring a new globalization."²³ While all the authors describe bright and benign visions of BRI in promoting globalization, it is difficult to define the new model of globalization on the basis of their analyses. The Chinese government and BRI

itself deserve praise for their support for globalization when globalization is blamed and rejected in the U.S. and Europe, but more explanation is needed for how BRI specifically helps globalization.

Among the five cooperation areas of BRI, the most distinctive is connectivity of infrastructure and facilities. Many governments and international organizations provide development assistance for infrastructure and facilities construction in developing countries, but none have tried to make them internationally connected with each other. BRI helps to increase international economic integration and then globalization. In particular, this area has been neglected by previous efforts at regional economic integration, which focus on reducing trade and investment barriers. However, BRI is not a multilateral institution but a set of bilateral arrangements between China and BRI countries. It would be very difficult for China alone to coordinate relations between these countries. For now, most infrastructure projects under BRI are inside one country or between China and one country rather than connecting multiple countries.

Other than this special feature, BRI does not look so different from the existing models such as FDI, FTAs, and currency swaps. One general distinction of BRI might be its non-legalism. Official documents prefer using words like consultation, cooperation, consensus, discussion, collaboration, and coordination. The Chinese government wants to emphasize that BRI is not mandatory, legally-binding, or unilateral. China has signed 46 cooperative agreements with 39 countries and international organizations.²⁴ Most of these are joint statements indicating common goals and related work arrangements and have no clear obligations and rights. The most legalistic part of BRI are the FTAs between China and BRI countries. The positive side of this cooperative approach is a partner country may not feel compelled to do something. But the negative effect is when a government wants to overturn a previous consensus there is no way to stop or correct it. This will lead to more uncertainties.

Proposed by one single country and intended to combine many countries together, BRI is a new model never proposed in human history. It is also a new grand strategy for China to link many economic purposes with strategic intentions under one program. Whether BRI can establish a new mode of globalization is still open to debate.

Conclusion

Globalization is facing serious challenges. Not only has the multilateral trade order its momentum, but the dynamics of regionalism are at risk. Mega-regional agreements launched by the United States and EU to push forward globalization have stagnated as has the WTO Doha Round. It seems that the approach of negotiating binding agreements among governments is not workable anymore for furthering trade and investment liberalization. After joining the WTO, China has been actively negotiating FTAs with its partners. But it is questionable whether these FTAs have significantly contributed to reduce trade barriers or promote domestic market-driven reforms. Then hope was diverted to the new BRI for both fostering further opening up by China and sustaining globalization. By analyzing the economic and strategic logic behind BRI, this chapter concludes that it is more about fulfilling China's strategic objectives in world affairs. There are some encouraging ideas in BRI, but there are also some uncertainties about whether it can substantially promote globalization differently than existing models.

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Japan in the Driver's Seat? Reshaping the Regional Trade Order without the United States

T.J. Pempel

On January 28, 2018 representatives from eleven countries, following the strong leadership of Japan, agreed to a modified version of the Trans-Pacific Partnership (TPP).¹ This new pact—renamed the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTTP), or TPP-11—was formally signed in Chile on March 8. The treaty will take effect once ratified by at least six member countries. Japan is planning to push the treaty through the Diet within 2018 and anticipating that it will come into force sometime in 2019. The agreement represented a major recovery by the eleven countries following initial expectations that TPP was dead after the election of Donald Trump.

Trump, as an early follow through on his xenophobic and unilateral campaign promises, signed an executive order pulling the United States out of the TPP within one hundred hours of his inauguration.² With that stroke of his pen, Trump wiped out 10 years of work on the so-called “Pacific” route to regional trade integration, anchored on the U.S. market. It also defied multiple analyses demonstrating the strong economic benefits that TPP would provide for the United States. Turmoil immediately prevailed among the remaining eleven signatories.

Japanese prime minister Abe, for example, only weeks after Trump’s election announced, “TPP is meaningless without the U.S.”³ Singaporean prime minister Lee Hsien Loong argued, “if the TPP does not go ahead, it would be a great loss for the rest of the member economies.”⁴ *The National Interest* was typical in its skepticism about both the survival of TPP and the long-term implications for the Asia-Pacific. In an article entitled “TPP is Dead; Now What?” it observed: “The United States’ withdrawal not only throws away the potential for a trade agreement but may cause countries that expended significant political capital for the TPP to retreat from free trade for the foreseeable future.” That China will be the primary beneficiary of Trump’s withdrawal was a widespread conclusion.⁵ In fact, as the signing of the CPTTP indicated, all eleven countries were prepared to recommit themselves to the deal and to continue to advance the goals of a liberal trading order in the region.

An Evolving Asia-Pacific Order

The stable economic and security order that prevailed in the Asia-Pacific from the early 1980s until the early 2010s is currently facing multiple challenges.⁶ Many have been festering with varying degrees of acceleration and deceleration since the bipolarity that had previously provided the region’s structuring architecture began to topple in the 1970s. Nevertheless, for a roughly thirty-year period until the mid-2000s, the regional order was defined primarily by increased economic interdependence, rising institutional multilateralism, and the absence of state-to-state military conflicts. It is not that challenges to that tranquil order were absent, but most pale in significance to the far more potent challenges to both intra-regional economic and security stability that have emerged in the last decade or so. No such challenge is potentially more upending of past patterns than the American pull-back from regional engagement since the Trump administration took office.

During the Cold War, the prevailing regional order had been stark and bipolar. Prior to the Nixon and Tanaka visits to China (1972) and Deng’s subsequent and sweeping reforms of the Chinese economy (1978) the regional order was characterized by stringent isolation and ongoing confrontation between two hostile and mutually exclusive blocs. These blocs contended with one another in the overlapping and reinforcing spheres of economics

and security. America and its friends and allies stood on one side of the abyss while the communist countries occupied the other. Intra-bloc economic and security interests were mutually reinforcing; security partners traded preponderantly with one another, economic bridges across the security divide were narrow, shaky, and far apart.

This bipolarity in the Asia-Pacific order reflected the broader global architecture set up by the United States in the aftermath of World War II. A dense web of institutions fostered the global international order that has largely prevailed until today. The bulk of the institutions forged in the economic and financial arena were *global* in nature. Key examples include the World Bank, the International Monetary Fund (IMF) and the General Agreement on Tariffs and Trade (GATT) along with its successor the World Trade Organization (WTO). In the security arena, by way of contrast, the U.S. architectural approach was *region-specific*. In some parts of the world, it opted to forge multilateral regional security bodies such as NATO; however, in East Asia America relied on a patchwork of bilateral hub-and-spoke alliances. When the Cold War ended, the most prominent security challenges justifying American-led alliances had disappeared, leaving the United States as the unquestioned global and regional hegemon, enjoying what Barry Posen (2003) called unchallenged “command of the commons.”⁸ From this powerful perch, however, it had few incentives to alter the existing regional architecture. Instead, it strengthened, rather than scrapped, its bilateral alliances while continuing to rely on global economic institutions. The Asia-Pacific’s post-Cold War institutional inheritance thus involved a mixture of global trade and financial institutions and a patchwork of bilateral security alliances.

As the rigidities of the bipolar division began to blur in the late 1970s and early 1980s, military tensions faded while cross-border economic interdependence climbed. National leaders across the region began to downplay their countries’ military prowess in favor of prioritizing economic development. An avalanche of international capital investment swept across the region during the 1980s and 1990s. The result was the well-explicated “Asian miracle” with its increase in cross-border trade and investment, rising economic and financial interdependence, and a surge in the number and range of activities undertaken by regional economic institutions.⁹

Japan was a major contributor to this onrush of investment and trade interdependence. In particular, Japan unleashed a massive combination of official aid, trade, and investment throughout the region, including with China, the latter constituting a vital component in China’s economic take-off. As Japan’s economic ties with Asia expanded, congruent with the expansion of intra-Asian production networks involving Japanese firms, the country found itself facing increased tension between the economic pulls of Asia and the diplomatic and foreign policy focus that kept Japan unshakably anchored to the United States through its bilateral security alliance. This tension became increasingly acute as Japan’s economic interdependence with China ballooned, even as security tensions between the two countries mounted. Thus Sino-Japanese trade totaled \$270 billion in 2016, and China emerged as Japan’s leading trade partner while Japan was China’s second-largest trading partner. Japanese investment in China followed a similar trajectory, with investments totaling more than \$109 billion by the end of 2016, making Japan the leading source of foreign investment for China and accounting for 8 percent of Japan’s total outward investment (plus an additional 2 percent invested in Hong Kong).¹⁰ East Asia as a whole accounted for 51 percent of Japan’s exports and 49 percent of its imports as of December 2016.¹¹

Japan continually sought to bridge these competing pulls between its economic and its security interests. Thus, when the United States was considering a reduction of its military presence in East Asia during the 1980s, Japan along with Australia, actively helped to create and promote the Asia-Pacific Economic Cooperation forum (APEC) and the ASEAN Regional Forum (ARF). Both countries then worked tirelessly to urge the United States to join both institutions as a way of keeping it deeply engaged in the region not only militarily but also through trade and economic interdependence. Japan, with its insistence that new regional institutions such as APEC and the ARF represent the “Asia-Pacific,” and not just “Asia,” also helped ward off the kind of division that U.S. secretary of state James Baker once called “a line down the middle of the Pacific.” For much of the 1990s—largely until the Asian Financial Crisis (AFC) of 1997-98—the two governments collaborated actively with other APEC members to lay the groundwork for an interwoven nexus of policies aimed at enhancing Asia-Pacific economic cooperation, particularly through trade liberalization.¹²

The AFC triggered a major rethinking of the institutional architecture among leaders throughout Asia. The surging ebb and flow of “hot money” that accompanied financial globalization devastated a number of East Asian economies along with their underlying developmental models.¹³ In response, governments across East Asia came to the conclusion that their financial and economic interests were at odds with the global ideology of comprehensive trade, financial liberalization, and deregulation fostered by the United States, the IMF, and the WTO (not to mention the interests of hedge fund operators, currency manipulators, and other largely non-Asians.) Hamilton-Hart summarized that view as demanding greater “market-based, competitive, and internationally open financial systems.”¹⁴

The Asian response was to seek collective regional protection, particularly in the area of finance. Indeed, Japan went so far as to propose an Asian Monetary Fund (AMF) that would be region-specific and would allow for intra-Asian assistance in such crises devoid of U.S. or IMF oversight. Those two plus China, however, quickly shot down Japan’s proposal. Asian governments did however collectively cut back on domestic demand, enhanced foreign reserve holdings, created tougher financial firewalls, engaged in closer monitoring of short-term capital flows, made regulatory systems more sophisticated, and forged a series of new institutional arrangements. These regional multilateral bodies including the ASEAN+3 (APT), Chiang Mai Initiative (CMI) which later became the CMI Multilateralization (CMIM), two Asian bond markets, and the East Asia Summit (EAS) were initially “for Asians only.”¹⁵ Furthermore, in response to the stalemated Doha Round in WTO trade negotiations, starting around 2001-2002 numerous East Asian countries moved aggressively to forge a latticework of FTAs and other mini-lateral agreements on trade. All served as instruments of institutional intermediation between Asian economies and the broader global trade and financial markets. In all of these ways, countries in East Asia moved collectively to minimize the chances for any repeat of the devastation unleashed on their economic development by the AFC.

Japan’s engagement with these trends was not without complications. In addition to proposing the AMF noted above, Tokyo sought to respond to the trade and investment interests of its major banks and manufacturers, as well as to assert its financial leadership of the region. Thus, Japan actively supported the formation of most of the new regional

bodies. Japan's shifting trade patterns also fostered deeper engagement with Asia. The high trade interdependence between Japan and the United States that had begun in the Cold War had been eroding for decades while trade with Asia was ratcheting up. During the latter half of the 1980s, approximately 11 percent of all U.S. exports went to Japan while 20 percent of total imports came from Japan. In turn, it received 36 to 39 percent of Japan's exports and accounted for about 23 percent of Japan's total imports. By 2010 Japan was taking only 4.8 percent of total U.S. exports and accounting for only 4.1 percent of America's total imports.¹⁶ The U.S. share of Japan's exports had fallen to only 16 percent of its total while the United States accounted for only 11 percent of Japan's imports. Meanwhile, Asia was absorbing 56 percent of Japan's exports and providing 43 percent of its imports. Such figures make clear the dramatic reduction in U.S.-Japan trade linkages over the last two decades or so.

Nevertheless, the Japanese government's official embrace of an Asian tilt was less than fulsome. Despite its early aid to China and the growing economic interdependence between their two economies, Japan became increasingly wary of the economic challenges and military reach of China, of demonstrations against China-based Japanese companies, and of China's wariness about strong sanctions against North Korean nuclear and missile programs. In response, Japan sought to expand its diplomatic horizons to selective countries that were equally worried about China, in the hope of forging an "arc of freedom and prosperity."¹⁷ This arc involved among other things, promoting the inclusion of democracies like Australia, New Zealand, and India in regional bodies such as the EAS. Japan's enhanced embrace of East Asian multilateral institutions was also constrained by its reluctance to reduce its close security alliance with the United States, even when this required expanded bilateral military cooperation that was politically sensitive among Japan's voters. Japan continually sought to avoid making any painful choices between its ties to the United States and those to East Asia, and the competing pulls of its economic and hard security interests.

Equally constraining were domestic electoral concerns. These had a particularly strong impact on Japan's embrace of the emerging regional trade regime. Core constituents of the ruling Liberal Democratic Party (LDP) such as agriculture, small and medium-sized businesses, and the auto industry for example, caused Japan to be rather sclerotic in joining the burgeoning wave of bilateral and multilateral FTAs.¹⁸ Before Japan agreed to join TPP, the country had few FTAs and the rate of coverage of its trade was low. As late as 2011, Japan had signed only twelve such bilateral agreements, and most were with countries where the trading relationship was economically minimal. The result was a very low ratio of coverage for Japan's total trade. The EU coverage ratio through FTAs was 73.8 percent, Singapore's was 62.7 percent, ASEAN's was 60 percent, the United States' was 38.8 percent, and South Korea's was 34 percent. Japan in contrast had a coverage ratio of only 18.6 percent.¹⁹ Negotiation of any more comprehensive agreements would have required substantial liberalization of key sectors of its domestic economy and the goring of numerous politically sacred cows. Nonetheless, in a break with prior reluctance, and in contradiction to his prior criticisms of the then-ruling Democratic Party of Japan (DPJ) for even considering TPP, on March 15, 2013, less than three months after taking office, Abe announced that Japan would enter TPP negotiations. The move represented a sharp break with Japan's prior hesitation on trade.

Japan, TPP, and the Regional Trade Order

The TPP grew out of an APEC failure in the late 1990s to create a large-scale economic free trade area. As it had evolved by 2015-16, TPP promised monumental changes to the existing Asia-Pacific trade regime in four central ways. First, as the most comprehensive and ambitious regional trade agreement the United States had ever concluded, it was to serve as the centerpiece in the Obama administration's multidimensional "pivot" or "repositioning toward Asia." Obama promoted TPP as the most prominent manifestation of America's re-prioritizing of the Asia-Pacific. Second, TPP represented a monumental shift by the Japanese government in pushing back against domestic political protectionism and embracing extensive trade liberalization measures the country had long opposed. Third, TPP promised "high quality" and "ambitious" "21st Century standards" for trade relations, even as those terms remained undefined.²⁰ TPP was designed to reach well "behind the border" in ways that traditional tariff reductions do not. Provisions included harmonization of domestic regulations, stronger agricultural and food sanitary- and phyto-sanitary (SPS) regulations, extensive labor and climate protections, and requirements that state-owned enterprises (SOEs) operate in a commercially credible manner. In principle, TPP would also ensure that all goods, services, and investments in any TPP participant country would be available to other TPP members.²¹ Fourth and finally, though less often the lead item in TPP press releases, the trade pact sought to address many of the geostrategic interests of the signatories. The TPP explicitly excluded China, convincing both the United States and Japan that the trade pact had not just commercial, but also security benefits. At a minimum, it would require China to reconfigure its domestic economy if it wished to join or even to compete effectively against TPP members. Alternatively, it would provide a powerful economic counterweight to China's rising economic influence. In all of these ways TPP promised Japan a multipronged vehicle by which to retain close economic and security ties with the United States to embrace many of its key trading and diplomatic partners in East Asia; and to gain a leg up on China's regional influence.

The Obama administration took office convinced that America's wars in Iraq and Afghanistan mistakenly focused on non-existential threats that deflected both Treasury resources and senior policymakers' attention away from the more strategically and economically critical Asia-Pacific. Indeed, when Obama took office in 2009 the economic center of the globe was unquestionably Asia, which at the time accounted for 60 percent of global GDP and nearly half of the world's international trade.²² Consequently, Obama moved to reengage assertively with the Asia-Pacific and its multilateral institutions. That East Asia had emerged from the global financial crisis far less economically scathed than the United States or Europe offered added incentives for American engagement.²³

The administration committed to a "repositioning" or "pivot" toward Asia, a policy posture first articulated in a November 2011 speech Obama made in Canberra, Australia. Secretary of State Hillary Clinton's November 2011 *Foreign Policy* article elaborated on the major principles. Among other things, the Obama administration strengthened and linked its bilateral alliances; it expanded the frequency of visits to Asia by top U.S. leaders; it signed the ASEAN Treaty of Amity and Cooperation (TAC); it appointed an American ambassador to ASEAN; and it worked behind-the-scenes to encourage regime change in Myanmar. America also reinvigorated top-level participation in the ARF, APEC, and the Shangri-La Dialogue. In short, it began a multipronged and multilateral regional engagement.

Congruent with all of these measures and arguably its capstone was the Obama administration's strong efforts on behalf of the TPP. The George W. Bush administration had initiated negotiations over what eventually became the TPP; however, it was Obama in November 2009 who advanced the visibility and expanded the membership of TPP. It was advanced as part of the White House's argument for free trade more generally: "Ninety-five percent of the world's consumers live outside our borders. Our Made-in-America products and services are in demand, making American exports a vital pillar of our 21st century economy. In fact, exports played an indispensable role in America's resurgence from the Great Recession."²⁵ Not at all coincidentally, it would be to America's distinct advantage to structure the major trade architecture of the Asia-Pacific. As Obama wrote in *Washington Post*, defending TPP: "The world has changed. The rules are changing with it. The United States, not countries like China, should write them. Let's seize this opportunity, pass the Trans-Pacific Partnership and make sure America isn't holding the bag, but holding the pen."²⁶

Furthermore, if Japan joined the trade pact, TPP's economic and security impact would be substantially magnified. Japanese political leaders had been ambivalent about TPP for the first several years of its negotiation. Not until November 2011 under a DPJ government, and at the strong urging of the United States, did Prime Minister Noda announce that Japan would begin internal discussions about whether or not to join TPP negotiations. Doing so left him facing withering criticism from the opposition LDP, only recently toppled from its electorally-dominant perch, which contended the pact would be devastating to core sectors, most importantly agriculture and fisheries.

Yet, less than three months after taking office, on March 15, 2013, Abe announced that Japan would indeed commit to joining TPP negotiations. The TPP talks had made little progress during Obama's first term, but the speed accelerated dramatically shortly after Japan joined the negotiations, timing that corresponded with Michael Froman becoming the U.S. Trade Representative. In little more than two years, negotiations concluded in October 2015, with all 12 countries signing formally on February 5, 2016.²⁷ As negotiated, the original deal, if implemented, would have encompassed 40 percent of global trade. Forecasters projected that the TPP would increase Japan's real GDP by 3.2 trillion yen, or 0.66 percent. Under Abe, Japan became a full-throated proponent of the trade pact by the time negotiations were completed and Japan became the first nation to give parliamentary approval to the final deal in November 2016.²⁸

Abe's calculations were complex. A longstanding critic of what he perceived to be Japan's long-term passivity in foreign policy, Abe saw TPP as dovetailing with his extensive globetrotting mission to expand Japan's global diplomatic activism and influence. Equally, Abe was anxious to bolster Japan's longstanding relationship with the United States while including Japan in TPP had by then become a high priority for the Obama administration. Abe shared the Obama view that extending the liberal trade order across Asia would bolster the economies of both countries and solidify their bilateral ties.

In addition, domestically Abe had committed the country to "Abenomics," his eponymous mix of economic policy changes designed to catapult Japan out of its two decades of slow growth and torpor. Abe envisioned TPP as providing him with a cudgel with which to break open some of the closed sectors of the Japanese economy without immediately

severing ties with the LDP's agricultural supporters. Furthermore, by lowering barriers to the import of foreign foods and agricultural goods, TPP would ultimately lower prices in Japan, delivering a boon to Japanese consumers and, in the process, repositioning the LDP to make a stronger electoral appeal to the rising numbers of urban consumers, who have traditionally been more skeptical of the party. As Tanaka Akihiko summarized the situation: "Despite the LDP's unrelenting opposition to the Trans-Pacific Partnership when the DPJ was in power, Abe was convinced that the proposed trade agreement among Pacific Rim countries was absolutely necessary to buttress Abenomics. Abe worked on drafting an LDP electoral platform that would leave open the possibility of entering TPP but the most critical phrase was "the LDP opposes participation in these negotiations, if the government enters them on the assumption of 'tariff elimination without sanctuary' (seiki naki kanzei teppai)"²⁹ This last phrase was an escape clause designed to permit Japan to retain some protections for politically difficult sectors, most notably agriculture. Bilateral negotiations between Japan and the United States eventually gave Abe his essential fig leaf.

After TPP was signed in Atlanta in October 2015, Abe hailed the accomplishment, saying, "This is a significant achievement not only for Japan, but also for the future of the whole Asia-Pacific region." He also praised the agreement by describing it as "a farsighted policy for all participating countries that share the values and try to build a free and fair economic zone."

What had been developing as a fulsome attempt by both Japan and the United States to reinforce the liberal trade order within the Asia-Pacific was upended by the election of Donald Trump, who ran a campaign of full-throated white nativist populism, a central component of which was antagonism to the global liberal order and multilateral agreements, represented among other things in TPP. Trump's opposition flew in the face of the undeniable benefits that financial and trade liberalization had long provided to the United States and its Asia-Pacific allies. Of particular centrality to Trump's antagonism were bilateral trade deficits. Since at least the 1980s he had portrayed such bilateral balances in starkly Manichean and transactional business terms: America was "winning" when its exports to any single country were greater than its imports from that country; if the equation was reversed, it was "losing." America's bilateral trade balance with most countries had long been negative (in goods, though often not in services, a distinction critical to the changing character of the U.S. economy, but one he and his supporters conveniently ignored). Consequently, he argued, the global trading system as organized under the WTO and most multilateral trade agreements such as NAFTA, KORUS, and TPP, was collectively "taking advantage of the United States." So too were the majority of America's trading partners. China came in for blistering criticisms in this regard, but Trumpian criticisms fell strongly as well on trade partners with which the United States maintained security alliances such as Japan, Korea, and Australia. Not only did most of them enjoy positive trade balances with the United States, "they" were not paying their "fair share" of the costs for their national defense. Thus, he argued, America's security structure was also working to disadvantage the American economy. His solution was to demand "a better deal for America" by challenging all existing multilateral arrangements and/or shifting to their replacement by renegotiated bilateral trade deals.

Even though the Trump perspective on trade, alliance commitments, and multilateralism was uniformly hostile, the new administration saw no merit in challenging the primacy of the U.S. military and its global role. A key component of Trump's promise to "make America

great again” involved a big boost to America’s military budget and a more robust militarily-centric confrontation with overseas adversaries such as North Korea, Iran, ISIS, and the Taliban (while minimizing potential security confrontations with China or Russia. In fairness, in December 2017, after a year in office, the Trump administration’s National Security Strategy did express concerns about both countries as potential challengers).³⁰

Once in office, the Trump administration backed off very few of its campaign threats on trade, as shown in its 2017 Trade Policy Agenda.³¹ Indeed, on March 8, 2018, Trump announced that he was applying tariffs of 25 percent on imported steel and 10 percent on imported aluminum, following a forewarning in a March 2nd Twitter claim that “trade wars are good and easy to win.”³² For purposes of this article, the broader orientation of the Trump administration on trade, alliances, the military, and multilateralism is valuable as the logical backdrop for his decision to end American involvement with TPP. Yet it also makes clear that the TPP pullout was just a sliver of the broader mosaic of anti-liberal populism and military muscle-flexing undergirding Trump administration moves to extricate the United States from the nexus of trade and multilateral agreements that had long been pillars of the global liberal order. Populist nationalism also helps explain the administration’s general disdain for engaging in nuanced foreign policy analysis and for the Asia-Pacific as a geographical priority. Thus, after a year in office hundreds of key administration appointments in diplomacy and foreign policy remain unfilled, including key positions dealing with East Asia.³³ The decision to withdraw the United States from TPP represented but one trade specific component of its broader self-isolation from the Asia-Pacific.

Japan and the TPP-11

Trump’s decision to end U.S. participation in TPP was initially crushing to the Japanese government, particularly to Abe. Japan had expended extensive political capital to advance the trade pact. More importantly, Abe envisioned the TPP as fulfilling multiple goals as: an anchor for the bilateral relationship with the United States; a commercially valuable tool to advance Japanese corporate market access to the United States and Asia; a firebreak against rising Chinese regional influence; and a lever with which to dislodge powerful veto groups impeding economic reforms at home. The question of what to do next puzzled Japanese policymakers for several months.

The TPP was by no means the only multilateral trade possibility available to Japan. ASEAN had long been promoting the Regional Comprehensive Economic Partnership agreement (RCEP) following the introduction of the idea during the 19th ASEAN Summit in November 2011. Negotiations on RCEP had been ongoing since 2012 and would involve sixteen members of the EAS (including Japan and China but excluding the United States). In addition, in 2014, APEC members committed to taking a concrete step towards greater regional economic integration by endorsing a roadmap for the Free Trade Area of the Asia-Pacific (FTAAP) to translate this vision into a reality. As a first step, APEC implemented a strategic study on issues related to FTAAP’s realization. Also on the table of potential agreements was a three-country pact among China, Korea, and Japan that had long been stalled despite the fact that the three in May 2012 had signed a joint investment treaty that Japan foresaw as a prerequisite for a three-way trade deal.³⁵ Whether or not a trilateral FTA could gain new energy in a spring summit meeting scheduled for Japan is unclear. Japan of course was eligible for any or all of these approaches to its regional trade relations. Moreover, China had

long been advancing its One Belt, One Road activities (subsequently relabeled the Belt and Road Initiative or BRI). While Japan is not currently involved, it has periodically floated the idea of participating in BRI as well. Moreover, in February 2018, Australia announced that along with Japan, India, and the United States, it was negotiating to create an investment fund to “complement” BRI.³⁶ RCEP was the most comprehensive alternative to TPP. It would cover 3.5 billion people in a roster of countries with a combined gross domestic product of \$22.6 trillion. Its focus has been on cutting import tariffs on goods rather than other aspects of liberalization. Yet, because its standards are so low, Japanese companies would likely gain limited new access to markets in RCEP participant economies. As a result, Japanese leaders have been pressing forward with TPP-11 and seeking to delay movement on RCEP until TPP-11 takes effect.

Without ignoring these other possibilities, Japan, along with Australia and New Zealand has determined that a TPP, even minus the United States, remains its best option to advance regional economic integration in accord with the general principles of the liberal trade order. As Kamiyama Naoki, chief strategist with Nikko Asset Management, phrased it: “The value chain of the global economy is no longer unilateral, so multilateral agreements are a logical approach to international trade.”³⁷ Japan’s effort to salvage the deal also reflected a growing recognition that countries that previously counted on American leadership would have to forge ahead on their own. Takemori Shumpei put it as follows: reopening negotiations allowed Japan and its allies to “show the U.S. administration that we have alternatives.”³⁸ Thus, at a July 2017 meeting in Hakone, Japan led trade negotiators from the 11 countries to resuscitate their prior pact. Negotiations moved quickly; by January 2018, the eleven reached a collective agreement, the essence of which was to keep intact the main provisions negotiated in the original TPP minus twenty-odd chapters and provisions that would have been of specific benefit to the United States and its companies.

The response from Trump was ironic, if not totally inconsistent. As the remaining 11 reached their agreement, Trump announced that the United States might agree to reenter TPP “if we can get a better deal” (with no specification as to what that might mean).³⁹ Japan’s TPP minister Motegi Toshimitsu quickly responded: “The terms of the TPP-11 have already been decided on, and we think our priority is bringing this TPP-11 into force,” while simultaneously “welcoming the fact that the U.S. has recognized the significance of the TPP.” Trade Minister Seko Hiroshige added: “We welcome President Trump’s first display of positive interest [in the pact], even though it comes with various conditions attached.”

Australia’s ambassador to the United States Joe Hockey was more specific: “No one’s going to rule it out, because it’s the United States of America and we want the United States of America in the TPP. We really do...And last I saw, a majority of Americans actually want free trade, and American business surely would want to have cheaper access to the fastest-growing market in the world...The official line is that the architecture is open and transparent, and it accommodates anyone choosing to join...The hard part is, if you were joining a club, it’s very hard to put in your application and try to change the rules at the same time.”⁴⁰

By the time of the April 17-18, 2018 meeting between Trump and Abe at Mar-a-Lago, Trump was again reiterating his opposition to American participation in TPP-11, pushing instead for a bilateral trade deal with Japan. Trump also refused to exempt Japan from his

aluminum and steel tariffs, despite Japan's centrality as an ally. While Abe pushed back strongly against Trump's bilateral pressures, his popularity in Japan had plummeted from 65 percent support in January 2018 to 27-30 percent by April, making it less likely that he could continue to be as effective a champion of the TPP-11 and a bulwark against Trump's systematic attacks on the liberal trade order.

Conclusion

For now, Tokyo has to strike a delicate balance between seeking to engage Trump on trade and maintaining unity among the TPP-11 countries. This will by no means be easy. In the meantime, by taking a leadership role in resuscitating the TPP-11, Japan has shown a renewed commitment to reinforcing the global trade order in the Asia-Pacific, even as the Trump administration seems determined to undermine it by turning inward. In the process, Japan presents a clear alternative to smaller countries in the region, worried that they would find themselves at the mercy of the economic muscularity of China. Japan and TPP offer at least one alternative, and already a number of other countries including South Korea, the Philippines, Indonesia, Thailand, and even post-Brexit Britain have indicated an interest in joining. It is not at all clear how the Trump administration will eventually deal with the new TPP-11 versus its clear preference for bilateral trade arrangements. Nor can we predict how extensive the damage to Asia-Pacific ties and to U.S. soft power in the region will be. However, it should not be surprising that the overall image of the United States as well as trust in its ability to make the right decisions has plummeted.⁴¹ Whether Abe, Japan and others committed to the global liberal trade order can keep it afloat in the face of U.S. withdrawal remains an overarching concern.

Endnotes

¹ The eleven are: Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam.

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⁴ Liyana Othman, "TPP without the US would mean a new agreement, but would be a great loss: PM Lee," *Channel News Asia*, November 21, 2016, <https://www.channelnewsasia.com/news/asiapacific/tpp-without-the-us-would-mean-a-new-agreement-but-would-be-a-gre-7679388>.

⁵ See "Why Trump's withdrawal from the TPP is a boon for China," *South China Morning Post*, January 24, 2017, <http://www.scmp.com/news/world/united-states-canada/article/2064927/why-trumps-withdrawal-tpp-boon-china>; Jeffrey H. Bergstrand, "Killing

TPP is bad news for Americans, but great for China,” *CNN*, January 24, 2017, <https://www.cnn.com/2017/01/23/opinions/killing-ttp-great-for-china-bergstrand-opinion/index.html>; and Ami Miyazaki and Tom Westbrook, “Trump sinks Asia trade pact, opening the way for China to lead,” *Reuters*, November 22, 2016, <https://www.reuters.com/article/us-usa-trump-tpp/trump-sinks-asia-trade-pact-opening-the-way-for-china-to-lead-idUSKBN13H0OT>.

⁶ Evelyn Goh, *The Struggle for Order: Hegemony, Hierarchy, and Transition in Post-Cold War East Asia* (Oxford: Oxford University Press, 2013).

⁷ G. John Ikenberry, *After victory: Institutions, strategic restraint, and the rebuilding of order after major wars* (Princeton, NJ: Princeton University Press, 2009).

⁸ Barry R. Posen, “Command of the commons: the military foundation of US hegemony,” *International Security* 28, no. 1 (2003): 5-46.

⁹ T.J. Pempel, *The Economic-Security Nexus in Northeast Asia* (London, Routledge, 2013); Stein Tonnesson, “The East Asia Peace: How did it Happen? How Deep is it?” *Global Asia* 10, no. 4 (Winter 2015); Etel Solingen. “Pax Asiatica versus Bella Levantina: the foundations of war and peace in East Asia and the Middle East,” *American Political Science Review* 101, no. 4 (2007): 757-80; Steve Chan, “An Odd Thing Happened on the Way to Balancing: East Asian States’ Reactions to China’s Rise,” *International Security Review*, no. 12 (2010): 387-412; Timo Kivimaki, “East Asian Relative Peace—Does It Exist? What Is It?” *The Pacific Review* 23, no. 4 (2010): 503-26.

¹⁰ “Japan: Trade Statistics,” Global Edge database, <https://globaledge.msu.edu/countries/japan/tradestats>. On investment see: “Japanese Trade and Investment Statistics,” Japan External Trade Organization, <https://www.jetro.go.jp/en/reports/statistics/>; Chietigj Bajpaee, “Japan and China: The Geo-Economic Dimension,” *The Diplomat*, March 28, 2016, <https://thediplomat.com/2016/03/japan-and-china-the-geo-economic-dimension>.

¹¹ “Japanese Trade and Investment Statistics,” Japan External Trade Organization.

¹² APEC had three official goals— trade and investment liberalization, business facilitation, and economic and technical cooperation. For the United States the first of these was always the most prominent.

¹³ T. J. Pempel, ed. *The politics of the Asian economic crisis* (Ithaca, NY: Cornell University Press, 1999); Gregory W Noble and John Ravenhill, eds., *The Asian financial crisis and the architecture of global finance* (Cambridge: Cambridge University Press, 2000).

¹⁴ Natasha Hamilton-Hart, “Banking Systems a Decade after the Crisis,” in *Crisis as Catalyst: Asia’s Dynamic Political Economy*, Andrew MacIntyre, T.J. Pempel, and John Ravenhill, eds. (Ithaca, NY: Cornell University Press, 2008), 46.

¹⁵ T.J. Pempel, “The Race to Connect East Asia: An Unending Steeplechase,” *Asian Economic Policy Review*, no. 1 (2006): 239-254; T.J. Pempel, “Soft Balancing, Hedging, and Institutional Darwinism: The Economic-Security Nexus and East Asian Regionalism,”

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¹⁶ "Japanese Trade and Investment Statistics," Japan External Trade Organization.

¹⁷ "Speech by Mr. Taro Aso, Minister for Foreign Affairs on the Occasion of the Japan Institute of International Affairs Seminar 'Arc of Freedom and Prosperity: Japan's Expanding Diplomatic Horizons,'" Ministry of Foreign Affairs of Japan, <http://www.mofa.go.jp/announce/fm/aso/speech0611.html>

¹⁸ Of particular political concern in agriculture were Japan's "five sacred areas"—dairy, rice, beef/pork, wheat, and sugar—powerful and essentially off limits from any full liberalization.

¹⁹ Urata Shujiro, "Regional Economic Integration in Asia: Challenges and Roles for Japan and India," unpublished data (2013), www2.jiia.or.jp/pdf/koenkai/2012/121213ep-Urata.pdf.

²⁰ Deborah Elms, "The Origins and Evolution of the Trans-Pacific Partnership Trade Negotiations," *Asian Survey* 56, no. 6 (November/December 2016): 1023.

²¹ For a simple summary of the main provisions, see Kevin Granville, "The Trans-Pacific Partnership Trade Deal Explained," *New York Times*, May 11, 2015, <https://www.nytimes.com/2015/05/12/business/unpacking-the-trans-pacific-partnership-trade-deal.html>.

²² Deborah Elms, "The Origins and Evolution of the Trans-Pacific Partnership Trade Negotiations," 1021.

²³ T.J. Pempel and Keiichi Tsunekawa, eds., *Two crises, different outcomes: East Asia and global finance* (Ithaca: Cornell University Press, 2015).

²⁴ Hillary Clinton, "America's Pacific Century," *Foreign Policy*, October 11, 2011, <http://foreignpolicy.com/2011/10/11/americas-pacific-century>.

²⁵ "The Trans-Pacific Partnership: What You Need to Know about President Obama's Trade Agreement," The White House: President Barack Obama, <https://obamawhitehouse.archives.gov/node/347756>.

- ²⁶ Barack Obama, “President Obama: The TPP would let America, not China, lead the way on global trade,” *Washington Post*, May 2, 2016, https://www.washingtonpost.com/opinions/president-obama-the-tpp-would-let-america-not-china-lead-the-way-on-global-trade/2016/05/02/680540e4-0fd0-11e6-93ae-50921721165d_story.html?utm_term=.2e5c4a651169.
- ²⁷ Of particular importance in Japan’s decision to join TPP negotiations and the eventual resolution of Japanese concerns over its five sacred areas of agricultural sensitivity was the willingness of Obama to enter into a side agreement with Abe that exempted these areas from immediate and complete liberalization. See Deborah Elms, “The Origins and Evolution of the Trans-Pacific Partnership Trade Negotiations.”
- ²⁸ Cabinet Secretariat of Japan, “Kanzei teppai shita baai no keizai koka ni tsuite no seihu toitsu shisan,” 2013.
- ²⁹ Akihiko Tanaka, *Japan in Asia: Post-Cold-War Diplomacy*, 2nd edit. (Tokyo: JPCI, 2017), 309-310.
- ³⁰ See National Security Strategy of the United States of America, <https://www.whitehouse.gov/wp-content/uploads/2017/12/NSS-Final-12-18-2017-0905.pdf>.
- ³¹ The full agenda is at <https://ustr.gov/sites/default/files/files/reports/2017/AnnualReport/AnnualReport2017.pdf>.
- ³² See, for example, “Trump tweets: ‘Trade wars are good, and easy to win,’” Reuters, March 2, 2018, <https://www.reuters.com/article/us-usa-trade-trump/trump-tweets-trade-wars-are-good-and-easy-to-win-idUSKCN1GE1E9>.
- ³³ On the failure to fill key positions, see “Political Appointee Tracker,” Partnership for Public Service, <https://ourpublicservice.org/issues/presidential-transition/political-appointee-tracker.php>. On budget cuts to the Department of State, see Tracy Wilkinson, “Proposed budget would deeply cut State Department and its programs,” *Los Angeles Times*, May 23, 2017, <http://www.latimes.com/politics/washington/la-na-essential-washington-updates-new-budget-would-deeply-cut-state-1495564249-htmllstory.html>.
- ³⁴ My views on this broader problem can be found in T.J. Pempel, “Trump Swings a Wrecking Ball at U.S.-Asia Relations,” *East Asia Forum*, August 27, 2017, <http://www.eastasiaforum.org>.
- ³⁵ Choe Sang-hun, “China, Japan and South Korea Pledge to Expand Trade at Joint Meeting,” *New York Times*, November 1, 2015, <http://www.nytimes.com/2015/11/02/world/asia/china-japan-and-south-korea-conduct-first-trilateral-meeting-in-3-years.html>.
- ³⁶ “Australia, U.S., India, and Japan in talks to establish Belt and Road alternative: report,” Reuters, February 18, 2018, <https://www.reuters.com/article/us-china-beltandroad-quad/australia-u-s-india-and-japan-in-talks-to-establish-belt-and-road-alternative-report-idUSKCN1G20WG>.

³⁷ Ralph Jennings, "Is Japan Reviving A Dead Pacific Rim Trade Deal To Spite China?" *Forbes*, April 18, 2017, <https://www.forbes.com/sites/ralphjennings/2017/04/18/with-trumps-back-turned-japan-is-seizing-a-new-chance-to-compete-with-china/#629379c11d04>. Japan reached out from its involvement with TPP and TPP-11 to negotiate a bilateral FTA with the EU, further advancing its commitment to the global liberal trading order. Thus, on the eve of the Group of 20 summit meeting in Hamburg, Germany, in July 2017, Japan and the EU announced the outlines of a broad agreement that would create a trading bloc encompassing \$20 trillion in combined economic output. The deal was announced as the United States appeared increasingly isolated on issues like free trade and the environment. See, Motoko Rich, "TPP, the Trade Deal Trump Killed, Is Back in Talks Without U.S." *New York Times*, July 14, 2017, <https://www.nytimes.com/2017/07/14/business/trans-pacific-partnership-trade-japan-china-globalization.html>.

³⁸ Ibid.

³⁹ "Trump says U.S. would consider rejoining TPP if the terms are improved," *Japan Times*, January 26, 2018, <https://www.japantimes.co.jp/news/2018/01/26/business/trump-says-consider-rejoining-tpp-terms-improved/#.Wolpu3dG3cs>.

⁴⁰ <https://www.theaustralian.com.au/national-affairs/foreign-affairs/trump-cant-change-the-rules-to-rejoin-tpp-hockey/news-story/315ba6b227eb9a847c4ac5fde852ed81>.

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Economic Regionalism is Key to Openness and Growth: An ASEAN Perspective

Sanchita Basu Das

The 10 members of the Association of Southeast Asian Nations (ASEAN) are involved in several regional economic arrangements, not only their own ASEAN Economic Community (AEC), but also those in a bigger geographic area, such as the ASEAN+1 Free Trade Agreements (FTAs) and the Regional Comprehensive Economic Partnership (RCEP). A subset of these countries are partaking of Asia-Pacific deals, namely the latest Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) and the Asia-Pacific Economic Cooperation (APEC). Some are pursuing bilateral deals in pursuit of deeper economic cooperation. Finally, all ASEAN countries are members of the Belt and Road Initiative (BRI), which although not labelled a trade agreement, is concerned with trade-related measures including transport infrastructure, policy coordination, economic connectivity through trade and investment, customs modernization, financial cooperation, and people-to-people linkages.¹

A common feature of all these trade agreements is that they are not just focused on removing restrictions on trade, i.e. lowering import tariffs and quotas, but are much more comprehensive and include issues like trade in services, investment, labor, intellectual property rights, regulatory standards, and health and safety rules. All of these agreements deal with cooperation measures beyond national borders and can be called deep economic cooperation. They go beyond the WTO framework and are often labeled “new regionalism,” understood as state-led projects in the context of global developments.² The extent of deepness varies, mainly depending on the participating countries’ development stage and the economic competitiveness of domestic sectors.

What do the ASEAN countries aim to achieve? Theory has elucidated that governments have motives ranging from politics to economics when entering an economic cooperation arrangement. The political motives could be confidence building, i.e. if an international relationship was blemished by a history of conflict, economic cooperation can introduce a process of confidence building.³ For smaller countries, it could be seen as a means to increase bargaining power with the international community. Countries often see economic cooperation as a means to hasten their domestic economic reforms so as to increase attractiveness to foreign investors.⁴ Governments could follow a regionalism exercise also to defend domestic interests that are threatened by regionalism elsewhere.

As for the economic motives, countries prefer cooperation among a limited number of players as it enables continued protection in a bigger geographical space and shuns producers from non-members. This enables them to exclude “politically sensitive,” non-competitive domestic sectors completely from trade liberalization. Finally, regional economic arrangements are essential for creating economies of scale for producers and offering a larger market for consumers, which increases attractiveness to potential investors.

This chapter elaborates on ASEAN’s perspective on economic regionalism in the Asia-Pacific. It examines key initiatives that ASEAN countries are currently negotiating or implementing in their national economies, discusses economic and strategic motives, and views the future of regionalism from an ASEAN perspective. It concludes that although the ASEAN countries are facing some uncertainties in their pursuit of economic regionalism, they will continue to support the endeavor as it serves their economic structure of openness. The countries have realized the benefits of economic integration in terms of confidence building of investors, thereby bolstering economic growth.

ASEAN and Economic Regionalism

ASEAN Economic Community (AEC)

The ASEAN countries established an economic community in 2015. Conceptualized in 2003 and clarified in 2007, the idea was not only to create a single market and production base but also to develop a competitive region by narrowing the development gap and helping members plug into global value-chains (GVCs).⁵ This was a more comprehensive and deeper approach compared to what ASEAN pursued through its piecemeal efforts at an ASEAN Free Trade Area (AFTA) in 1992, ASEAN Framework Agreement of Services (AFAS) in 1995, and ASEAN Investment Area (AIA) in 1998.

While many of the AEC targets, such as the near elimination of import tariffs, had been met by the end of 2015, non-tariff barriers (NTBs)—regulatory requirements, pre-shipment inspections, non-automatic licensing, price control measures, etc.—remain prevalent. Although most countries are in the advanced stages of establishing their e-customs (National Single Window), they are yet to connect them at the regional level, as agreed earlier in the AEC Blueprint. Service sector liberalization remains patchy, with significant political sensitivity including in the movement of professionals. Investment cooperation is constrained by lack of domestic reforms in host countries. While ASEAN has recognized the importance of building infrastructure for deepening economic integration, it is struggling in securing adequate financing. Lastly, ASEAN has made its mark by signing plus one FTAs with six economies—Australia, New Zealand, China, India, South Korea, and Japan—but the private sector is yet to utilize them widely in their business operations.⁶

ASEAN has now moved to the next phase of economic integration, namely the AEC 2025, where many of the earlier regional commitments are retained (such as NTBs, customs reforms, GVCs) and new ones have been added (good governance and e-commerce).⁷ Among the old measures, reiteration of the importance of GVCs in ASEAN countries' economic activities is important. While many of the advanced ASEAN countries are already part of GVCs, the less developed members need to be supported for their eventual engagement. Commitments around trade facilitation, customs reform, harmonization of standards, and improved connectivity are crucial in this regard. Among the new ones, e-commerce or digital economy is a vital agenda, given its immense potential and prospective benefits to small businesses. It has been estimated that the ASEAN-6 (Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam) economies contribute only 1 percent of global online retail sales, although they account for 3-4 percent and 8 percent of world GDP and population respectively.⁸

ASEAN economic integration has peculiarities. It is a gradual process, built keeping in mind the global context and member countries' domestic interests. That is why ASEAN commitments are often broad in nature and offer flexibilities. For example, the AEC blueprint, while outlining the policy action under "integration into the global economy," states "establish a system for enhanced coordination and possibly arriving at common approaches and/or positions in ASEAN's external economic relation and in regional and multilateral forums," where the word "possibly" connotes flexibility. Implementation mechanism is kept generic.⁹

It accords responsibility to the sectoral ministerial bodies for implementation. But it does not specify how initiatives have to be carried out, a domestic responsibility. This leads to uneven quality and pace of implementation of AEC commitments.

ASEAN's decision-making process, i.e. the ASEAN way and principle of "non-interference," may discourage the private sector to take an interest in ASEAN matters. This may be slowly changing as ASEAN is moving towards issues that are not just about tariff liberalization, but also cover highly technical matters. This may convince governments to work with the private sector for their input, thereby working together for a regional public good.

ASEAN+1 Free Trade Agreements (FTAs)

From its inception, ASEAN countries followed a path of "open regionalism," viewing their own integration as important as their integration with their key trading partners.¹⁰ ASEAN signed five FTAs with Australia-New Zealand (known as CER - Closer Economic Relations), China, India, Japan, and South Korea. While ASEAN's own intra-regional merchandise trade share is limited to around 25 percent of total ASEAN trade, the share goes up to 50 percent if one takes into account ASEAN's FTAs with China and Japan.

However, these FTAs from different periods are very different from each other.¹¹ By the time AEC was adopted in 2007, ASEAN had already signed the ASEAN-China FTA and ASEAN-Korea FTA. The FTA with Japan was signed in 2008, and the two FTAs with Australia-New Zealand and India were concluded in 2009. While China had negotiated its FTA with ASEAN as a group, Japan placed more emphasis on bilateral linkages, thereby concluding seven bilateral FTAs and subsequently combining them into a regional ASEAN-Japan FTA.

The FTAs also differed in terms of economic coverage and depth. First, for tariff reductions of merchandise trade, ASEAN-6 countries had committed to eliminate tariffs in more than 90 percent of the products (on average); ASEAN-4 for 80-90 percent. For the FTA partners, other than India, all have committed to eliminate more than 90 per cent of tariff lines vis-à-vis ASEAN. Second, for rules-of-origin, although most of the ASEAN+1 FTAs follow Regional Value Content (RVC) requiring a 40 percent minimum (from parties of the agreement) or Change in Tariff Heading (CTH) (equivalent to Change in Tariff Classification (CTC) at a 4-digit level; inputs from non-member parties are sufficiently transformed in production, requiring a change in classification) as a general rule, there are some small differences. For the ASEAN-India FTA, the general rule is RVC (35) +Change in Tariff Sub-Heading (CTSH) i.e. the required minimum RVC, is lower at 35 percent, with an additional requirement of a CTC at a higher 6-digit level. Third, the services chapters of the ASEAN+1 FTAs were not in-depth. They were signed relatively fast for the ASEAN-Australia-New Zealand, ASEAN-China, and ASEAN-Korea FTAs, but it took a long time to conclude negotiations for ASEAN-India and ASEAN-Japan. According to ERIA, the liberalization commitments under this sector were not substantial for most of the ASEAN +1 FTAs.¹² Most have limitations in terms of movement of persons or participation of foreign capital.

Due to differences among these FTAs the business sector was not very interested in them. A survey by JETRO on Japanese affiliates in ASEAN found that 56 percent of companies using FTAs utilize only one FTA.¹³ In another survey of 841 export-oriented firms,¹⁴ it was found that while Chinese firms have a relatively higher usage rate at 45 percent, Japanese and Korean firms are at 29 and 21 percent, respectively. Among ASEAN countries, even

fewer firms make use of the FTAs - Thailand (25 percent), the Philippines (20 percent) and Singapore (17 percent). Businesses reported that the reasons for not using FTAs were: lack of information, low margin of preference (between MFN and ASEAN FTAs), prevalence of NTBs, long exclusion list, multiple rules-of-origin (ROOs), and administrative cost.

RCEP

ASEAN embarked on RCEP in 2011 as it signed a framework document among its own members and six of its FTA partners—Australia, New Zealand, China, India, South Korea, and Japan. The participants intended to form a “mega-regional” arrangement to eventually cover 30 percent of world GDP, 50 percent of world population, and 30 per cent of global trade. The document provided a guideline for negotiations and promised to deliver a “comprehensive and mutually beneficial” agreement that would cover “broader and deeper engagement with significant improvements over existing ASEAN FTAs/ CEP with Dialogue Partners.” It stated that the agreement would address new issues that may emerge, while promising: high transparency upon signing of the agreement; availability of economic and technical cooperation for implementation; and focus on trade facilitation. The document provided flexibility in the negotiating process, i.e. sequential or a single undertaking; future accession both for ASEAN FTA partners who may decide not to participate at the outset or new members; and special and differential treatment for less developed ASEAN members.¹⁵

The Guiding Principles for negotiating RCEP issued in August 2012 reiterated the goals and stated coverage as trade in goods and services, investment, intellectual property, competition, dispute settlement, and any other issue that will be mutually agreed upon during the course of negotiations.¹⁶ This later was extended to e-commerce and government procurement.

Since commencing negotiations in 2013 and completing 20 rounds by December 2017, RCEP continues to face challenges. It has missed three deadlines for concluding negotiations since 2015. Negotiators quickly realized that they could not merely add the individual ASEAN+1 FTAs as they are very different from each other. Also, as the aim is to ‘multilateralize’ the agreement not only among the ASEAN members and ASEAN+1 FTA partners, but also among the non-ASEAN FTA partners, it created new issues as many of the non-ASEAN participants do not have an existing trade agreement with each other. The biggest challenge, for example, was observed between China and India as the latter runs a huge trade deficit with the former.

Structural differences among participating members became an obstacle. Most ASEAN members and China are involved in labor-intensive manufacturing, while Japan and South Korea lean towards capital-intensive production. India is an outlier with its comparative advantage in the service sector, mostly in information technology. Australia and New Zealand’s economies are primarily driven by the agriculture sector and mining. The advanced ASEAN countries, China, Japan, and South Korea have relied on their external sector for economic growth and entwined themselves in regional value chain activities. India, on the contrary, has been less outward-oriented and embraced globalization only in the early 1990s. India is yet to be a strong participant in the regional value-chain of the manufacturing sector, though there are some linkages in the automotive sector. Hence, RCEP is mired in difficulty, mainly due to the differences in structure and growth strategies.

Following the U.S. withdrawal from TPP, political leaders are expressing a willingness to conclude RCEP negotiations soon, otherwise the global economy may witness a somber mood with regard to international trade and related governance mechanisms. Moreover, there is a creeping fear that in the absence of a TPP with the U.S. and RCEP, China may take this opportunity to promote its own cooperation agenda of an East Asia FTA, covering the 10 ASEAN members and China, Japan, and South Korea. Beijing has already sounded this out during the 20th ASEAN+3 Leaders' Meeting in 2017. It has proposed cooperation across six areas and offered to align its Belt and Road Initiative with a new master plan on East Asia connectivity.

Bilateral Deals

Besides the regional FTAs, the ASEAN countries have also been pursuing bilateral trade deals with distant partners. Singapore took the lead, beginning its negotiations with New Zealand in 1999, and thereafter completed deals with Japan, Australia, the United States, South Korea, India, and others. It has signed 13 bilateral FTAs, while four are under negotiation. Although Thailand started negotiating bilateral trade agreements from early 2000, it lost its momentum by 2005 in the face of political turmoil with two military coups in 2006 and 2014 and six prime ministers. Similarly, Malaysia joined the bandwagon in 2006 by signing an FTA with Japan and a few others; however, the government did not have the political will to negotiate away protection of the state-mentored automobile and steel industries, the *Bumiputra* (Malay) enterprises, and the service sector, in general.

For Indonesia, the Philippines, and other less developed ASEAN members, bilateral FTAs are not very popular. They are more concerned about domestic issues and are trying to be part of globalization through ASEAN. Most suffer from a weak domestic regulatory environment and lack of infrastructure, which are big hindrances for trade and investment liberalization. The countries are also not sure of the benefits from FTAs. For example, Indonesia worries about the low competitiveness of its manufacturing and agricultural sectors.¹⁷

Other Plurilateral Arrangements – TPP and BRI

In October 2015, the original TPP agreement was broadly reached among the twelve parties, of which four are ASEAN members. It consisted of 30 chapters, including market access, government procurement, intellectual property rights, e-commerce, competition policy, financial services, investment, environmental standards, and labor standards. The agreement was finally signed by all in February 2016. A study by Petri and Plummer estimated that the TPP would raise global annual income by \$492 billion and U.S. income by \$131 billion by 2030.¹⁸ Large gains were expected for Japan, Malaysia, and Vietnam. Some non-members such as Indonesia and the Philippines would suffer small losses while Thailand would face a relatively significant setback—mainly because of trade diversion from non-members to members and dilution of earlier preferences in TPP countries.

TPP could not survive U.S. politics. During the 2016 presidential campaign, Trump called TPP a disaster and accused it of reflecting the interests of a small group, while Hillary Clinton blamed it for falling short of its promised high standards. Trump withdrew U.S. membership in January 2018, following which the remaining 11 participants decided to suspend a series

of provisions in the original deal (mainly in the chapters of investment and intellectual property) and added a few side agreements in order to move forward with the pact, now known as the Comprehensive and Progressive TPP (CPTPP) signed in March 2018.

All ASEAN countries are also part of BRI and its attached financing mechanism of the Asian Infrastructure Investment Bank (AIIB), a multilateral development bank with \$100 billion of capital. BRI was announced by China in 2013, referring to the New Silk Road Economic Belt, linking China with Europe through Central and Western Asia; and the 21st Century Maritime Silk Road, connecting China with Southeast Asian countries, Africa, and Europe. The core objective was to encourage Chinese firms to venture into emerging markets that already have trade and investment linkages with China, sharing China's development experience, leveraging China's development assistance, and exporting China's technology and production capacity in oversupplied areas, such as steel manufacturing.

Economic Rationale

The ASEAN countries have several reasons to be part of these various regional cooperation arrangements. Most are highly dependent on trade. As for the share of merchandise trade in total GDP, trade is a sizable proportion for Singapore, Malaysia, Thailand, and Vietnam (Table 1). For some, the share is more than 100 percent, reflecting significant dependence on the external economy. This share has gone up over time for Malaysia, the Philippines, Thailand, and Vietnam. Dependency on merchandise trade is reason to enter into trade agreements; lowering import duties entails lower cost. Trade agreements add to policy certainty as participating countries are supposed to adhere to their commitments. In addition, for small countries of Southeast Asia, trade agreements ensure access into bigger markets. For example, in the case of Singapore, the ASEAN market serves as an immediate hinterland.

Table 1: Merchandise Trade (% Share of GDP)									
	1980	1985	1990	1995	2000	2005	2010	2015	2016
Brunei	104.5	101.8	91.3	94.9	83.5	81.2	83.5	74.1	69.2
Cambodia	n.a.	n.a.	n.a.	59.3	91.1	111.5	106.2	113.1	113.4
Indonesia	32.9	27.0	34.4	35.2	60.7	52.3	38.8	34.0	30.0
Laos	n.a.	10.4	30.5	51.0	50.0	52.5	53.4	55.6	51.2
Malaysia	89.8	82.1	126.0	158.9	178.9	172.7	142.4	126.6	120.7
Myanmar	n.a	n.a	n.a	n.a	44.8	47.4	27.1	47.4	42.1
Philippines	38.8	29.7	43.0	55.8	92.7	88.0	55.1	44.1	46.8
Singapore	359.3	264.6	292.0	276.3	284.1	337.2	280.3	216.8	206.3
Thailand	47.0	40.8	63.4	75.1	103.6	121.0	110.3	104.5	100.7
Vietnam	6.1	17.3	80.3	65.4	96.5	120.0	139.3	171.6	174.3

Source: WTO Trade Database, author's calculation

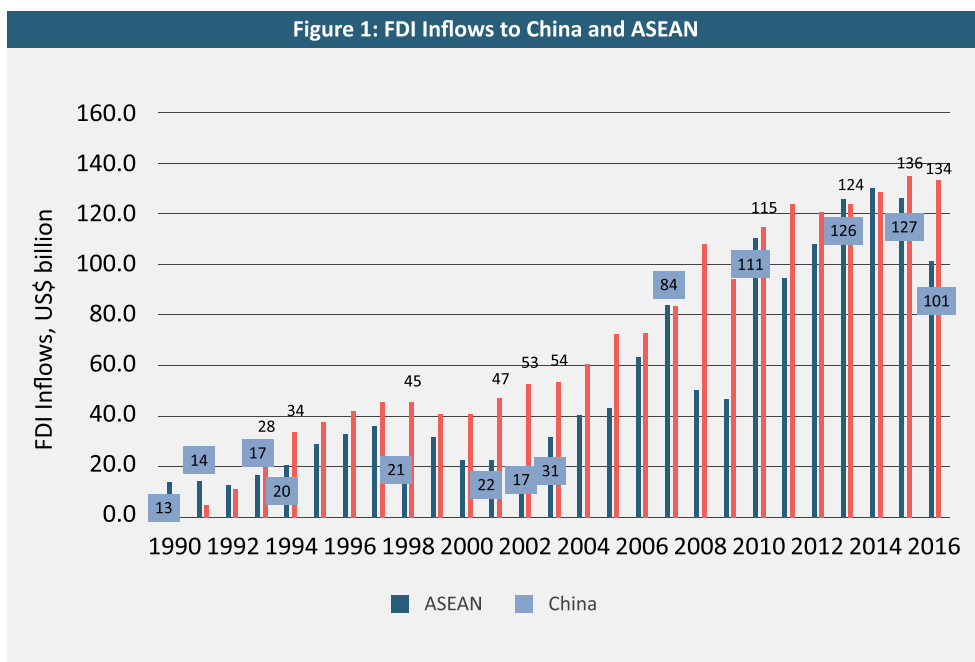
As the ASEAN trade agreements are comprehensive in nature, they make countries commit to other trade enhancement initiatives, such as reduction or elimination of NTBs or customs modernization. Robust institutions lower trade costs by increasing transparency, simplifying trade procedures, and introducing greater predictability.¹⁹ In regard to NTBs, the 2016 Enabling Trade Report by the World Economic Forum observed that apart from Singapore, which is a free port with well-supported infrastructure and operating environment, most ASEAN countries perform poorly (Table 2). The bad performance in efficiency and transparency of border administration, lack of infrastructure, and poor operating environment are hindrances to greater trade flows. Participating in trade agreements thus ensures that ASEAN countries address issues at the border and beyond the border hindrances. The countries' commitment to Customs Single Window or streamlined trade procedures or even harmonized product standards should be seen in this regard.

Table 2: Enabling Trade Index Rankings, 2016

(Ranking out of 136 countries)	Enabling Trade Index 2016 Ranking	Market-Access Sub-index		Border Administration sub-Index	Transport Infrastructure sub-Index	Operating Environment sub-Index
		Domestic market access	Foreign market access			
Brunei	72	7	74	107	74	69
Cambodia	98	107	5	116	113	94
Indonesia	70	30	92	79	64	64
Laos	93	67	10	114	125	79
Malaysia	37	43	107	47	17	26
Myanmar	n.a.	n.a	n.a	n.a	n.a.	n.a.
Philippines	82	22	39	93	116	104
Singapore	1	2	84	1	3	2
Thailand	63	88	96	44	35	83
Vietnam	73	77	79	86	66	77

Source: World Economic Forum (2016)

Along with trade, attracting FDI is also an important consideration in agreeing to regional policy measures. FDI, by itself, has long played an important role in ASEAN countries' economic growth. Japanese FDI has been responsible for catalyzing growth of ASEAN manufacturing sectors.²⁰ This was followed by American and European firms and more recently the Chinese. Although, among the developing countries, the ASEAN countries were a leading destination for FDI in the early 1990s, the trend slowed down by the mid-1990s as China emerged as a more attractive market (Figure 1). The inflows were further affected as ASEAN countries were severely hit by the 1997-98 financial crisis. It was around that time that policy-makers felt that cooperation among small countries was important to ensure economies of scale to foreign investors and that committing to reform at the regional level of ASEAN would help countries to accelerate their reform process at the national level, thereby raising the confidence of foreign investors. This rationale was reflected in Singapore Minister for Trade and Industry, George Yeo's speech in 2002: "In 1990, China accounted for less than 20 percent of total foreign investments in developing Asia, while Southeast Asia took 60 percent. Today, the numbers are reversed."²¹ ASEAN countries therefore need deep integration to raise investors' confidence in the region.



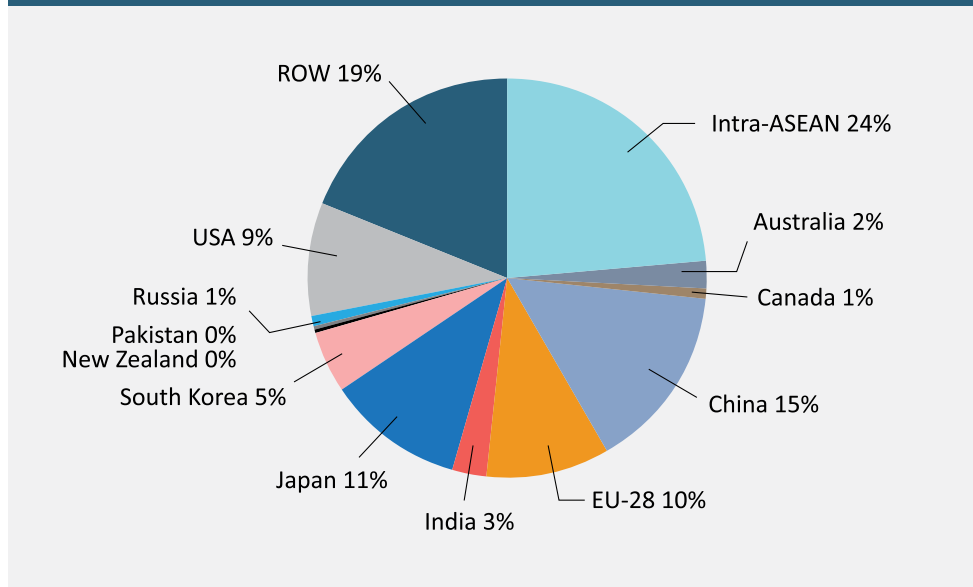
Source: UNCTAD Database

Being trade dependent also requires ASEAN countries to effectively participate in regional and global value chains. Production of a commodity with a long value chain (such as automobiles, electronics, textiles, and processed food) is no longer confined to one country, different from the way production and trade were undertaken in the 1970s or earlier. Then, overseas production decisions were governed by low labor costs and confined to a particular economy. Trade was primarily exports to developed countries. However, at present, a single production chain is divided into different parts and produced in multiple countries. ASEAN countries, especially the advanced ones, have been part of these production networks since the late 1980s. Over time low value-added production activities began to shift to less developed ASEAN members. U.S. multinationals operating in Singapore since the early 1970s relocated their production facilities to Malaysia, Thailand, and the Philippines, which offered lower-cost facilities. More recently, the production facilities saw gradual expansion to Vietnam.²² While multinationals' decisions play an important role in locating their production bases, also influential are government policy decisions to provide adequate infrastructure and access to large markets.²³ To attract foreign firms, it became important for governments to work together on AEC to provide a large market of 650 million people, develop transport and regulatory infrastructure, and commit to facilitation measures to lower transaction costs.

ASEAN countries' trade with each other was as important as their trade with China, Japan, and South Korea (Figure 2). The share of intra-regional trade of these ASEAN+3 countries is a sizable 55 percent compared to ASEAN's share of intra-regional trade of 24 percent. Many of the production networks are not only among the ASEAN countries but across a bigger geography of Asia. Although Japan was leading the production value chain activities in the region, China's emergence as a "global factory" by the early 1990s—serving as a final

assembly destination and incorporating intermediate goods from neighboring countries, catalyzed deeper production networks. ASEAN countries needed to simultaneously integrate their own economies and their combined economy to the rest of the world. ASEAN+1 FTAs with Australia-New Zealand, China, India, Japan, and South Korea assumed importance in this respect. ASEAN economic integration is “outward looking”; integration is connected to key trading partners.²⁴ As Lee Kuan Yew said in 2003, “the diversion of foreign investments away from ASEAN is palpable. [...] Individually, most ASEAN countries do not have the economic weight of a province in China or a state in India. We must create a larger and more attractive economic entity. [...] How strongly we grow depends on two key factors: first, our success at continuing to deepen integration within ASEAN, and second, our ability to keep ASEAN outward-looking [...]. This (AEC) consolidated market of 500 million people will make us more competitive. [...]. At the same time, [...] we must remain focused on our ties with key partners worldwide.”²⁵

Figure 2: Share of ASEAN's Trade, 2015



Source: ASEAN Secretariat Statistical Publications

Despite ASEAN's effort to facilitate trade and investment through AEC and ASEAN+1 FTAs, it remained largely unappreciated by the private sector, the final users. Given low utilization of ASEAN FTAs, policy-makers need to think about a deeper form of integration that will not only support trade and investment flows but will also take into account regional value chains. This is where RCEP assumes importance. The private sector continues to face challenges in cross-border transactions, mainly from multiple rules-of-origin and inefficient customs. In a 2015 survey of 5,545 Japanese firms operating in Southeast Asia, “simplified customs clearance” was recorded as the AEC measure most desired. These firms have also requested simplified rules-of-origin as criteria for using FTAs.²⁶ For U.S. firms, around 50 percent of 451 respondents from ASEAN expect a greater reduction in transaction costs. They place high importance on ASEAN's trade facilitation initiative and customs program.²⁷ Similarly, for EU firms, the 2017 survey of 246 companies reported that 67 percent of respondents are worried about burdensome customs procedures within ASEAN for development of a regional supply chain.²⁸

To overcome the low utilization rate and other challenges, ASEAN thought of a comprehensive mega-trade agreement called RCEP, addressing the issue of multiple ROOs in the region. It would focus on trade facilitation and new economic issues during the negotiations, helping ASEAN countries to engage in the regional value chain, and lower cross-border transaction costs for businesses.

Finally, regarding bilateral and plurilateral deals, ASEAN countries view these as means for deeper economic integration. While AEC, ASEAN+1, and RCEP lead to economic integration, they are relatively shallow as they involve countries from different development stages. Most often, the CLMV countries of ASEAN request flexibility or a longer timeline to adhere to a regional commitment. The flexible nature of regional commitments can be observed in the AEC blueprint language of best endeavor in several places. Even for RCEP, the framework document states that negotiations will give due consideration to the development stages of participating countries. A bilateral deal is useful; it is easy to negotiate and can closely match participating countries' interests. For an advanced country bilateral deals can help reach agreements both wider in scope and deeper in terms of agreed agendas. In trade agreements, Singapore has a strong market access focus, with cooperation in areas of investment, education, transport services, government procurement, etc. Thailand's interest, on the other hand, lies in getting market access for its agricultural and manufacturing products, while promoting its tourism sector.

A plurilateral deal, like the TPP, is useful as it enables ASEAN countries to participate in high-standard agreements on issues like government procurement, labor, and environment, which are not yet discussed in regional FTAs of ASEAN. The deeper agendas help ASEAN countries to use an external agent to undertake domestic reforms that often face challenges. Even the BRI serves the economic interest of closing the infrastructure gap in the region. In a 2017 study by the Asian Development Bank (ADB), it was estimated that all ASEAN members will together require \$184 billion annually during 2016-2030 for their infrastructure needs. The figure rises to \$210 billion annually if one takes into account carbon emissions and climate change. Indonesia alone would need \$74 billion annually under the baseline scenario and \$82 billion annually under a climate change-adjusted estimate.²⁹ Building infrastructure is seen as the next phase of ASEAN integration.³⁰ While the region has its Master Plan of ASEAN Connectivity (MPAC), it severely suffers from financing issues.

Strategic Rationale

There were several strategic imperatives for the ASEAN countries to undertake regional economic cooperation. Mari Pangestu, Minister of Trade of Indonesia from 2004-2011 mentioned that ASEAN's economic cooperation is part of the country's foreign policy, and there are far more strategic reasons than economic ones to pursue such a direction.³¹ For example, AFTA was formed in the early 1990s to provide a new political purpose to Southeast Asia after the end of the U.S.-Soviet confrontation and the Cambodian crisis.³² It was felt that AFTA could provide a sense of regional identity, which was necessary to strengthen ASEAN as a regional organization in the post-Cold war era.³³

More than a decade later, when AFTA had advanced to AEC, a deeper, more comprehensive form of cooperation, there were different strategic imperatives. First, AEC was viewed as the most logical extension of the various economic initiatives that ASEAN undertook in

the 1990s.³⁴ From 1995 to 1999, ASEAN expanded its membership to the CLMV countries and encountered serious development gaps.³⁵ The AEC provided a “fresh” comprehensive framework, building on agreements that had already been signed by member countries—AFTA, AFAS, and AIA³⁶—and would also look into the capacity building exercise of the CLMV countries through the Initiative of ASEAN Integration (IAI) that came in 2001. As the countries use the regional policies to undertake domestic reform, it was expected to raise their economic competitiveness to attract FDI, especially vis-à-vis China.

Second, ASEAN decided for AEC as it was expected to play the role of a “hub,” a strategic position for the regional organization. By default, ASEAN could have the leadership position as none of the East Asian nations can do so due to their past and ongoing conflicts. It was argued that ASEAN’s closer economic relationships with its key trading partners in the form of ASEAN+1 FTAs would help ASEAN to accelerate its own economic integration and, in the process, create a single economic space.³⁷ “The only way ASEAN stands a chance of effectively checking the power of the plus three nations (i.e. China, Japan, Korea) is if it is united.”³⁸

Third, the economic community was expected to contribute to regional cohesion, which, in turn, was likely to strengthen ASEAN’s bargaining power and geopolitical influence. It was expected to strengthen member states’ position to participate in the WTO and in their collective negotiating position for FTAs and other strategic matters.³⁹ Fourth, ASEAN’s initiative to move towards AEC could also be viewed as a defensive response to the proliferation of RTAs, especially with the expansion of the EU and the success of NAFTA. The governments of ASEAN feared that they needed to act fast to remain competitive and relevant in multilateral negotiations. Moreover, there was dissatisfaction with the slow progress of the WTO-Doha liberalization process and the APEC process.⁴⁰

As for RCEP, it was decided to create a favorable geopolitical environment around the ASEAN region,⁴¹ in accord with thinking about a region-wide FTA since 2001. While China has been promoting an ASEAN+3 framework (the East Asia FTA), Japan advanced its idea of ASEAN+6, including India, Australia, and New Zealand (the Comprehensive Economic Partnership of East Asia, CEPEA). To end this debate, ASEAN proposed RCEP (involving ASEAN+6 countries) in November 2011—an ASEAN-centric regional FTA, where issues and aspirations of AEC would be elevated to the bigger geography of an East Asian Economic Community. This became increasingly important, because forging closer ties and forming common positions with economies of all sizes would help ASEAN to entrench its centrality, which implies that the regional architecture is led by ASEAN and the region’s relations with the wider global community are conducted keeping in mind the interests of the ASEAN Community. RCEP would showcase ASEAN’s capability to bring together not only its own ten members but also external partners for harmonized policies and economic growth.⁴² The strategic importance of RCEP was highlighted recently by Singapore Prime Minister Lee Hsien Loong, when he urged the participating countries to conclude RCEP negotiations soon. “When you make a trade agreement like this, it is very seldom only about economics or trade. There is always another aspect to it—of bilateral cooperation, of friendship, of strategic calculation.”⁴³

A subset of ASEAN countries also values the strategic importance of other bilateral and plurilateral deals. Singapore would like to strengthen long-term strategic alliances with major powers and trading partners using the FTAs.⁴⁴ This was also reflected in a Singapore

official's statement, while detailing the benefits to arise from a bilateral FTA with the United States: "Singapore's interest in the US, however, transcends business and economics. Singapore wishes to entrench the presence of the US in the region because it underpins the security of the whole Asia-Pacific region. Singapore regards the US-Singapore FTA as a symbol of continued US commitment to the region [...] the USSFTA [...] is about enhancing the prospects of peace and stability in the region."⁴⁵

For Thailand, the idea of bilateral FTAs in the initial years of 2000 was to raise its diplomatic status in the global economy. It adopted FTAs as an integral part of foreign policy and marked them as a form of "forward engagement" or "economic diplomacy."⁴⁶ It was also felt that Thailand wanted to build its administrative and negotiating capabilities through signing FTAs with small countries. It agreed to FTAs with the Czech Republic and Croatia not only so that it could gain access to the EU market, but also to have flexibility that these small economies allow. As Thailand was not very sure about the impact of FTAs, its choice of countries in the early days was more to serve as a guide for subsequent negotiations with bigger economies.⁴⁷

Finally, with regard to the plurilateral deals, the original TPP, keeping the United States economically engaged in the region, was of immense interest to a subset of the ASEAN countries. In an interview on America's role in Asia and TPP in March 2016, Singapore Prime Minister, Lee Hsien Loong, categorically stated "I think it (TPP) is important for the openness and the stability of Asia, beyond the good it does to your own investments and your own interests there (Asia). The TPP is a very important part of this. Because whatever you say about rebalancing, and even if you have security and military resources committed, finally, you have to make the argument that this is in aid of mutual interest for Americans and for the countries in the region. And what is that mutual interest? It is enhanced engagement, cooperation, trade, and the TPP is a visible manifestation of that."⁴⁸ For Thailand and Malaysia, the original TPP filled the gap of not having a bilateral FTA with the U.S. Each had started bilateral negotiations in 2004 and 2006 respectively, but those failed due to the U.S. push for a high standard FTA, incorporating environment and labor, which was difficult given the domestic politics of Thailand and Malaysia. Even if the U.S. is not there is the new incarnation of TPP, i.e. CPTPP, the idea is to keep the deal alive so that the U.S. can join the trade pact in the future.

On the whole, the economic cooperation arrangement serves ASEAN's purpose of staying strategically relevant in the global economy. While ASEAN's own integration provides it with cohesion and solidarity, its economic linkage with big economies helps it to maximize its options, thereby managing its quest for "dynamic multidirectional equilibrium in Southeast Asia."⁴⁹ ASEAN acknowledges the changing nature of the global economy and the related geopolitics. Hence, it takes a pragmatic approach to alter its economic cooperation model to more rules-based organization. Moreover, ASEAN recognizes the fact that each of its economic relations with the big economies has its own dynamics. While China is seen as fulfilling short-term economic needs, India is observed as a partner with immense potential in the future. Japan is respected for its infrastructure and manufacturing investments in the region since WWII. ASEAN aims to maintain an "open and inclusive" form of economic cooperation arrangement, where no one country can dominate to take advantage of the others.

The Future of Regionalism

ASEAN has been following the path of economic regionalism since the early 1990s. It decided to strengthen its own economic integration to deal with the bigger economies of the world. This led to ASEAN+1 FTAs, which transformed into a quest for a bigger undertaking RCEP. However, ASEAN-led FTAs are not the only economic regionalism model in the Asia-Pacific region. There is the CPTPP and the BRI.

What does this mean for the future of regionalism from ASEAN's perspective? ASEAN will continue to be a major promoter of economic regionalism. However, it may feel pressure, both internally and externally.

Internally, challenges will emerge as all ASEAN members may not benefit equally from AEC. The policy document only lists the policy action lines and responsibility of implementation resides with individual member countries. As at domestic level, countries suffer from lack of human and financial resources to implement measures and they are not willing to implement measures in a timely manner. Hence, in the process of integration, some will be laggards. This will have implications for FDI flows into the individual members. While the leading ASEAN members will attract most of the foreign capital, the rest will continue to struggle in attracting investors. This was observed in numbers showing that Singapore attracted 50 percent of the total FDI in the region (Table 3). Some will lose incentive to participate fully in AEC, as already observed while designing the next phase of the AEC blueprint: countries like Singapore and Malaysia wanted to take a greater leap in the next ten years, Indonesia wanted to consolidate its economy first before committing to any visionary idea.

Table 3: Investment Attractiveness of ASEAN Member Countries

	2003-2013		2015		2016*	
	US \$million	% of total	US \$million	% of total	US \$million	% of total
Brunei	8,796	1.11	171	0.14	-150	-
Cambodia	7,808	0.99	1701	1.41	2280	2.33
Indonesia	10,6266	13.41	16642	13.81	3521	3.59
Laos	2,642	0.33	1079	0.90	1076	1.10
Malaysia	77,279	9.76	10180	8.45	11329	11.56
Myanmar	12,142	1.53	2824	2.34	2989	3.05
Philippines	22,147	2.80	5639	4.68	7933	8.09
Singapore	40,1002	50.62	62446	51.82	53912	54.99
Thailand	89,999	11.36	8027	6.66	2553	2.60
Vietnam	64,080	8.09	11800	9.79	12600	12.85

Source: ASEAN Statistical Yearbook 2014 and 2016/2017

Most ASEAN countries increasingly believe that the lack of infrastructure needs to be resolved before benefiting from regional integration. Indeed, all members have supported the regional connectivity master plan that covered three elements: physical connectivity, institutional connectivity, and people-to-people connectivity. They are also developing their national plans, keeping in mind the regional plan. Connectivity is increasingly felt to be necessary to reduce cross-border business transaction costs, travel, and time costs and to ensure that regional integration benefited the periphery as well as the core of member

countries. A key determinant for obtaining the full benefits of the trade and investment liberalization that countries have been pursuing for the last two decades is believed to be infrastructure development. But almost all ASEAN countries suffer from financial constraints. As they lack fiscal space to undertake public spending in infrastructure, they also lack resources to design bankable projects to fund roads, bridges, highways, power-plants, etc. using a public-private-partnership (PPP) model.

This is where the external challenge comes in. Given that tariffs have been reduced for most of the economies in the region, removal of NTBs will mostly remain a work in progress, and countries are struggling with managing their infrastructure demand, China sees this as an opportunity to introduce its own model of economic cooperation that is based on building infrastructure. In other words, BRI has been announced at an opportune time. The BRI connects China with the countries of Central Asia through road infrastructure and links the Chinese coast via Southeast Asia to the Indian Ocean and all the way to Europe through maritime routes. Since BRI will be implemented bilaterally between China and different host countries, it is expected that China will try to integrate itself closely with other countries. BRI will become a means for it to align trade flows and investments through improved infrastructure. Indeed, the ASEAN-China FTA becomes important in this regard and complements the BRI. In addition, Beijing, during the 20th ASEAN+3 Leaders' meeting in 2017, expressed its intention to align BRI with the Master Plan of ASEAN Connectivity (MPAC), thereby promoting the idea of East Asia connectivity. Beijing realizes the importance of hard and soft infrastructure in regional economic integration and also comprehends the difficulties of ASEAN countries to invest in long-term investment projects. Accordingly, it has suggested ways to match common interests of ASEAN countries and China.

Most importantly, Beijing seems to have learned from ASEAN's experience of what components of economic integration work (like liberalization and facilitation) and what may always lag (such as eliminating NTBs and narrowing the development gap). Including domestic regulatory issues of competition policy, intellectual property rights, environmental standards, or labor laws is not practical as many less developed countries in the region may not be able to comply. As most of the benefits under liberalization have been reaped, it is better connectivity that needs to be popularized among interested parties to move towards deeper regional integration. Of course, ASEAN does not want to miss this opportunity and has expressed its support by joining the AIIB. However, it is very mindful of China's economic dominance in the region. It fears the rise of China as a regional hegemon to gain economic domination of the region that has subsequent implications for political-security cooperation.

In order to balance Chinese influence, ASEAN will welcome CPTPP and earnestly try to conclude RCEP negotiations. Although only four ASEAN members are part of CPTPP, Indonesia, Thailand, and the Philippines are not disregarding their prospects of joining the deal, taking a "wait and watch" approach to see if the United States joins the deal. There is already some murmuring that it may join if the CPTPP members agree to re-negotiate some provisions. With regard to RCEP, the negotiating parties are optimistic that the negotiations will conclude by the end of 2018, under Singapore's chairmanship of ASEAN. The negotiators have been instructed to explore new ways of formatting the RCEP deal, perhaps to suit India's interests, a two-tier structure: one for countries already having an

FTA with each other; and the other among countries without such bilateral trade deals. There is an extremely slim chance that RCEP will be concluded without India, as many in the media are speculating that it may be asked to stay out of the deal given its foot-dragging during negotiations. RCEP without India would dilute the economic and strategic value of the agreement and offer China an opportunity to advance its own regional cooperation agenda.

Although economic regionalism is a crucial measure for ASEAN countries' economic growth, prospects seem uncertain at the current moment. ASEAN's principle of "open regionalism" seems to have hit a ceiling, as countries like China are seeing this as an opportunity to gain economic access into the region, while the other big economies are either turning inwards or have limited economic resources to expend to ASEAN members. ASEAN is also struggling internally to manage the momentum of its own economic cooperation. The member countries are paying more attention to their own domestic needs for infrastructure, rather than cruising along with economic integration. While it will be impossible for ASEAN to disband its economic community, time will only tell how ASEAN, as an organization, will address its current challenges and manage to keep its economic regionalism agenda intact.

Conclusion

For the ASEAN countries, all kinds of regional initiatives strengthen its outward looking economic structure. Most are highly open to the global economy, having a significant share of their GDP in trade and aiming to attract foreign investment for domestic industries. Many advanced ASEAN members are already part of GVCs, while the less developed ones are targeting this in the next decade. The economic regionalism project among the ten members provides policy certainty and also cohesion, useful for staying strategically relevant in the global economy and facilitating the negotiation of trade deals by the small member with the bigger economies of China, Japan, and India. Given its economic structure, ASEAN from the beginning has promoted regionalism that is "open" in its approach, i.e., "open regionalism." The bilateral deals are useful for deeper integration, while the latest plurilateral deals fuel aspirations for economic development. Regionalism in ASEAN is to ensure openness, which would eventually feed into a country's development.

There are some uncertainties. The United States has pulled out of the TPP, although the agreement has survived as the 11 other members exerted their political will. RCEP, after five years of negotiations, is still facing challenges, including issues of market access, services, and investment. Looking at a strategic opening, China is promoting its own economic cooperation model of BRI and slowly making in-roads into neighboring developing economies. Even ASEAN's own economic community is facing some difficulties. Member countries, although not discarding AEC, are not willing to commit to deeper measures. They are biased toward building their national infrastructure and implementing the older AEC commitments, rather than promising new ones in an era of uncertainty around economic regionalism.

Will ASEAN survive this phase of uncertainty? The answer is probably "yes," as the ASEAN countries have already tasted some benefits of regional integration. The region has regained a lot of FDI, which was felt to be getting diverted to China in the mid-1990s. In 2013/2014, FDI inflows of \$125 billion to ASEAN were almost on a par with China (Figure 1). Many members

are also building their national institutions to adhere to their ASEAN commitments. For instance, almost all ASEAN countries now have a competition commission, not the case earlier. The less developed ASEAN members have benefitted from increased attention from the developed countries (such as the EU, the United States, Japan, and Australia) and their technical and financial assistance in areas of economic integration. For example, the USAID program provided assistance to Laos and Vietnam to establish their National Single Window (NSW). It also helped ASEAN to develop the technical and legal components of ASEAN Single Window and assisted in implementation of pilot projects. The EU has already earmarked more than 170 million euros for the post-2015 ASEAN integration. Finally, the economic regionalism projects involving ASEAN facilitate its members being part of many discussions that are cross-border in nature. Recently, all ASEAN countries have been exploring ways to cooperate on e-commerce. This not only means business opportunities but also risks in terms of, say, cyber-security. It is the economic cooperation that is bringing all ASEAN members together to find ways to mitigate risks that are regional or global in nature. Thus, for members, while the pace of economic regionalism may slow, the initiatives will continue to survive in order to enable them to grow and develop in the future.

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Re-Energizing Economic Integration between South Asia and East Asia

Pradumna Rana¹

This chapter focuses on economic integration (linkages) between South Asia and East Asia.² The topic is important for three reasons. First, South Asia-East Asia (SA-EA) trade is a component of South-South trade and could be a useful buffer should North-South trade soften, or populism lead the North to view trade as a “zero-sum” game, as is presently the case in the United States and several countries in Europe. The withdrawal of the United States from the Trans-Pacific Partnership (TPP) in January 2017 and President Trump’s reiteration of his “America First” trade policy at the 2017 APEC meetings in favor of bilateralism and “fair trade” has generated interest in alternate trade policy options in the EA region.

In addition to promoting domestic demand, EA countries have adopted a three-pronged response to rising U.S. protectionism:³

1. EA countries have been attempting to construct a new regional trade order and enhance connectivity. On November 11, 2017 the eleven remaining countries decided to go ahead with the TPP, while the Regional Comprehensive Economic Partnership (RCEP) negotiations are also to be expedited.⁴ The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP or TPP11) which is led by Japan and Australia was signed on March 8, 2018 and is expected to be in force by early 2019 when at least six countries will have ratified it; this date may, however, slip a bit.⁵ Singapore, which is the ASEAN Chair for 2018 has announced that it would try its best to have the RCEP signed this year. But India is still not ready and is concerned with its rising trade imbalance with China and wants other countries to liberalize their service sectors in return. Earlier this year, the leaders came up with the Delhi Declaration (discussed below) and to fast-track RCEP an “RCEP minus X” formula is gaining traction.
2. EA countries have also stepped up joint efforts to enhance regional connectivity through infrastructure development. The headline-grabbing activity is China’s Belt and Road Initiative (BRI), which seeks to connect more than seventy countries across the Afro-Eurasian supercontinent via large-scale projects like railways, roads, bridges, ports, and pipelines. ASEAN has unveiled its new “Master Plan on ASEAN Connectivity 2025,” which includes several region-wide infrastructure projects. India is collaborating with Japan under the Asia-Africa Growth Corridor proposal launched in 2017 to develop maritime connectivity to link Africa, India, and other countries in Southeast Asia. India, together with the United States, Japan, and Australia, is also involved in the Indo-Pacific Partnership, also called the Quad 2.0, which was revived during Trump’s visit to Asia in November 2017. Unlike the BRI where six land corridors and one maritime corridor have been identified, the Asia-Africa Growth Corridor proposal and the Indo-Japan Partnership are still at a consultation stage.
3. EA countries are seeking to enhance inter-regional cooperation including SA-EA integration. In early March, the Philippines ratified its European Free Trade Agreement. Japan and the European Union are expected to finalize an Economic Partnership Agreement this summer. Australia and New Zealand hope to conclude their FTAs with the European Union this year and ASEAN hopes to resume its stalled region-to-region FTA negotiation with the EU in the next few months. Recently Korea signed FTAs with a number of Central American countries, and

Singapore is negotiating an FTA with the Pacific Alliance, which comprises Chile, Colombia, Mexico, and Peru. At the recent summit in New Delhi, ASEAN and India came up with the Delhi Declaration which seeks to “Further strengthen and deepen the ASEAN-India Strategic Partnership for mutual benefit across the whole spectrum of political-security, economic, socio-cultural and development cooperation.”⁶

Second, the potential economic effects of SA-EA integration are favorable. Deeper SA-EA integration would be mutually beneficial to both regions and could jumpstart South Asia, currently an economic laggard. SA-EA integration could also revive economic integration in SA, a region which was once well-integrated but now is among the least integrated regions of the world.⁷

Third, if as some say, we are witnessing the “Renaissance of Asia” and the rise of the Asian century, we need a robust level of SA-EA trade and investment to support the process. In the post-1990 period, traditional trade (trade in final goods) between SA and EA has increased rapidly, albeit from a low base. Partial economic reforms implemented by South Asian countries and their Look East Policies (LEP), adopted either formally or informally, have played a role. However, South Asia’s participation in global production networks and supply chains is still limited. In 2014, the Modi government adopted an Act East Policy signaling a more pro-active approach towards East Asia than in the LEP of the past.⁸ It broadens the coverage of the LEP from Southeast Asian countries to all East Asian countries and seeks to build economic, institutional, and defense links to the region. It also seeks to involve East Asian countries in India’s ongoing economic transformation and seeks their participation in joint projects.⁹ The Act East Policy of India has, however, yet to spell out any focused policies that link the country to global production networks.

While the literature on economic integration in regions of Asia such as East Asia, ASEAN, and South Asia is extensive, the literature on recent trends in integration (or linkages) between SA-EA is limited. It started mainly with the research conducted at the ADB in the early 2000s.¹⁰ This chapter contributes to the relatively sparse literature on the subject with two objectives: 1) to argue that South Asian countries need to embark on a second round of LEP2 to link themselves to global production networks, especially those in East Asia, their largest potential market;¹¹ and 2) to identify policies that South Asian countries should implement as part of LEP2. LEP2, together with LEP, will allow SA (and EA) countries to benefit not only from the static complementarities associated with traditional trade theories but also from the dynamic complementarities of the trade theory of product fragmentation.¹²

An important differentiating factor is that, unlike other studies on the subject, this chapter develops and estimates a logit model with random effects to identify the determinants of production network participation and derive policies to drive SA-EA integration. The first section focuses on historical trends and argues that an integrated and prosperous Asia existed during much of the first 18 centuries of the Christian era. The following section presents more modern trends, focusing on trade linkages between the two regions. Next, an econometric model which explains production network participation rates of Asian countries is presented. Based mainly on the model, we then identify policies that South Asian countries should implement under their LEP2 before concluding.

Historical Trends

Authors have argued that SA has a long history of economic ties along with cultural and religious exchange with EA dating back to the pre-Christian era.¹³ The first millennium of the Christian era was a period of trade and economic growth between India and China. Exports from India were comprised mainly of rice, sugar, and cotton textiles, while imports were more varied and included Indonesian spices, various kinds of wood, Chinese silk, tea, gold, and non-precious metals such as tin, copper, and vermillion. China and India were in contact with each other through a network of land and sea routes that eventually evolved into the Silk Road.

The opening of the Straits of Malacca in the 5th century provided further impetus to India-China trade. The emergence of the Chola Empire in south India and the Sung Dynasty in China in the 10th and 11th centuries as large and prosperous regions provided another stimulus to regional trade and exchange. The 15th century voyages of Admiral Zheng He are also well-known. By the end of that century, Western explorers had also started to trickle in. Hence, during the pre-colonial period, trade between SA and EA was strong, and Asia was not only the dominant region of the world, but also the most integrated one as well.

This situation, however, changed in the mid-15th century when China, for some unknown reason, suddenly reversed its previous policy and closed its economy. Japan too followed an isolationist foreign policy during the Edo period (1603 to 1868) and trade between Japan and other countries was severely restricted. Also Asia was colonized in the 19th century—mainly by the British but also by the French, Dutch, and Portuguese. The colonizers divided up most of Asia into spheres of influence, took control of trade and customs and restricted access to inland waterways. They destroyed pre-existing Asian trading systems and diverted profits to Europe. This distorted center-periphery relations by making Europe stronger and Asian kingdoms weaker.¹⁴ As a result of these factors economic linkages between SA-EA also weakened.

Modern (Postcolonial) Trends

Two distinct periods of SA-EA integration can be identified in the modern era: a period of limited integration from independence until the late 1980s, and one of intensifying efforts at integration from 1990 onwards. After independence from the British in 1947, India's first prime minister, Jawaharlal Nehru, started to re-engage with East Asia. The Asian Relations Conference held in New Delhi in 1947 under his leadership served as one of the earliest attempts to form a Pan-Asian identity. Forming a common cause with other Asian leaders on Western imperialism and developing world solidarity, Nehru helped forge the "Bandung Spirit" of 1955, which led to the non-aligned movement. However, this phase of India's engagement with East Asia ended with India's border war with China in 1962 and its preoccupation with Pakistan. India turned inward and adopted the closed Soviet model of economic development characterized by import-substitution policies and high levels of protection. The other smaller South Asian countries followed suit with significant adverse consequences.

The period after 1990 to the present has been marked by intensifying efforts at regional integration between SA and EA. South Asian countries took two major sets of actions. First, they have partially liberalized their trade and investment regimes through the implementation of gradual macroeconomic and structural reforms. Economic reforms began in Sri Lanka in the early 1980s supported by various facilities from the IMF. India initiated reforms in the 1980s and deepened them post-1991. Bangladesh started to liberalize its trade and industrial policies in the early 1990s. Nepal and Pakistan began their economic reform program in the late 1990s.¹⁵

Second, as part of its economic reform program, India adopted the LEP in 1991 to promote closer ties with Southeast Asian countries.¹⁶ Bangladesh followed suit in late 2002,¹⁷ and Pakistan in 2003 with its “Vision East Asia” initiative.¹⁸ Other South Asian countries did not announce a formal LEP but have taken a number of policy actions to promote trade and investment and connectivity with East Asia. These have had numerous positive impacts.

India has been actively participating in various consultative meetings and dialogues initiated by ASEAN such as the ASEAN Regional Forum, East Asia Summit, and the Mekong-Ganga Cooperation. India holds summit-level dialogues with ASEAN. As a part of its Act East Policy and to celebrate the 25th anniversary of India-ASEAN dialogue, earlier this year India hosted the ASEAN-India Commemorative Summit in New Delhi. India, together with Bangladesh and Sri Lanka, is also a member of the Asia-Pacific Trade Agreement. India, Bangladesh, Sri Lanka, Nepal, and Bhutan are members of the Bay of Bengal Initiative for Multi-sectoral Technical and Economic Cooperation (BIMSTEC).

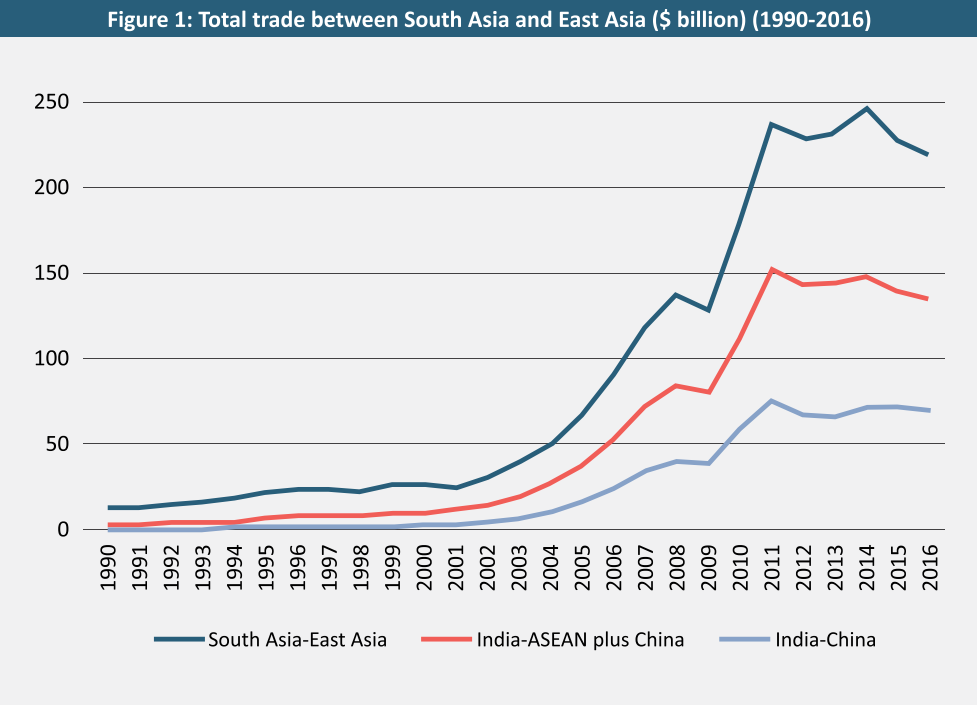
As part of its LEP, India has signed free trade agreements (FTAs), including the Comprehensive Economic Cooperation and the Comprehensive Economic Partnership Agreements, with ASEAN as a whole and two members, Singapore and Malaysia. An ASEAN-India FTA in goods was signed in 2014, and the ASEAN-India Services Trade and Investment Agreement was signed a year later. India has also signed FTAs with Japan and Korea. FTAs with Thailand and Indonesia and the RCEP are in process. Pakistan has signed FTAs with China, Malaysia, and Indonesia, and FTAs with Singapore and Thailand are in the pipeline. In contrast to India and Pakistan, other South Asian countries appear to be more cautious in signing FTAs. Maldives has signed an FTA with China, while Sri Lanka is in the negotiating stage. Sri Lanka recently signed an FTA with Singapore.

In the area of connectivity and infrastructure development, South Asian countries are more active. All eight South Asia Association for Regional Cooperation (SAARC) members, aside from Afghanistan and Bhutan, are founding members of the Asian Infrastructure Investment Bank (AIIB). But unlike other South Asian countries, India is not supportive of China’s Belt and Road Initiative (BRI) mainly because the China-Pakistan Economic Corridor, which is one of the six land corridors under the BRI, passes through territory disputed between the two countries. The Bangladesh-China-India-Myanmar (BCIM) Economic Corridor, which is another corridor under the BRI, has not progressed much because of India’s slow response. There has already been one significant military standoff between India and China in 2017 when China attempted to build a road that crossed in to territory that is claimed by Bhutan on the Doklam Plateau, with India stepping in on behalf of Bhutan, which is considered a “protected” state. As discussed earlier, India is instead involved in other arrangements which are seen as alternates to the BRI.

Traditional Trade Flows in Final Goods

Economic reforms and the LEPs implemented both formally and informally by the South Asian countries have helped deepen economic linkages between SA and EA. Table 1 and Figure 1 show that SA’s total merchandise trade (exports plus imports) to EA grew rapidly by 19.5 per cent per annum between 1990 and 2016 (albeit from a low base). The value of total trade between SA and EA amounted to \$219.4 billion in 2016 (up from \$12.7 billion in 1990). The annual growth rate was relatively moderate until 2002, but it has surged since then. The exception was in 2009 when it dipped (due to the global economic crisis) and again during 2012 to 2016 when it fell slightly. The latter development can be explained by the economic slowdown in SA as the pace of reforms slowed in recent years¹⁹ and the slower pace of economic growth in EA, especially with China rebalancing growth to more domestic demand and quality growth. As expected, the two largest components are the bilateral trade between the two “giant” economies of India and China, and the trade between India and ASEAN. Bilateral trade between these partners has softened a bit since 2012 with the latter slowing more than the former.

There are, however, two issues that should be noted: 1) India accounts for the largest share of SA-EA total trade, with Pakistan and Bangladesh a distant second and third (other countries trade much less with East Asia (Table 1)); and 2) all South Asian countries have a trade imbalance with East Asia, with India’s imbalance being the largest (about \$90 billion or about 4 per cent of its GDP) (Table 1).



Source: International Monetary Fund, Direction of Trade Statistics.

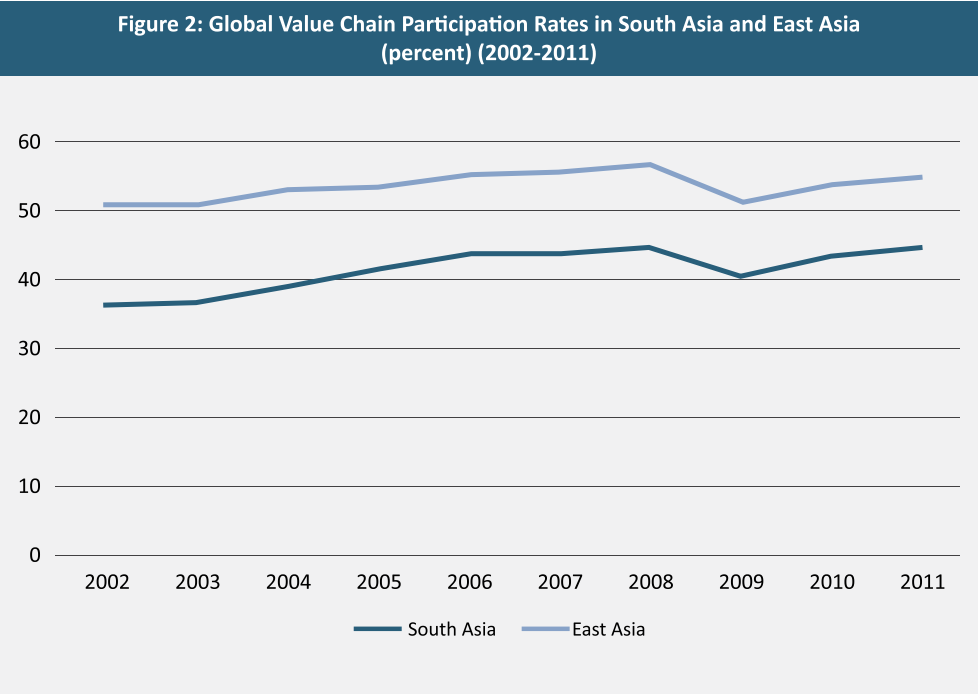
Global Production Network Trade

The IMF has estimated that trade in intermediate products comprises nearly two-thirds of total world trade.²⁰ East Asia is dense with production networks and supply-chains.²¹ It is estimated that EA accounts for nearly 45 percent of the global production network (or supply-chain trade), with China and the ASEAN countries in the lead. Participation in production networks and supply chains has transformed the Asian trade landscape, contributed to deepening regional economic integration, and brought about unprecedented prosperity.²²

Table 1: Growth in South Asia's Trade with East Asia, 1990-2016		
	Value in 2016 \$million	Annual Average Growth (%) 1990-2016
TOTAL TRADE		
South Asia	219,441	19.5
India	163,911	22.5
Pakistan	24,127	13.9
Bangladesh	20,355	17.9
Sri Lanka	7,031	12.2
Nepal	1,295	9.2
Maldives	948	14.3
Afghanistan	1,772	11.9
EXPORTS		
South Asia	48,600	17.0
India	42,978	19.2
Pakistan	2,830	6.8
Bangladesh	1,985	17.3
Sri Lanka	721	8.8
Nepal	27	4.4
Maldives	52	7.8
Afghanistan	6	5.0
IMPORTS		
South Asia	170,841	20.4
India	120,933	24.2
Pakistan	21,297	12.7
Bangladesh	18,370	18.0
Sri Lanka	6,310	15.8
Nepal	1,268	9.4
Maldives	896	14.9
Afghanistan	1,766	12.0

Notes: No data for Bhutan.
Source: IMF Direction of Trade Statistics Database.

While EA countries are participating actively in the global production network (parts and components) trade, SA countries are lagging. Figure 2 shows production network participation (PNP) rates in EA and SA during the period 2002 to 2011 (the latest year for which data are available) using the global value chain (GVC) participation rates published by UNCTAD.²³ The data show that while the PNP rate increased in both SA and EA during the entire period except in 2009, it increased faster in the former region. Hence, the PNP gap between the two regions has narrowed somewhat although it continues to remain high.



Source: UNCTAD-Eora GVC Database.

In order to benefit from this new type of parts and components trade, SA countries need to link themselves to global production networks—especially those in EA, their largest potential market.²⁴ Such policies, together with LEP, would allow South Asia to benefit from not only the static complementarities of traditional trade theories but also the dynamic complementarities associated with the new product fragmentation theories.²⁵ Focusing on trade in components and parts is a proven method for developing countries to move up the value-added chain, benefiting their long term development.

Determinants of Production Network Participation Rates

What policies should SA countries implement to link themselves to global production networks? In the recent modelling study by Rana and Chia,²⁶ we specify and estimate an econometric model of trade in parts and components, as in Golub et al.²⁷ We use UNCTAD's GVC participation rates as the dependent variable. As in Golub et al, logistics development in different forms, business environment, and regional economic ties are viewed as possible catalysts of GVC participation. These three are, therefore, the independent variables in our model.

Our model, takes the following form:

$$(1) \quad \begin{aligned} GVC P_{it} = & a_0 + \beta_1 GDP P_{it} + \beta_2 FDI_{it} + \beta_3 LPI_{it} + \beta_4 SAARC_i + \beta_5 ASEAN_i \\ & + \beta_6 IMPSTV_i + \beta_7 CHINA_i + \beta_8 INDIA_i + \beta_9 GFC_t + \mu_i + \nu_t + \varepsilon_{it}, \end{aligned}$$

where ε_{it} is the stochastic error term. $GVC P_{it}$ is the GVC participation rate. As in Athukorala and Athukorala and Menon,²⁸ GDP per capita ($GDP P_{it}$), expressed in a logarithmic form, is included in the specification to control for a country's stage of economic development. FDI_{it} stands for the stock of FDI inflows per capita expressed in logarithmic form. It aims to capture how a business environment conducive to foreign investors influences GVC participation.²⁹

Other variables are the logistics performance indicators (LPI) and the dummies for regional economic groupings. LPI_{it} is LPI expressed in a logarithmic form. $SAARC_i$ and $ASEAN_i$ are the dummies for SAARC and ASEAN groupings.³⁰ They take a value of unity if they are the members of the groupings, and zero otherwise. $IMPSTV_i$ is the dummy for ASEAN-6 countries (Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam). These countries are the major Southeast Asian players in global production networks. $CHINA_i$ and $INDIA_i$ are the dummies for China and India, respectively, and they are included to account for their size. GFC_t is the time dummy for the global financial crisis in 2008-9 when international trade plunged sharply affecting GVC participation. μ_i and ν_t are unobservable country- and time-specific characteristics.

The model was estimated using data from 12 East Asian countries (data for Myanmar was not available) and 8 South Asian countries during the period 2002 to 2011 (the latest year for which data were available). Since the dependent variable ranges from zero to one, to enhance efficiency, the model is estimated by using the logit method.³¹ Also, to address the biases due to omitted variables, random effects estimates were obtained using the generalized least squares (GLS) methods.

The estimated equation is presented in Table 2:

Table 2: Random Effects GLS Estimation of the GVC Participation Equations	
Variable	GVC Participation
GDPP _{it}	.2420*** (.0596)
FDI _{it}	.0247** (.0117)
LPI _{it}	.1894 (.1440)
SAARC _i	.4660* (.2763)
ASEAN _i	.7087** (.3331)
IMPSTV _i	.0950 (.2311)
CHINA _i	.0701 (.3606)
INDIA _i	-.1058 (.2900)
GFC _i	.0016 (.0270)
Constant	-3.062*** (.5474)
No. of Obs.	185
Wald Chi-Squared	82.79***
Breusch-Pagan Test	271.31***

Note: (1) *Statistically significant at 10%; **Statistically significant at 5%; ***Statistically significant at 1%; (2) Robust standard errors in parentheses.

Source: Author's calculation.

The estimated equation shows the following results:

1. GVC participation is positively and significantly correlated with the level of a country's economic development. This is not surprising and is consistent with the casual observation that more advanced East Asian countries tend to participate more actively in global production networks than the lower-income South Asian countries (Figure 2).
2. Inward FDI is a key driver of GVC participation. This implies that countries with conducive business environments to foreign investors tend to participate more in GVC trade.³²
3. Although the logistics performance variable has the correct sign suggesting that improved logistics facilitates GVC participation, it is not statistically significant even at 10 percent. When the sample was subdivided into the two components of GVC - "downstream" and "upstream"—the LPI_{it} variable was statistically significant only in the former case.³³
4. The coefficient of $SAARC_i$ and $ASEAN_i$ the dummies are of the expected sign and are statistically significant suggesting that membership in a regional grouping facilitates GVC participation.

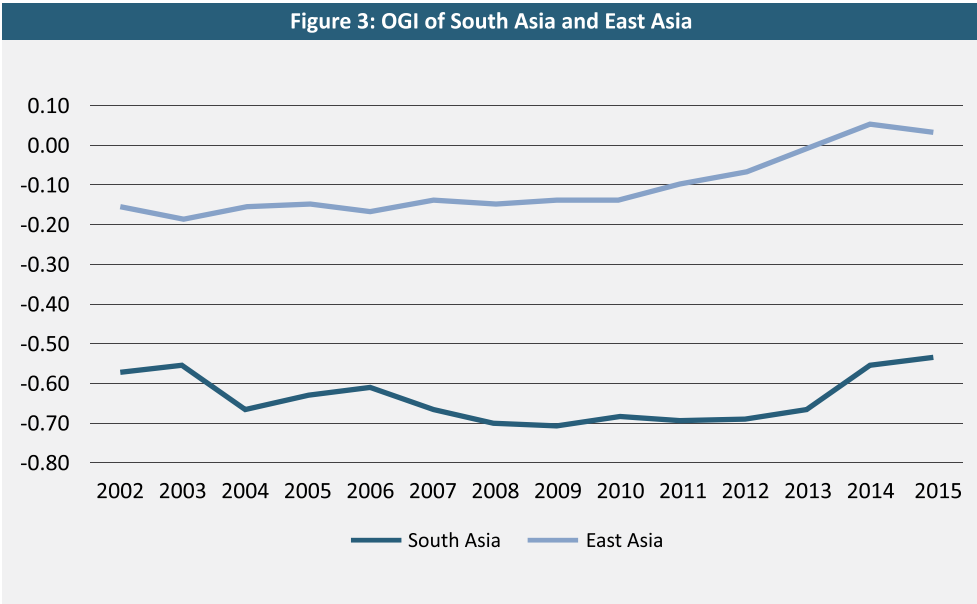
Second Round of “Look East” Policies

The econometric modeling of the previous section suggests that the LEP2 in SA countries should comprise the following policies: Improving the investment environment by deepening the reform process begun in the 1980s and early 1990s, reducing logistics costs including trade facilitation “at the border,” and signing regional cooperation agreements with and participating in various on-going regional trade and financial cooperation efforts in EA. Although not included in the model, two related policies which are theoretically obvious are also considered. These are reducing communication and coordination costs in managing supply chains by improving ICT and enhancing regional physical connectivity through hardware and software development to reduce transport costs.

Therefore, LEP2 that should be implemented by SA countries should comprise five sets of, sometimes overlapping, policies. First, SA countries should deepen the economic reform process that they began in the 1980s and the early 1990s to attract investments (both domestic and foreign) and to reduce non-tariff barriers to trade. In particular, SA countries need to implement microeconomic reforms comprising sectoral reforms (agriculture and industrial sectors) and second-generation reforms. Second-generation reforms comprise reforms of public institutions for improved governance at all levels (civil service, bureaucracy, and public administration); of institutions that create or maintain human capital (basic and skill-setting education and health); and of the judicial system, regulatory environment, labor market, physical infrastructure, and property rights. These reforms are required to mobilize domestic private sector investment as well as to enhance supply-chain participation.³⁴

The need for second-generation reforms in SA is highlighted by two indicators published by the World Bank. The first is the Worldwide Governance Indicators, which assess six broad dimensions of governance: voice and accountability, political stability and absence of violence/terrorism, government effectiveness, regulatory quality, rule of law, and control of corruption. In addition to these indicators, we also calculated an overall governance indicator (OGI) as the simple average of the six indicators in the World Bank database to assess trends.

Figure 3 shows that in 2002, OGI was higher on average in EA than in SA. From 2002 and 2015, the OGI increased in EA but fell in SA (until 2013). The governance gap has, therefore, widened. OGI indicators for individual SA countries are shown in Figure 4. From 2002 to 2012, OGI declined in Maldives and Pakistan, while it remained about the same in India. The OGI has, however, improved somewhat in Bangladesh and Nepal (after 2005), in Bhutan (after 2007), and in Sri Lanka (after 2008), when peace was restored. While Bhutan, Sri Lanka, and Maldives have the highest OGI in SA, Bangladesh, Nepal, Pakistan, and Afghanistan have the lowest. India falls somewhere in between.



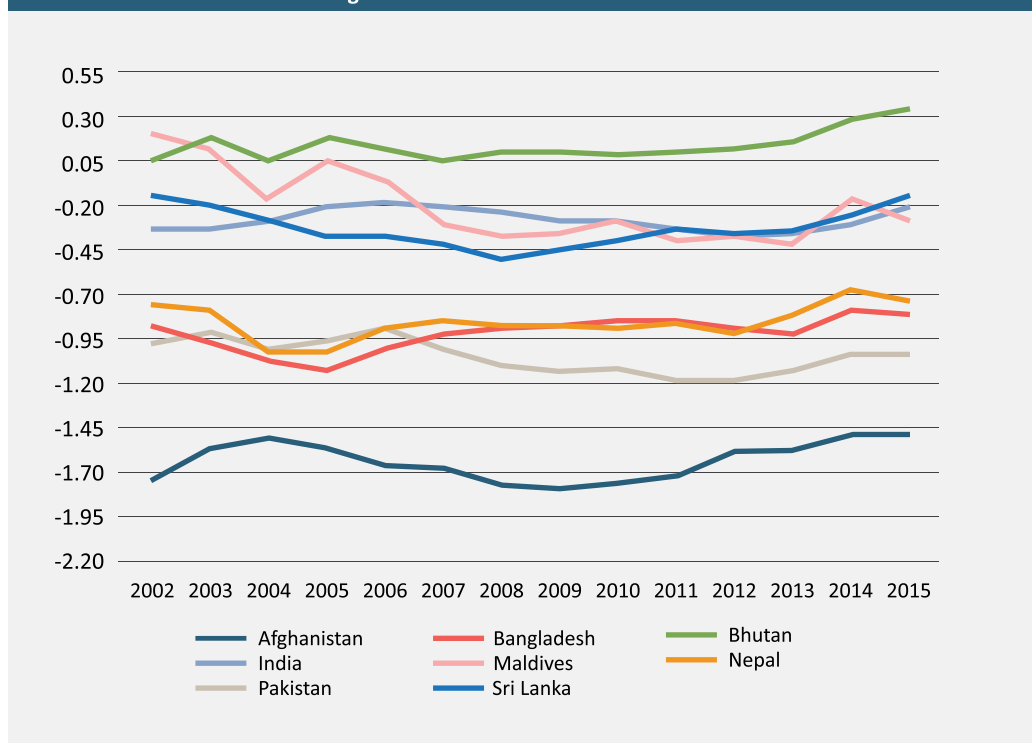
Note: The indicator ranges from -2.5 to +2.5 with higher value corresponding to better governance. The sub-regional score is the simple average of the country scores.
Source: Author's calculations based on World Governance Indicators.

Also establishing the need for second-generation reform are the “ease of doing business indicators” published in *Doing Business Survey 2018* by the World Bank. In overall “ease of doing business” rankings, SA, on average, ranks lower than EA and Latin America. As shown in Table 3, in most SA countries (with the exceptions of India and Nepal) the overall ranking deteriorated in 2018 compared to 2015. India moved up 30 places in the ranking (from 130 to 100), but in absolute terms its rank is still low (similar to that of the Philippines). The data show that the poor performance of SA countries reflects mainly difficulties in registering property, enforcing contracts, paying taxes, and trading across borders.

The second component of LEP2 should be to reduce logistic costs including “at the border” costs through trade facilitation. Logistic services involve planning, implementing, and controlling the efficient and cost-effective flow and storage of raw materials, inventory, and finished goods from point of origin to the point of consumption. With production fragmented across countries, efficient logistics is a key determinant of a country’s competitiveness and ability to attract production blocks. Trade facilitation “at the border” is also important.

To improve trade facilitation “at the border,” delays in customs inspection, cargo handling, and transfer and processing of documents need to be reduced. Customs procedures need to be modernized by: 1) aligning the customs code to international standards; 2) simplifying and harmonizing procedures; 3) making tariff structures consistent with the international harmonized tariff classification; and 4) adopting and implementing the WTO Customs Valuation Agreement. SA countries have made some progress in implementing many of these procedures, but much more remains to be done.

Figure 4: OGI for South Asian Countries



Note: The indicator ranges from -2.5 to +2.5 with higher values corresponding to better governance. The sub-regional score is the simple average of the country scores. Source: Author's calculation based on World Governance Indicators.

Table 3: Ease of Doing Business Indicators (2018)

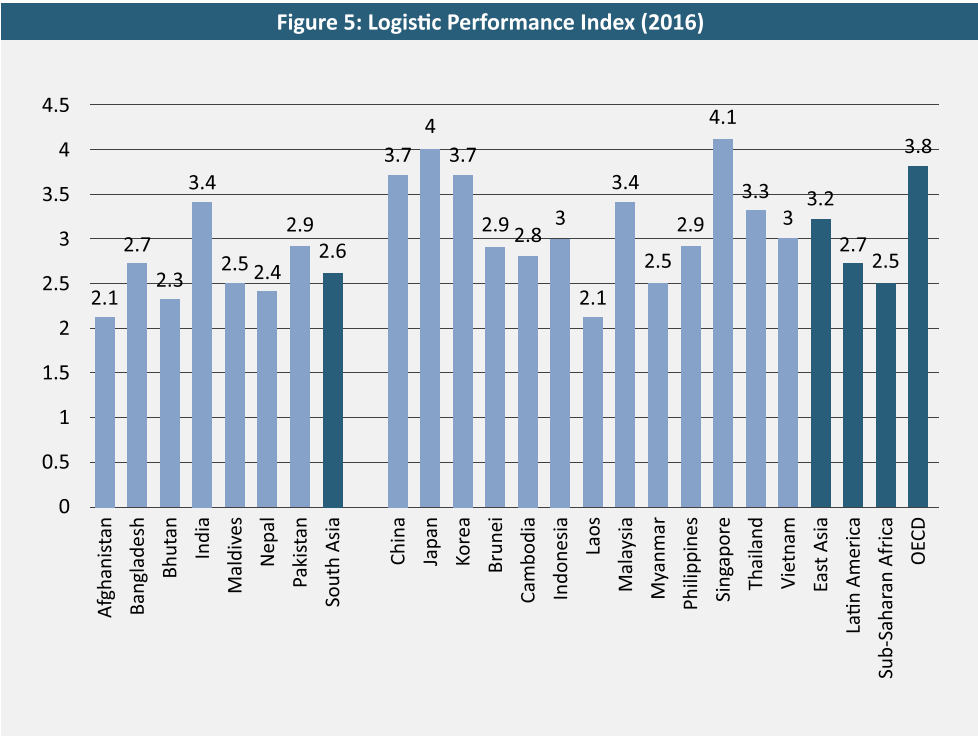
	Ease of Doing Business Rank ¹ 2018	Ease of Doing Business Rank ² 2015	Starting a Business	Dealing with Construction Permits	Getting Electricity	Registering Property	Getting Credit	Protecting Minority Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	Resolving Insolvency
Afghanistan	183	183	107	185	163	186	105	189	176	175	181	161
Bangladesh	177	176	131	130	185	185	159	76	152	173	189	152
Bhutan	75	73	88	82	56	56	77	124	17	26	25	168
India	100	130	156	181	29	154	29	4	119	146	164	103
Maldives	136	135	68	54	143	174	133	132	118	152	106	139
Nepal	105	107	109	157	133	84	90	62	146	76	153	76
Pakistan	147	144	142	141	167	170	105	20	172	171	156	82
Sri Lanka	111	110	77	76	93	157	122	43	158	86	165	88
South Asia	129	134	110	126	121	146	103	81	132	126	142	121
East Asia	71	78	105	68	57	77	61	77	92	91	79	66
Latin America	110	107	116	111	86	118	92	114	126	101	107	107
OECD	27	25	47	46	40	44	62	47	40	25	47	24

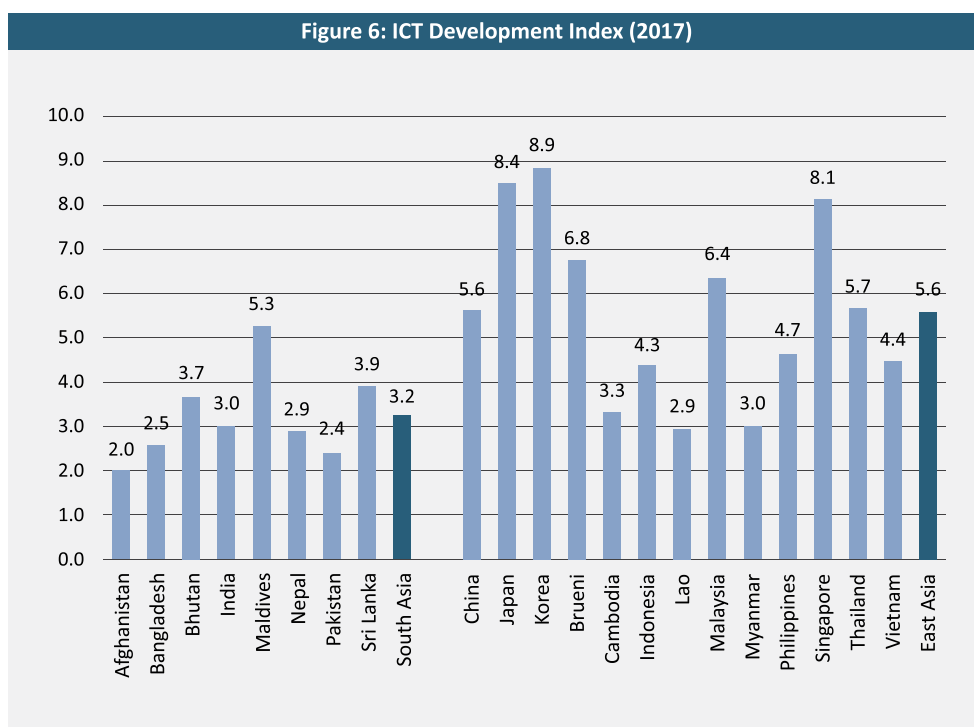
Source: World Bank, Doing Business 2018 / Notes: ¹Out of 190 countries. ²Out of 189 countries.

Overall weaknesses in trade facilitation is captured by the logistics performance index calculated by the World Bank using perception-based indicators. These use surveys of operators, and the index ranges from 1 (lowest) to 5 (highest) focusing on several variables: customs performance, infrastructure, international shipments, logistics competence, tracking and tracing and timeliness. The LPI scores based on these indicators presented in Figure 5 show that, on average, SA is not only behind the OECD but also behind EA and Latin America. It is only ahead of Sub-Saharan Africa. However, India's LPI index is higher than the EA average and similar to that of Malaysia and Thailand. Similarly, Pakistan's LPI index is the same as the EA average.

The third component of SA's LEP2 should be to further deepen economic linkages with neighboring EA countries. SA countries should continue to sign bilateral and plurilateral FTAs and comprehensive economic partnership agreements with EA countries. India, the largest SA country, is already involved in negotiating the RCEP. Eventually other SA countries could follow suit and join it.³⁵ India should actively lobby and negotiate its participation in financial cooperation efforts in EA. Former Thai minister of finance Chalorngphob Sussangkarn has proposed that India, Australia, and New Zealand be made associate members and contributing partners—short of full membership—of the Chiang Mai Initiative Multilateralization (CMIM), a \$240 billion currency swap arrangement among ASEAN+3 countries.³⁶

Fourth, SA countries should improve their ICT systems to coordinate supply chains efficiently. They should also promote e-commerce to transact and facilitate business on the internet. The ICT development index published by the International Telecommunication Union suggests that, although SA countries (especially Maldives and Sri Lanka) perform better than Cambodia, Laos, and Myanmar, they are way behind other EA countries. (Figure 5).





Source: International Telecommunications Union.³⁸

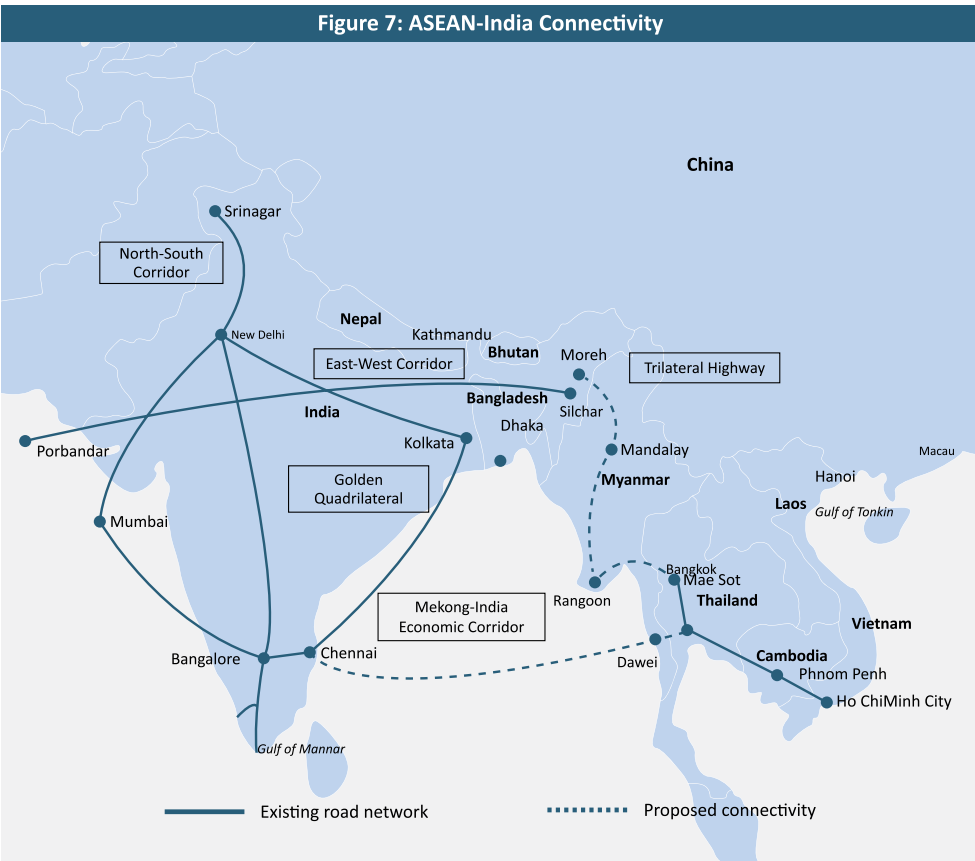
Fifth, SA countries should take steps to improve the quality of infrastructure within their region to reduce transport costs. Table 4 shows that on average the quality lags behind EA, standing at 3.7 compared to 4.6. Within SA, the quality is best in India and Bhutan and worst in Bangladesh and Nepal. SA countries should also support on-going efforts to enhance physical connectivity between these two regions, as this would reduce trading costs. The dominant mode of freight transport between SA and EA is ocean transport. However, other modes of transportation may also be viable for more sophisticated supply-chains, which require high value-added inputs on a timely basis. Two projects to link ASEAN to India, one a maritime/road and the other a road project, are at early stages of development and implementation (Figure 7).³⁹ These are the Mekong-India Economic Corridor (MIEC) and the Trilateral Highway connecting India with Myanmar and Thailand. While the major focus of the MIEC is to connect the automotive industry in Bangkok with that in Chennai, the Trilateral Highway seeks to develop the Northeast Region of India, which is lagging behind the rest of the country. The economic and industrial corridor to be established under the MIEC is to constitute state-of-the art transportation infrastructure such as expressways and high-speed railways that connect major industrial agglomerations.

In order to enhance connectivity between SA and EA, in addition to the ASEAN-India connectivity projects, it is also necessary to promote connectivity between China, ASEAN, and South Asia. One such project which needs to be supported is the BCIM Economic Corridor, which is one of the six land-based economic corridors under the BRI, for which a feasibility study has been completed. However, progress in this project is slow because of weak support from India. Another project is the circular Kunming/ Mandalay/ Dhaka/ Kolkota/ Kathmandu/ Lhasa/ Kunming Economic Corridor or the old Southwestern Silk Road.

Table 4: Quality of Infrastructure (2017)						
Country	Quality of Overall Infrastructure	Road	Railroad	Port	Air Transport	Electricity Supply
Bangladesh	2.9	3.1	2.9	3.6	3.3	3.7
Bhutan	4.3	4.1	N/A	2.0	4.1	5.8
India	4.6	4.3	4.4	4.6	4.6	4.7
Nepal	2.9	2.8	N/A	1.6	2.5	2.8
Pakistan	3.8	3.9	3.3	4.0	4.0	2.9
Sri Lanka	3.9	4.2	3.2	4.5	4.2	4.0
South Asia	3.7	3.5	3.5	3.4	3.8	4.0
East Asia	4.6	4.6	4.4	4.4	4.9	5.4

Notes: 1= worst possible situation; 7= best situation; NA=not available.

Source: World Economic Forum 2017



Source: Kimura and Umezaki⁴⁰

Conclusion

After over two centuries in the doldrums, in the post-1990 period traditional trade (that is, trade in final goods) between SA and EA has increased rapidly, albeit from a low base. This finding lends support to the view that we are witnessing the “re-emergence of Asia.” Growing economic linkages between SA and EA can be explained mainly by the partial macroeconomic and structural reforms implemented by the SA countries and the LEP adopted either formally or informally in the 1980s and the 1990s. SA’s participation in global production network trade (trade in parts and components) is, however, limited. SA countries need, therefore, to embark on LEP2 to link themselves to global production networks, especially those in EA (their largest potential market)⁴¹ and develop production networks in their neighboring countries.

LEP2, together with LEP, will allow SA countries to benefit not only from the static complementarities associated with the traditional theories of international trade but also from the dynamic complementarities associated with the theory of product fragmentation.⁴² Based mainly on the estimation results of a logit model, 5 sets of sometimes overlapping policies that SA countries should implement to further drive their economic integration with EA are identified. These include: 1) further improving the governance system and the business environment; 2) reducing logistics costs including trade facilitation “at the border”; 3) signing regional cooperation agreements with and joining regional trade and financial cooperation efforts in EA; 4) improving ICT; and 5) enhancing regional physical connectivity through hardware and software development.

Endnotes

¹ The author is grateful to the participants at the ISA panel where this paper was presented for their very useful comments.

² South Asia includes Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka. East Asia includes the 10 ASEAN members plus China, Korea, and Japan

³ Pradumna B. Rana, and Xianbi Ji, “The Asia-Pacific’s Response to Rising U.S. Protectionism”, Council of Councils Global Memo Series, Council on Foreign Relations, March 27, 2018.

⁴ Pradumna B. Rana, and Xianbi Ji, “TPP’s Resurrection: Will It be Ratified at All?” *Business Times*, November, 22 2017.

⁵ For example, Malaysia has already said that it will not be able to ratify the CPTPP in early 2019.

⁶ “Delhi Declaration of the ASEAN-India Commemorative Summit to mark the 25th Anniversary of ASEAN-India Dialogue Relations,” http://asean.org/storage/2018/01/Delhi-Declaration_Adopted-25-Jan-2018.pdf.

⁷ Joseph Francois, Pradumna B. Rana, and Ganeshan Wignaraja, eds., *National Strategies for Regional Integration: South and East Asian Case Studies* (London and Manila: Anthem Press and Asian Development Bank, 2009); Joseph Francois, Pradumna B. Rana, and Ganeshan Wignaraja, eds., *Pan-Asian Integration: Linking East and South Asia* (New York: Palgrave Macmillan, 2009); Asian Development Bank and Asian Development Bank Institute, *Connecting South Asia and East Asia* (Tokyo: Asian Development Bank Institute, 2015); Pradumna B. Rana and Wai-Mun Chia, *Jumpstarting South Asia: Revisiting Economic Reforms and Look East Policies* (Oxford: Oxford University Press, 2017).

⁸ Modi unveiled India's Act East Policy in Myanmar at the ASEAN Summit on November 12 and reiterated it at the East Asia Summit on November 13, 2014, see Prashanth Parameswaran, "Modi Unveils India's Act East Policy to ASEAN in Myanmar," *The Diplomat*, November 17, 2014.

⁹ Danielle Rajendram, "India's New Asia-Pacific Strategy: Modi Acts East," (Sydney: Lowy Institute for International Policy Paper, 2014).

¹⁰ Joseph Francois, Pradumna B. Rana, and Ganeshan Wignaraja, eds., *National Strategies for Regional Integration*; Joseph Francois, Pradumna B. Rana, and Ganeshan Wignaraja, eds., *Pan-Asian Integration*.

¹¹ De uses an augmented gravity model and finds that East Asia has the greatest potential for trade with South Asia followed by the European Union, North America, and South Asia, see Prabir De, "South Asia: Trade Integration after the Global Crisis," International Bank for Reconstruction and Development Background Paper (Washington, DC: World Bank, 2010).

¹² R.W. Jones and Henryk Kierzkowski, "The Role of Services in Production and International Trade: A Theoretical Framework," in *The Political Economy of International Trade: Essays in Honor of Robert E Baldwin*, eds. R.W. Jones and Anne O. Krueger (Oxford: Blackwell, 1990); Funkunari Kimura and Mitsuyo Ando, "Two-dimensional Fragmentation in East Asia: Conceptual Framework and Empirics," *International Review of Economics and Finance* 14, no.3 (2005): 317-348.

¹³ Pradumna B. Rana, ed., *Renaissance of Asia: Evolving Linkages between South Asia and East Asia* (Singapore: World Scientific Publishers, 2012); Ronald Findlay and Kevin O'Rourke, *Power and Plenty* (Princeton, NJ: Princeton University Press, 2007); Andre Gunder Frank, *ReOrient: Global Economy in the Asian Age* (Berkeley: University of California Press, 1998).

¹⁴ Shashi Tharoor, *Inglorious Empire: What the British Did to India*. (London: C Hurst Co. Publishers, 2017).

¹⁵ Shantayanan Devarajan and Ijaz Nabi, "Economic Growth in South Asia, Promising, Un-equalizing, Sustainable?" (Washington, DC: World Bank, 2006.)

¹⁶ Danielle Rajendram, "India's New Asia-Pacific Strategy: Modi Acts East."

¹⁷ Mohammad Shahidul Islam and Rumana Tashreen Khanam, "Trade Performance of Bangladesh with East: An Evaluative Study," *Asian Journal Management Sciences & Education* 3, no. 4 (2014): 1-18.

¹⁸ Ahmad Malik, “Pakistan’s Vision East Asia: Challenges and Opportunities,” (Islamabad: Institute of Strategic Studies, 2015).

¹⁹ Pradumna B. Rana and Wai-Mun Chia, *Jumpstarting South Asia*.

²⁰ International Monetary Fund, “Trade Interconnectedness: The World with Global Value Chains,” Washington DC, August 28, 2013, available at <http://www.imf.org/external/np/pp/eng/2013/082613.pdf>.

²¹ The terms production networks, supply-chains, and global value chains (GVCs) are similar and are used interchangeably in this paper.

²² Ganeshan Wignaraja, Jens Kruger, and Anna Mae Tuazon, “Production Networks, Profits, and Innovative Activity: Evidence from Malaysia and Thailand,” ADBI Working Paper Series No. 416 (Tokyo: Asian Development Bank Institute, 2013).

²³ Two standard approaches used to analyze the importance of production networks are: a country’s share of world trade in parts and components using Athukorala’s approach and the GVC participation index based on value-added data published by UNCTAD. The first approach is constrained by the ad hoc nature of classification of industries and availability of data. Hence, the second approach is used. It is also more intuitive as it avoids double-counting. See Prema-chandra Athukorala, “Production Networks and Trade Patterns in East Asia: Regionalization or Globalization?” ADB Working Paper Series No. 56 (Manila: Asian Development Bank, 2010).

²⁴ Prabir De, “South Asia: Trade Integration after the Global Crisis.”

²⁵ Using firm level data from Malaysia and Thailand, which are important participants in East Asia’s production network, Ganeshan Wignaraja, Jens Kruger, and Anna Mae Tuazon, “Production Networks, Profits, and Innovative Activity,” have found that participation in production networks raises profits and is also associated with technological upgrading and higher research and development expenditures. Over time, production networks have also deepened and spread from electronics to other sectors such as automobiles, televisions, and cameras. See Amy Jocelyn Glass, and Kamal Saggi, “Innovation and wage effects of international outsourcing,” *European Economic Review* 45, no. 1 (2001): 67-86.

²⁶ Pradumna B. Rana and Wai-Mun Chia, *Jumpstarting South Asia*.

²⁷ Stephen S. Golub, Ronald W. Jones, and Henryk Kierzkowski, “Globalization and Country-specific Service Link,” *Journal of Economic Policy Reform* 10, no. 2 (2007): 63-88.

²⁸ Prema-chandra Athukorala, “Production Networks and Trade Patterns in East Asia”; Prema-chandra Athukorala and Jayant Menon, “Global Production Sharing, Trade Patterns, and Determinants of Trade Flows in East Asia,” ADB Working Paper Series No. 41 (Manila: Asian Development Bank, 2010).

²⁹ A more appropriate proxy of the degrees to which business environments are conducive to foreign investors are the World Bank’s ease of doing business indicators. However, for most countries in the dataset, the surveys are available only from 2010 onwards.

- ³⁰ Since the samples include eight South Asian countries and ten ASEAN + 3 countries, the dummy of East Asia needs to be dropped from the specification due to perfect collinearity.
- ³¹ G. S. Maddala, *Limited Dependent and Qualitative Variables in Econometrics* (Cambridge, MA: Cambridge University Press, 1983); Leslie E. Papke and Jeffrey M. Wooldridge, "Econometric Methods for Fractional Response Variables with an Application to 401(K) Plan Participation Rates," *Journal of Applied Econometrics* 11, no. 6 (1996): 619-32.
- ³² Stephen S. Golub, Ronald W. Jones, and Henryk Kierzkowski, "Globalization and Country-specific Service Link," 63-88.
- ³³ Since the other estimation results for the two components were similar in the case of other variables, they are not presented in the paper.
- ³⁴ In the absence of second-generation reforms, private-sector-led growth in SA countries due to macroeconomic reforms of the 1980s and the 1990s could run out of steam and not be sustained because of, among other reasons, corruption and absence of the rule of law or of clear property rights.
- ³⁵ Joseph Francois, Pradumna B. Rana, and Ganeshan Wignaraja, eds., *Pan-Asian Integration*.
- ³⁶ Chalongphob Sussangkarn, "The Chiang Mai Initiative Multilateralization: Origin, Development and Outlook," Asian Development Bank Institute, Working Paper Series No. 230, 2010.
- ³⁷ World Bank, "Connecting to Compete 2016: Trade Logistics in the Global Economy," (Washington, DC: The International Bank for Reconstruction and Development, World Bank, 2016.)
- ³⁸ International Telecommunications Union, "Measuring the Information Society Report," https://www.itu.int/en/ITU/Statistics/Documents/publications/misr2017/MISR2017_Vol.1.pdf, 2017.

³⁹ At the sub-regional level, the Bangladesh-Bhutan-India-Nepal (BBIN) initiative has also shown encouraging progress. Although its scope covers other broad areas such as water resource management, the BBIN's most successful project has been the BBIN Motor Vehicle Agreement which has simplified the procedures for the movement of passenger vehicles among the three countries (Bangladesh, India, and Nepal) that have signed the agreement so far. The MVA needs to be expanded to other neighboring countries.

⁴⁰ Fukunari Kimura and So Umezaki, "ASEAN-India Connectivity: The Comprehensive Asia Development Plan, Phase II," ERIA Research Project Report No.7, (Jakarta: Economic Research Institute for ASEAN and East Asia, 2010); Resource and Information System for Developing Countries, "ASEAN-India Connectivity Report: India Country Study," (New Delhi: Bookwell 2012).

⁴¹ Prabir De, "South Asia: Trade Integration after the Global Crisis."

⁴² R.W. Jones and Henryk Kierzkowski, "The Role of Services in Production and International Trade"; Fukunari Kimura and Mitsuyo Ando, "Two-dimensional Fragmentation in East Asia," 317-48.

Advancing East Asia's Trade Agenda: A Korean Perspective

Kim Sangkyom

According to the WTO, in 2018 there are 459 regional trade agreements, the most in the institution's recorded history.¹ Countries are now more actively engaged in regional trade agreements as a policy option to achieve their outward growth strategy. In addition to efforts to build up trade and investment links, regional integration is expected to spill over to more complicated socioeconomic issues, covering a wide range of areas such as gender, environment, labor, and cultural exchanges. Given this upsurge, policy coordination within the framework of regional agreements has attracted considerable attention from policymakers and other stakeholders. This is certainly the case in Korea, where the promise of such agreements is widely recognized, and recent challenges are actively discussed in the hope of overcoming them.

Regionalism is a relatively new concept for most East Asian countries.² Through most of the 1990s, East Asian countries generally engaged in regional integration discussions as a pathway to eventual multilateral trade liberalization under the auspices of the ASEAN and ASEAN+ processes. The subsequent proliferation of FTAs was the result of a number of economic and political factors, which had much in common with similar processes in other world regions, but advanced with particular intensity in East Asia and states closely connected to it. Today, all Asia-Pacific economies are involved in the regional economic process and are active participants in the establishment of multilayered FTAs.

The growing interdependence and interconnectedness of the global economy has intensified the need for most East Asian countries, including Korea, to engage in regional economic cooperation and integration. Korea's high dependency on trade explains its preference for the rapid expansion of regional trade agreements. This chapter begins with a review of the trends, key characteristics, and implications of East Asian economic integration, followed by an examination of potential opportunities and challenges facing regional integration. Korea's FTA strategies are then reviewed, and its expected role in advancing the regional trade agenda is addressed.

Regional Economic Integration in East Asia

Proliferation of Trade Agreements in East Asia

Despite remarkable economic and political developments, East Asia was slow to institutionalize regional economic cooperation until the latter part of the 20th century, opting to support the multilateral trading system as did most of the world at this time. Forming free trade agreements (FTAs)/regional trade agreements (RTAs) was not popular until the late 1990s except for the ASEAN Free Trade Area (AFTA) which came into force in 1992. Table 1 shows the number and types of FTAs/RTAs of the 21 APEC member economies. As of March 2017, 141 FTAs/RTAs, both intra- and inter-regional, were in force in East Asia.³

There are two reasons for the proliferation of FTAs/RTAs in East Asia. First, the slow progress in multilateral trade liberalization under the WTO has been responsible for the proliferation of FTAs not only in East Asia, but also in other parts of the world. Despite many years of effort, trade liberalization under the WTO has become increasingly difficult and has come to a halt. Faced with the difficulty of pursuing trade liberalization on a global scale, many countries have opted to form FTAs with like-minded countries. Countries that did not originally sign FTAs feared being left out of accessing foreign markets and quickly

Table 1: Types of FTAs/RTAs in the Asia-Pacific Region								
	Active FTA/RTA				Signed (Pending Ratification)		In Talks	
	Type		Partner		Type		Partner	
	Bilateral FTA	RTA/ Others	Intra-Regional	Inter-Regional	Bilateral FTA	RTA/ Others	Bilateral FTA	RTA/ Others
NORTHEAST ASIA								
China	12	4	11	5			1	
H.K, China	3	1	3	1				
Japan	14	1	12	3			1	2
Korea	13	6	13	6			2	
Chinese Taipei	5	2	3	4				
SOUTHEAST ASIA								
Brunei Darussalam	1	7	7	1				
Indonesia	1	6	6	1				2
Malaysia	6	7	9	4				1
Philippines	1	8	6	3				1
Singapore	12	10	14	8			2	1
Thailand	4	7	8	3				2
Vietnam	3	7	8	2				3
OCEANIA								
Australia	10	2	11	1				1
New Zealand	8	3	10	1			1	
WESTERN HEMISPHERE								
Canada	9	2	3	8	1		2	3
Chile	22	5	12	15				
Mexico	7	8	4	11			1	
Peru	11	6	8	9				
USA	12	2	6	8				1
OTHERS								
P.N.G	1	4	1	4				
Russia	7	4		11			1	2

Note: Partial scope agreements are included in this table.

Source: <http://rtais.wto.org/UI/PublicMaintainRTAHome.aspx>

endeavored to join existing FTAs or create new ones. By doing so, they tried to overcome possible discrimination and secure markets for their exports. By the mid-1990s the world's leading economies except those in East Asia had become members of FTAs. Indeed, both of the world's two largest economic regions—North America and Western Europe—formed RTAs. In order to maintain and expand market access for their exports, East Asian countries have become active in forming FTAs since the late 1990s.

Second, political factors played an important role in stimulating the proliferation of FTAs/RTAs in the region. For example, combining security or other political interests with benefits of trade, serves as a driving force of forming FTAs/RTAs. The rise of China and China-Japan-Korean rivalry in global exports is one example. An intensifying rivalry between China and Japan, Japan and Korea, and Korea and China aimed at maintaining markets made them pursue an FTA strategy to strengthen their relationships with major trading partners. ASEAN and China, Japan, and Korea themselves have come to use FTAs as a means of maintaining their economic influence in East Asia.

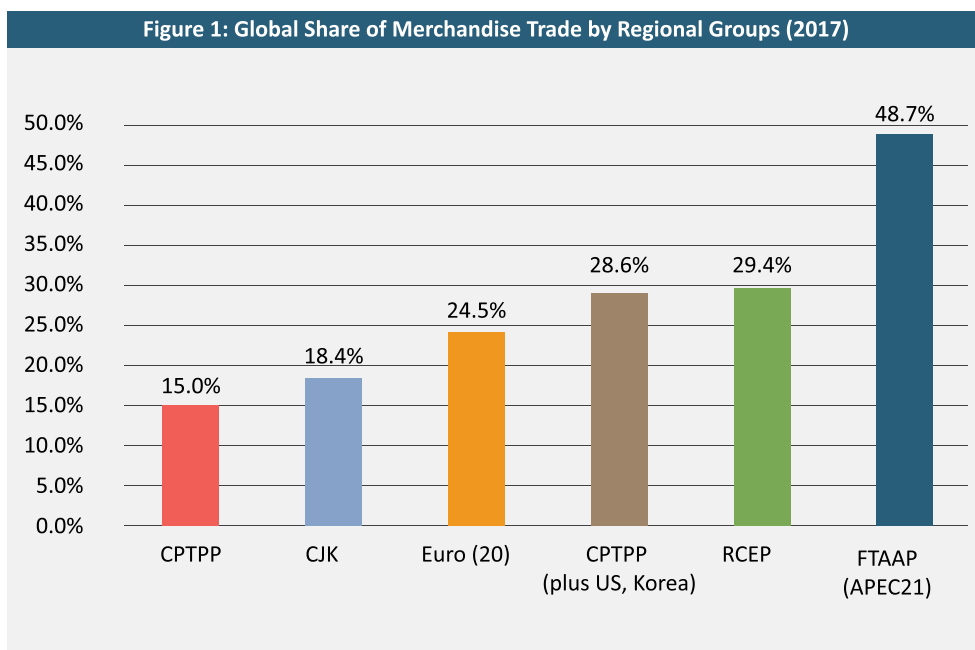
Moving Towards Deeper Regional Economic Integration: Opportunities and Drawbacks

The number of FTAs/RTAs in force in East Asia has increased rapidly. There are also many agreements which involve East Asian countries and the rest of the world. Traditionally, the majority of the ASEAN members, except Malaysia and Singapore, heavily relied on intra-regional negotiations, taking advantage of geographic proximity. However, the region's interest in strengthening inter-regional linkages is rising as information and communication technologies have spurred the restructuring cycle of the global value chains (GVCs), which saves transaction costs and makes geographical distance less important.⁴ GVCs help to avoid regional trade networks from being insulated from one another, and for the Asia-Pacific this means there is less risk of a line being drawn between the eastern and western hemispheres.⁵

In fact, the East Asian region's inter-regional linkage with the rest of the world, especially with the western hemisphere, is being intensified with the completion of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) negotiations, notwithstanding the Trump administration's withdrawal from the Trans-Pacific Partnership (TPP). Japan and almost half of the ASEAN member countries are participating in this ambitious process without U.S. engagement. The Regional Comprehensive Economic Partnership (RCEP) is serving as a hub for five ASEAN + 1 FTAs with the potential of providing options to deepen both East Asia's intra-regional and inter-regional economic integration.

Trade agreements, however, do not always necessarily contribute to a larger positive growth environment. Assessing whether the proliferation of trade agreements in East Asia is desirable for the region requires the agreements to satisfy two conditions. First, they should demonstrate significant trade creation and not trade diversion. Second, the agreements should demonstrate the potential to be consolidated into a larger-scale RTA as a stepping stone—not a stumbling block—towards global free trade.

The consolidated trade share by individual regional groups (China-Japan-Korea—CJK: 18.4 percent; and CPTPP with Korean and U.S. accession: 28.6 percent) is large enough to create a positive trade creation effect. The ASEAN market is developing at a rapid rate. The potential growth rate of the Asia-Pacific (excluding the Western Hemisphere) was around 7.2 percent in 2013-17, about twice as high as the average for other emerging market developing economies.⁶ The combined market share and growth potential of the Asia-Pacific in part meets the first criterion of the agreements being beneficial for the region. The Composite



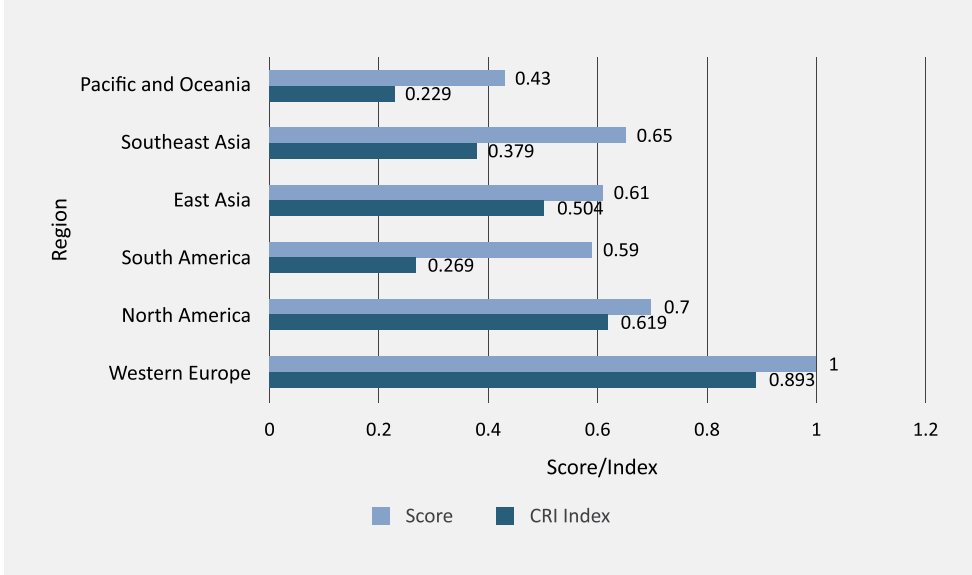
Note: Calculated by author

Source: IMF Direction of Trade (<http://data.imf.org/regular.aspx?key=61013712>)

Regional Integration (CRI) Index may also serve as convincing empirical evidence to support the argument that East Asian markets have great potential to grow into a larger scale market. Figure 2 introduces the CRI Index,⁷ which can be used as the basis for assessing the region's potential for further economic integration. As Figure 2 indicates, the level of economic integration for Western Europe (EU members), North America (Canada, Mexico and the United States), and East Asia is 0.89, 0.70 and 0.50 respectively. If we assume that Western Europe has reached its full potential of integration, with a normalized value (score) of 1, East Asia's normalized score can be calculated as 0.61. If we follow Naeher's argument, East Asia possesses the untapped potential of further integration by 39 percent, based on currently available resources and institutional conditions.⁸ Although we have to be very cautious when dealing with incomplete empirical evidence, taking the missing institutional linkages among China, Japan, and Korea into consideration, we find that the combined capacity of CJK is very high.

As the network of existing trade agreements in East Asia creates a positive growth environment for the region, there is potential to consolidate them into a larger scale RTA, such as the Free Trade Area of the Asia-Pacific (FTAAP). A CPTPP engendering greater openness is one of the most desirable pathways for the region, along with RCEP. The flexibility adopted by the Korea-U.S. FTA (KORUS FTA) in terms of coverage, scope, and timing of tariff elimination may provide a good precedent for the successful implementation of an FTAAP. However, in order to increase the feasibility of an FTAAP, the following obstacles need to be addressed.

Figure 2: Regional Integration Potential, Composite Regional Integration Index



Source: Naeher (2015)

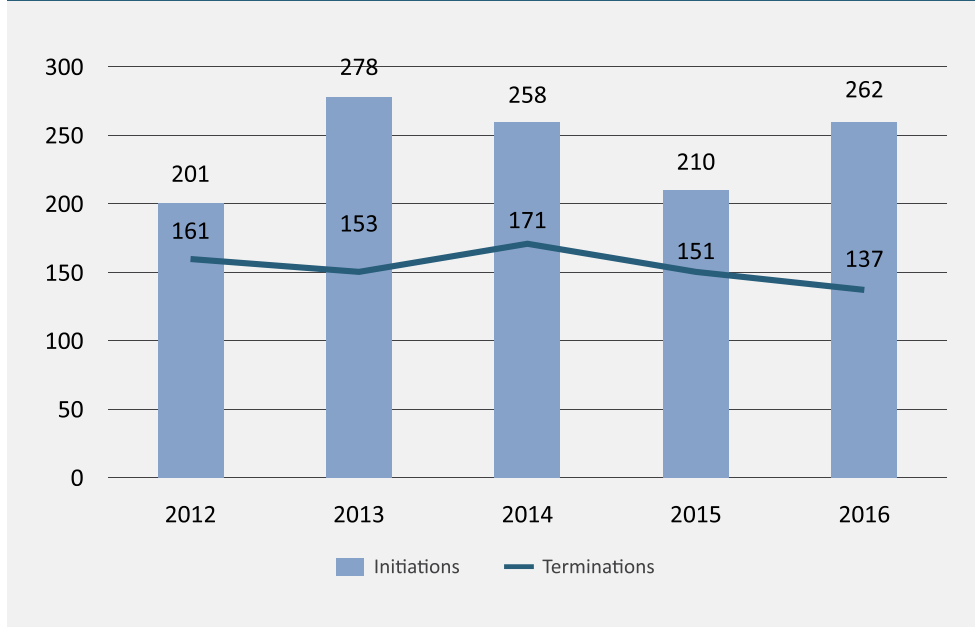
First, the most fundamental obstacle is the heterogeneity among East Asian countries and the lack of community spirit and political leadership, which makes it very difficult to envisage a proper institutional architecture for East Asian integration. Sometimes, domestic issues such as regulation or competition policy and institutional issues are factors that weaken the competitiveness of an economy, which may become an impediment to an FTAAP.

Second, many cooperation agreements have no specific work plan, time schedule, or review mechanism. Recently, East Asian economies have tended to seek high quality and comprehensive agreements. However, there are not many FTAs/RTAs in East Asia containing chapters on next generation issues and behind-the-border reforms. Many agreements include liberalization of trade in services in their agenda but contain few provisions beyond the commitments of the Trade in Services Agreement (TiSA).

Third, complex rules of origin (ROOs) could disrupt the cross-border production networks which have been central to the region's successful integration. Uncoordinated proliferation of FTAs may lead to inconsistent provisions in FTAs—especially ROOs—which could hamper the process of production networking across countries.

Fourth, the spread of protectionism, especially increasing numbers of trade remedies imposed by developed countries (see Figure 3), is a great threat to most East Asian countries and may produce adverse effects for domestic reform agendas. Policy uncertainty imposes a significant additional cost and since the launch of the Trump administration, U.S. economic policy towards East Asian markets and its engagement in the Asia-Pacific integration have become more ambiguous.

Figure 3: Number of Discriminatory Trade-Related Measures by G20 Countries Implemented and Eliminated Each Year



Note: Prepared by author

Source: Data from Table 3.2. WTO-OECD-UNCTAD (2017) Reports on G20 Trade and Investment Measures.

Korea's FTAs/RTAs Networks and Strategy

Korea's interest in FTAs began with the conclusion of NAFTA, then grew with proliferation of RTAs in the Asia-Pacific. As of early 2018, Korea has concluded 16 FTAs/RTAs with 52 trading partners,⁹ of which 10 are with members of APEC (Table 2). As shown in Figure 4, Korea's dependency on overseas markets is very high. As of 2015, 84 percent of the Korean economy is open to international markets. It is also noteworthy that Korea's trade coverage with its FTA partners was 68.2 percent in 2017, up from 0.6 percent in 2004 when Korea's first FTA with Chile went into force (see Figure 5).

Korea became the first East Asian country to have FTAs with the United States, China, and the EU. Korea's most recent agreement was signed with Central American countries (Costa Rica, El Salvador, Honduras, Nicaragua, and Panama) on February 21, 2018. The deal is expected to strengthen Korea's formal linkages with Central America and the Southern Cone. Furthermore, as Korea is currently negotiating four FTAs, including RCEP, Korea's trade dependency and trade share with its FTA partners will clearly be rising. Behind this backdrop, one of Korea's strategic goals of participating in regional economic integration activities is to strengthen its economic credentials not only in the Asia-Pacific, but globally.

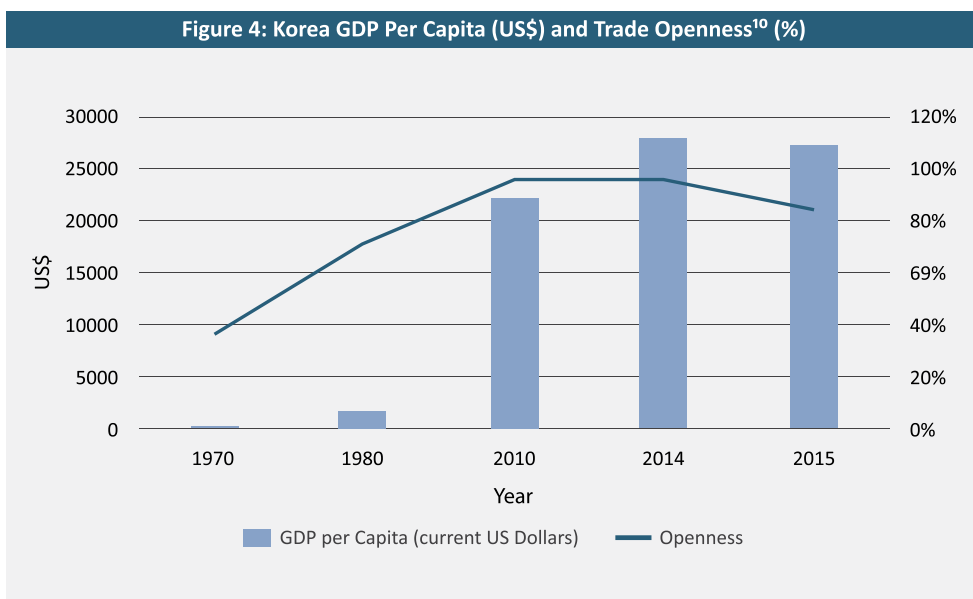
There are many explanatory factors why Korea has switched its policy stance from a single-track to a multi-track approach to pursuing FTAs. First, FTAs are effective tools to eliminate trade barriers and to promote the restructuring of trade and industrial structures. Second, successful regulatory reforms and conformity to the international rules and standards

Table 2: Korea's FTAs and Partners

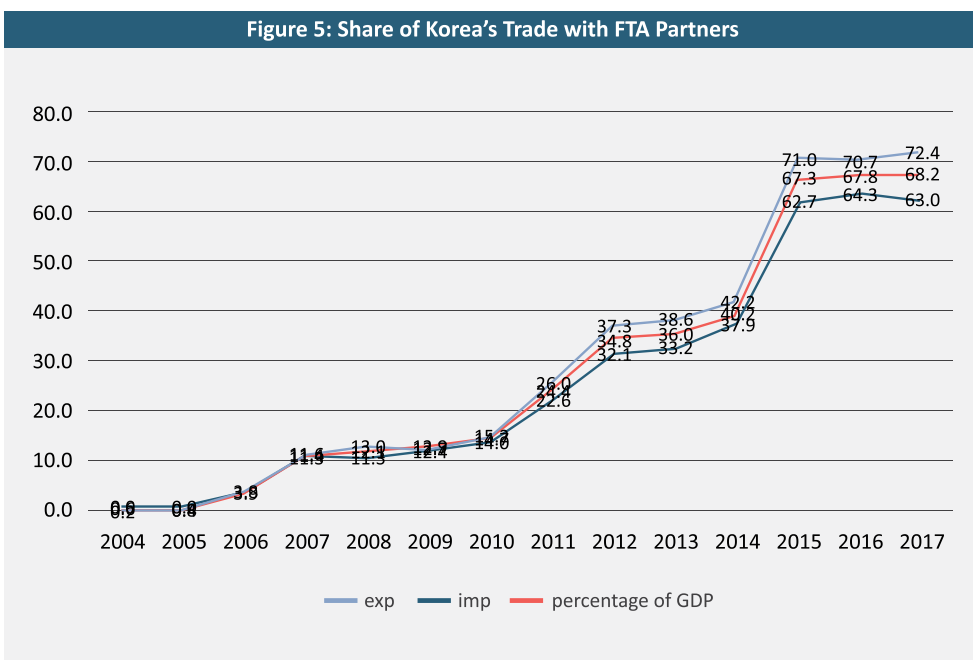
Name of FTA/Partner	Date Entry into Force
Korea - Chile Free Trade Agreement	1 April 2005
Korea - Singapore Free Trade Agreement	2 March 2006
Korea - EFTA Free Trade Agreement	1 September 2006
Korea - ASEAN Free Trade Agreement	1 June 2007
Korea - India CEPA	1 January 2010
Korea - EU Free Trade Agreement	1 July 2011
Korea - Peru Free Trade Agreement	1 August 2011
Korea - USA Free Trade Agreement	15 March 2012
Korea - Turkey Free Trade Agreement	1 May 2013
Korea - Australia Free Trade Agreement	12 December 2014
Korea - Canada Free Trade Agreement	1 January 2015
Korea - New Zealand Free Trade Agreement	20 December 2015
Korea - Vietnam Free Trade Agreement	20 December 2015
Korea - China Free Trade Agreement	25 December 2015
Korea - Columbia Free Trade Agreement	15 July 2016
Name of FTA/Partner	Date Signed
Korea - Central America Free Trade Agreement	21 February 2018
Under Negotiation	
China-Japan-Korea	
RCEP / Korea - Ecuador SECA / Korea - Israel	
Pending Negotiations	
Korea - Japan / Korea - Mexico / Korea - Mercosur / Korea - GCC / Korea - EAEU	
Number of active and/or signed agreements (15 active, 1 signed)	

embodied in an FTA framework accelerate the restructuring and opening of the Korean economy. The global financial crisis provided an additional rationale for this policy stance. To compensate for contracted export markets, Korea sees the implementation of agreed reforms locked in by FTAs as helping to enhance the resilience of the economy against external shocks and sustain stable economic growth. Third, in contrast to multilateral approaches, the formation of FTAs has offered Korea a quick and efficient prescription to resolve issues with trade partners.

In order to implement its policy goals, Korea has developed the following FTA strategies since it designed the first FTA roadmap in 2003 in its FTA with Chile. First, Korea developed simultaneous negotiation capacity to reduce the costs of putting several deals on the table at the same time to build a multi-track framework. Second, Korea is targeting comprehensive and high-quality FTAs. The KORUS FTA serves as a template for an ambitious trade deal for the region. In addition to chapters related to labor, environment, and corruption issues, it includes provisions to facilitate e-commerce. Third, disseminating FTA-related information to the public and gathering the opinions of interested groups are mandatory at each stage of the process. This helps to ensure support from stakeholders in the Korean industrial and agricultural sectors.



Source: <http://www.kostat.go.kr/portal/eng/index.action>



Source: <http://www.kostat.go.kr/portal/eng/index.action>

Perspective on East Asian Economic Integration and Korea's Contribution

Despite various economic and political challenges in the region, FTAs/RTAs continue to grow into Mega FTAs, such as RCEP and the CPTTP. It is still an open question if East Asian regional FTAs/RTAs could converge successfully into a region-wide FTA, which would incorporate both sides of the Pacific into a single institutional architecture. Korea will continue to play a meaningful role in advancing the trade agenda in East Asia, hoping that any trade agenda can move forward if provided with the right kind of prescription and policy coordination. The following is Korea's perspective on East Asia's regional integration activities and on their expansion towards larger-scale inter-regional Mega FTA envisioned for the formation of an FTAAP.

First, as stated earlier, the formation of high-quality FTAs/RTAs has offered Korea a way to resolve issues that would be more difficult to tackle in the wider multilateral context. Korea pursues comprehensive and high-quality trade agreements encompassing services, investment, telecommunications, and the digital economy, and is open to a deal with any meaningful reform agenda as long as it is mutually beneficial and reinforced. Empirical findings support the benefits of this policy stance; the most comprehensive trade agreements yield the greatest economic benefit. More specifically, Park and Park measure the economic impact of East Asian integration and reported that the benefits are greater if it is converged into a larger scale FTA, which is comprehensive in coverage (Table 3).¹¹ As Table 3 clearly demonstrates, an FTAAP yields positive outcomes but size varies by scenarios. Peter Petri and Michael Plummer attempted to estimate the economic effect of the concluded TPP. They found, under the assumption that it would be fully implemented by 2030, the TPP would increase annual real incomes in East Asian countries by \$203 billion, or 0.4 percent of GDP, and annual exports by \$509 billion, or 4.3 percent of exports.¹² The positive gains from larger-scale, comprehensive, and high-quality FTAs, similar to TPP, are expected to be significant enough to invite all Pacific Rim economies to consider joining, judging solely from economic concerns.

Second, there has been much effort in support of economic integration in East Asia as well as the endeavor to establish region-wide FTAs, i.e. TPP, RCEP and CPTPP. In terms of trade liberalization and elimination of trade barriers, East Asia has achieved a great deal of progress. However, "eliminating trade barriers" is only one aspect of enhancing economic integration, while there is a remaining but still very important arena that requires further cooperation among East Asian countries, which is reducing behind-the-borders impediments. Korea is well aware that promoting and strengthening structural reforms are a prerequisite for achieving sustainable economic growth in East Asia. By improving the functioning of markets, successful reforms would remove impediments to the full and efficient use of resources, helping economies achieve higher productivity and living standards. Reforms establishing transparent and impartial regulatory frameworks would also boost business and investor confidence in an environment of global economic uncertainty. The 1997 Asian financial crisis was attributed mostly to a lack of institutional, regulatory, and structural reforms to enable the economy to successfully manage the challenges presented by economic shocks and market instability.

Table 3: Effects of an FTAAP on APEC as a Whole: Comparison by Models and Scenarios						
		Real GDP	Welfare	Welfare (Million US \$)*	Export	Import
Absolute Effects (% deviations from the Base)						
Static CGE Model	Scenario I	0.10	0.16	57,713	2.16	2.20
	Scenario II	1.24	1.44	493,239	6.21	6.12
	Scenario III	1.28	1.49	511,009	6.38	6.28
Capital Accumulation CGE Model	Scenario I	0.40	0.38	130,001	2.45	2.49
	Scenario II	3.45	3.09	1,057,161	9.31	9.24
	Scenario III	3.54	3.18	1,088,271	9.55	9.48
Relative Effects to Scenario I (Ratio)						
Static CGE Model	Scenario I	1.00	1.00	1.00	1.00	1.00
	Scenario II	12.4	9.0	8.5	2.9	2.8
	Scenario III	12.8	9.3	8.9	3.0	2.9
Capital Accumulation CGE Model	Scenario I	4.0	2.4	2.3	1.1	1.1
	Scenario II	34.5	19.3	18.3	4.3	4.2
	Scenario III	35.4	19.9	18.9	4.4	4.3
Relative Effects to Scenario III with Static CGE Model (Ratio)						
Static CGE Model	Scenario III	1.00	1.00	1.00	1.00	1.00
Capital Accumulation CGE Model	Scenario III	2.77	2.13	2.13	1.50	1.51

*Deviation from the base. / Note: Scenario I: Tariff Elimination / Scenario II: Scenario I + 5% Reduction in Trade Cost by Trade Facilitation / Scenario III: Scenario II + Reduction in Tariff Equivalents of Services by 10%
Source: Innwon Park and Soonchan Park. 2016. "Economic Effects of an FTAAP: CGE Model Analysis.
Unpublished paper present to APEC CTI for 2016 APEC Ministerial Meeting.

Third, the successful implementation and expansion of the East Asian trade agenda requires capacity-building for developing countries. Overcoming this big constraint on progress towards structural adjustment and cooperative arrangements in East Asia requires information sharing. Korea's experience as an early adopter of an outward-oriented growth strategy makes it an ideal candidate to share experiences with developing countries. Korea could make tailored policy suggestions in human resource development and other initiatives likely to make a positive contribution to economic integration. This would ensure growing confidence in strengthening collaboration with ASEAN and China-Japan-Korea with a view to sharing the benefits of economic integration among participants and then moving forward to achieve global free trade. In practice, such an outward-oriented policy forces the market to minimize the negative impact of trade diversion and make the regional market more competitive and inclusive.

Fourth, for the East Asian trade agenda to reach critical mass to move forward, the cooperation mechanisms in the region should have the following conditions: 1) the capacity to respond to the challenges and changes facing the region; 2) inclusiveness of interests and agendas; 3) the capacity for harmonizing the roles of other groups in the region; and 4) pursuit of multilateralism and consistency with the WTO. Any individual country

or any single regional cooperation mechanism cannot function perfectly in isolation. For example, although some believe APEC is capable of fulfilling the above conditions, APEC alone cannot serve the interests of all participants in its agenda. This forum should be used to build consensus on global issues (not necessarily limited to regional or local ones) via brainstorming sessions under a non-binding principle. If APEC economies encourage each other to design and implement progressively better policies for economic management and structural adjustment, they could help the G20 to preserve preconditions for sustained improvement in living standards. Many issues, such as rebalancing economic growth, averting disastrous climate change, preserving an open international economic regime, fighting corruption, and making the new wave of technological breakthroughs as inclusive as possible, need global solutions.

Last, several conditions have been advanced to strengthen Korea's competitiveness, adjust its industrial structure to adapt to the 4th industrial revolution, gain greater access to global markets, share the fruits of economic integration, and reform for greater Asia-Pacific co-prosperity. These include revision to the KORUS FTA in March 2018 and the leaders of Korea, Japan, and China agreeing in principle to accelerate the CJK FTA negotiations. In addition, Korea should keep an eye on the progression of the CPTPP while reinforcing its FTA roadmap.

It is premature to assess the economic impact of recent developments concerning North Korean nuclear-related issues on the regional economy. However, if the North Korean nuclear threat is mitigated, then violence on the Korean Peninsula may finally come to an end. This may trigger new opportunities for Korea to play the role of linchpin for East Asia economic cooperation and enable it to become a much larger force in the world economy.

Endnotes

¹ This number indicates all physical RTAs in force, sorted by coverage (goods, services, goods and services). For more details, visit <http://rtais.wto.org/UI/publicsummarytable.aspx>

² East Asian countries refer to members of ASEAN and China, Hong Kong, Japan, South Korea, and Chinese Taipei.

³ With the exception of Asia-Pacific Trade Agreement (APTA) implemented in 1975, the majority of Northeast Asian countries' FTA/RTA negotiations were initiated and concluded in the 21st century, https://www.wto.org/english/tratop_e/region_e/rta_participation_map_e.htm.

⁴ Kim Sangkyom, Park Innwon, Park Soonchan, "Regional economic integration in the Asia Pacific Region: is an FTAAP the catalyst for one community?" KIEP, 2011.

⁵ Fred Bergsten, "A Free Trade Area of the Asia-Pacific in the Wake of the Faltering Doha Round: Trade Policy Alternatives for APEC," in *An APEC Trade Agenda? The Political Economy of a Free Trade Area of the Asia-Pacific*, eds. Charles E Morrison and Eduardo Pedrosa (Singapore: ISEAS, 2007).

⁶ “Global Economic Prospects: Economic Outlook for East Asia and Pacific Region,” World Bank, 2018.

⁷ Dominik Naehler, “An Empirical Estimation of Asia’s Untapped Regional Integration Potential Using Data Envelopment Analysis,” ADB Economic Working Paper Series, No. 445, August 2015.

⁸ For further details of CRI construction and its interpretation see Ibid.

⁹ On the number of active FTA partners, <http://www.fta.go.kr/main/situation/fta/main/>.

¹⁰ Measured by the ratio of trade to GDP.

¹¹ Park Innwon and Park Soonchan, “Economic Effects of an FTAAP: CGE Model Analysis,” Unpublished paper presented to APEC CTI for 2016 APEC Ministerial Meeting.

¹² Peter A. Petri and Michael G. Plummer “The Economic Effects of the Trans-Pacific Partnership: New Estimates” WP 16-2, Peterson Institute for International Economics, 2016.

NORTH KOREA'S STRATEGY IN 2018

What does North Korea seek at a time of unprecedented sanctions and pressure against it and suddenly developing opportunity, as South Korea and four great powers explore diplomatic overtures? This set of four chapters completed at the height of anticipation for summits in 2018 approaches Pyongyang's strategy from diverse angles: public relations—how it is striving to shape images of itself, beginning by taking advantage of the Pyeongchang Winter Olympics; diplomacy—how it is engaging one state after another to forge an ideal diplomatic environment for securing maximum concessions; economy—how it is coping with sanctions and preparing to realize *byungjin* by boosting the economic side while deriving credit from the military side; and military—how it continues to develop threat capacities and prepare for contingencies. There is a lot that is unknown about what is driving Kim Jong-un's behavior with some accentuating the strength achieved by building his threat capacity and others emphasizing the weakness exposed by draconian sanctions. These chapters explore the drivers behind his moves through the lens of strategic objectives, recognizing that the North Korean leader sees a mix of opportunities.

This volume covers well into the spring of 2018—including the New Year's Day address by Kim Jong-un that opened the door to a public relations blitz, the delegations sent to South Korea to kick-start "smile diplomacy" against the backdrop of the Winter Olympic Games, the personal diplomacy by Kim with South Korean officials followed by his outreach to Donald Trump and then a hurried visit to Beijing to meet Xi Jinping, and finally the Panmunjom summit with Moon Jae-in in the last week of April. This whirlwind of public relations and diplomacy against diverse interpretations of their economic and military background captured the world's attention. Yet, Kim's strategic intentions largely remain a mystery. Does he expect to retain his missiles and nuclear weapons and be recognized as one of the nuclear powers on essentially equal footing with the world's great military powers? Does he seek to cut a grand bargain, eliminating these threatening weapons in return for acceptance in the international community with guarantees of security and bountiful economic assistance? Is Kim Jong-un playing a multi-stage game with long-term objectives hidden as he capitalizes on differences among five countries to maneuver in ways still difficult to fathom? Much remains unknown, as we delve into his strategic choices.

Eun A Jo, "North Korea's Public Relations Strategy, 2018"

In her chapter Eun A Jo notes that Kim devoted a considerable segment of his New Year's Day speech to calling for improved inter-Korean relations. The Pyeongchang Olympics presented him a timely opportunity to remake the regime's flailing image at home and abroad. As the Olympics approached, North Korea was in dire need of a public relations make-over. Externally, the regime's image had deteriorated significantly. Kim needed to reshape his image as his reputation plummeted, hardening the international community's resolve to punish the regime. He also needed to buy time and diffuse tension as Trump's threats of a "bloody nose strike" appeared bafflingly genuine. The Olympics proved a fitting occasion to extend an olive branch without appearing too eager for appeasement, particularly given Moon Jae-in's efforts to resume contact with the North through what he had dubbed the "Peace Olympics."

The "charm offensive" in Pyeongchang makes for an interesting case study, because it features both the old and new aspects of Kim's public relations strategy. Among the most

notable elements of the campaign include: 1) hosting a military parade before the Olympics to juxtapose his peaceful intentions with formidable capabilities; 2) showcasing the Wonsan tourist area to establish an alternative source of income and promote an image of prosperity; and 3) sending his female envoys to give the reticent regime a human face—one of glamour and grace. Kim promoted the Wonsan tourist zone, in particular the Masikryong ski resort, where he negotiated with the South to hold joint ski training ahead of the Olympics. Since its opening in 2013, it has been a symbol of prosperity and a propaganda tool: Built amid intensifying sanctions and isolation, the resort symbolizes resilience, indicating that “North Korea is preparing for a future despite its isolation—or perhaps for an end to the isolation altogether.”

Kim’s public relations campaign is designed to support his strategic agenda at the Olympics: breaking free from the debilitating economic pressure and political isolation by holding hands with South Korea. Promoting an image of North Korean modernity and stealing the symbolism of the Olympics, Kim brands both himself and the country as open and peace-seeking. This gesture of goodwill helps soften the international community’s resolve to stifle the North and thwart the United States from resorting to force. Kim actively promotes an image of youth and modernity: 1) he is more concerned with how he and the country is perceived externally and encourages the public to be more globally aware; 2) he highlights a previously overlooked aspect of “*juche*”—economic self-sustenance—and endorses an emerging consumerist culture; and 3) he involves women in image-making operations to present a softer, more inclusive picture of the regime. This image of modernity is bolstered by the “feminine touch” in public messaging. The involvement of his wife and sister in public relations helps mollify Kim’s image, to transform the regime’s image-making methods to reflect supposed modernity and openness.

Under Moon’s progressive leadership, Seoul is most likely to reciprocate Kim’s peace initiative with immediate rewards, providing the regime with much-needed relief; and 2) the image of inter-Korean reconciliation will bolster Kim’s message of peace and prompt the international community to reexamine its pressure tactics. Though Kim’s intentions behind the Olympics gambit remain difficult to specify, his peace gesture allowed him to humanize the North’s image ahead of its real diplomatic tests—namely, what comes after the “Peace Olympics.” For now, that Kim earned a chance to meet with a sitting U.S. president, without appearing to commit to denuclearize as a precondition, indicates that his public relations efforts have worked favorably toward his overarching strategic objective—staying in power. What remains unknown is the staying power of this image makeover in the uncertain months ahead in 2018.

Mark Tokola, “North Korea’s Diplomatic Strategy, 2018”

After six years in isolation from the world community with virtually no diplomacy of any note, Kim Jong-un emerged suddenly in the limelight from the beginning of 2018. While 2017 was marked by provocative weapons tests and threats of war from both North Korea and the United States, 2018 has begun with an apparent thawing of relations and re-energized diplomatic efforts on all sides to diminish tensions on the Korean Peninsula. Kim highlighted the auspiciousness of 2018 as the 70th anniversary of the founding of the DPRK as well as the year in which South Korea hosts the Olympic Games, presenting an opportunity to

“improve the frozen inter-Korean relations and glorify this meaningful year as an eventful one noteworthy in the history of the nation.” He called for easing military tension and for the promotion of “bilateral contact, travel, cooperation and exchange on a broad scale to remove mutual misunderstanding and distrust and fulfill their responsibility and role as the motive force of national reunification.” The “Olympic Peace” served both sides’ short-term interests. South Korea received assurance that North Korea would not attempt to disrupt the Winter Olympics. North Korea was able to demonstrate that it was not isolated within the international community and received 600 all-expense paid vacations for Kim loyalists to attend the games and to visit South Korea.

After the end of the Winter Olympics, North Korean and South Korean negotiators held a series of working-level meetings, culminating in the announcement that the third inter-Korean summit will be held on April 27 at the border village of Panmunjom. The March 5-6 inter-Korean meetings, held in Pyongyang at the headquarters of the Korean Workers’ Party with a high-ranking delegation, was significant for being the first known instance of Kim Jong-un meeting with South Korean officials, and the first high-level South Korean visit to North Korea in a decade. After Kim invited Donald Trump to meet and plans for the summit were set in motion, he made a visit to Beijing, his first known trip outside of North Korea since he took power in December 2011. There are several possible reasons for why the North Korean regime might have felt that a visit to China was necessary. First, as with the meetings with the South Korean and U.S. presidents, the meeting with Xi Jinping plays into Kim Jong-un’s push to present himself as a world leader—advantageous both at home and abroad. It would have seemed bizarre to have met with Trump before he met with Xi Jinping. Second, Xi has met with Trump, and may have advice on how to handle a meeting to maximize North Korean gains. Third, China is North Korea’s only ally and its largest trading partner. It is in North Korea’s interest to create the appearance that it has China’s backing before going into a meeting with South Korea and the United States. Fourth, Moon Jae-in has been pursuing a trilateral meeting between South Korea, Japan, and China. Having Moon meet Xi and not having Kim meet Xi would have set North Korea at a diplomatic disadvantage. Fifth, Kim Jong-un may also have been looking for an assurance from Xi that North Korea would not face tougher sanctions were talks with Seoul and Washington to collapse and North Korea resume its missile and nuclear tests. The summits with South Korea and the United States presented Kim an opportunity to reset relations with China.

Three categories of diplomatic objectives are seen: 1) the status of the Kim regime, 2) the end of “hostile acts” from the United States and South Korea, and 3) the settlement of long-standing issues. The last includes: regime survival, legitimacy, and recognition as a nuclear state—to be taken seriously by the international community, and to be regarded as a peer of the larger nuclear powers, rather than as what it is in reality—small, isolated, and poor. What Kim considers acts of hostility may range from specific economic sanctions, to joint U.S.-South Korean military exercises, to criticism of North Korea’s human rights record. Leaving a cessation of “hostility” loosely defined would likely give the North an excuse to claim, at a future point of its choosing, that the U.S. had violated whatever settlement may emerge from negotiations. The deal North Korea may be seeking would involve a long term—perhaps a *very* long term—commitment to eventual denuclearization but temporary, *de facto*, recognition that it is a nuclear power. Kim’s vision seems to be one of the two Koreas growing together organically through trade, investment, and people-to-people ties. The process seems similar to that of European integration, a slow, practical melding until unification is achieved at some barely-perceived point in the process.

Yet, summitry without deep preparation poses high opportunities and high risks. The risks are threefold: 1) if the inter-Korean summit goes well but the Kim-Trump summit goes badly, even at a second stage, it could drive a wedge in the alliance—the U.S. side might appear to be the obstacle to progress being made between the two Koreas; 2) in their haste to achieve a deal quickly, Kim Jong-un and Trump may rush into an unsustainable or destabilizing agreement. However, the United States may have little choice other than to negotiate now that North Korea has extended the invitation. The point of U.S. “maximum pressure” and isolation was to lead North Korea to the negotiating table. If they have agreed to negotiate, is this not what success is supposed to look like?

William Brown, “North Korea’s Economic Strategy, 2018”

Not since the famine of the mid-1990s has North Korea faced a more challenging economic environment. The situation is not near so dire for the populace as it was in that period, but it is more complicated for the regime and involves much more political and financial risk. In the past, poor decisions meant people would starve and industries would close, but the regime, secure behind its command, or slave-like, economy, could hold fast. Now, poor decisions could bring the weakened socialist system to collapse. Good decisions, in contrast, could move the economy well on the path to economic revitalization and reform. Kim must be facing very high tensions.

Exports in the early months of 2018 to China, North Korea’s only significant trade partner, fell 85 percent from year-earlier levels and imports began what looks to be a similar slide, down 30 percent in February. Imports of vital products, such as all petroleum products, grain, all electrical and non-electrical machinery, and vehicles, have fallen to zero. Imports of consumer goods are down sharply as well. Except for petroleum products, North Korean imports are generally not sanctioned; so, the falls indicate a combination of even tougher action by China than required or a loss of hard currency by North Korean importers. Falls of this magnitude cannot help but cause large reactions within the domestic economy and create jarring decisions for the government, for example on how to re-employ hundreds of thousands of textiles workers and miners.

Economic authorities must prevent: a collapse of the won currency, leading to hyperinflation and popular unrest; a cutoff in Chinese crude oil deliveries that would strangle transportation; and a bad harvest that would lead to vast needs for imported grain which the country cannot afford. They must work rapidly to defang UN and especially Chinese trade sanctions that are now aimed at crippling the general economy. Ironically, to relieve growing pressures on the “command economy” decisions made by the cabinet may lead to much more liberalization, freeing large elements from the planned system. The sanctions may thus be showing the way for the ultimate end of the regime’s socialist system and the advance of economic reforms that may save the country. The regime will try to avoid that choice, hoping to garner aid from China, South Korea, and the United States in return for slowing the nuclear drive. Such aid could forestall economic reform for years but is unlikely to do more than patch the crevice in the failing state system.

Budget management poses difficult trade-offs: raise taxes and fees to try to create a state surplus; reduce state spending to the bone, including for the military; cut more state enterprises out of the system, forcing loss-leading enterprises to go off budget and off plan; sell important state assets (the state, in effect, owns the whole country), and allow state enterprises to sell or privatize theirs, to pull in money. This will be the most attractive option to many, and is already being done on the margins, but also has unmistakable connotations of beginning Chinese style reforms.

Despite talk of markets, North Korea still has a planned economy and the planning commission must try to allocate goods, services, and labor among state enterprises and the government. Perhaps half the country relies on this system as does the entire public for essential products and services, including much of the food supply, fuels, electricity, heavy and some light industry, mining, general infrastructure, social services and education, and of course the huge military. Given the sanctions related drop in exports, the plan will have to scramble to reallocate inputs and outputs, and one can imagine a highly contentious process. If, for example, hundreds of thousands of textile workers are not producing for export, what are they supposed to be doing?

North Korea's food supply appears barely adequate at present, despite a somewhat poor harvest last fall and a complete fall-off of cereal imports. A major liberalization program would dissolve the collectives, as occurred in Deng's China, and generate a huge boost in productivity, but no evidence of such a far-reaching decision is available. In this difficult economic environment, the regime will be hard pressed to maneuver foreign powers to reduce sanctions or to provide aid that offsets some of the negative results. The economy's problems began long before sanctions and are unlikely to be resolved by their removal, although they would give the system a little life.

Chun In-bum, "North Korea's Military Strategy, 2018"

Perhaps, the hardest strategy to predict due to its dependence on the outcome of diplomacy is in the military sphere. Those who anticipate that the talks will be rather inconsequential for limiting the North's military advances see considerable continuity. Others see some room for reductions and confidence-building measures. In this article the forces of continuity receive the main stress. Those are summarized in this introduction as we await further signs a breakthrough is possible.

Since taking power, Kim's regime has fired close to one hundred missiles of wide variety and range compared to thirty-one for his father and grandfather combined. He has also conducted nuclear tests, boasting of a thermal nuclear capability. During his 2018 New Year's address, Kim proclaimed that the DPRK had perfected its nuclear and intercontinental missile capabilities, supporting North Korea's constitutional claim to be a nuclear power. Despite an upsurge in diplomacy after this address, we should keep our eyes on North Korea's military advances.

The assumption is that strategic thinking will prevail for gaining the maximum time to develop the capacity to extend the North's military threat. At present North Korea needs time to perfect its nuclear strike capability. It has been very successful in developing missile capabilities, but it needs additional time to achieve its goals. With the North-South engagement of March 5, 2018, the DPRK has just gained what it needs most: time. For an extended period in 2018, as diplomacy proceeds, we should expect a subdued approach not flaunting its nuclear weapons and missiles, while striving to boost capabilities for the struggle ahead. It is unlikely that we will see another spate of nuclear and missile tests in 2018 even as secret development persists. Emphasis will probably be placed on improving accuracy and re-entry capability. Thus, there should be no surprise when the North's next nuclear and missile provocation involves an atmospheric test, a thermal nuclear capability, or a 10,000 km plus range test with unquestionable re-entry capability.

Of all the capabilities that North Korea possesses, the cyber threat is probably the most potent and threatening for 2018. With the difficulties in attribution and often non-kinetic impact, North Korea can seek to retain plausible deniability with respect to any particular attack but its focus on cyber warfare is increasingly obvious. As North Korea faces economic sanctions it is more likely to utilize cyber theft to compensate for the loss of income. A little-known area for the DPRK is Electronic Warfare (EW) capability. Attempts to disrupt friendly GPS signals continues. If successful, this would affect friendly precision bombing capability.

For the time being the North Korean People's Army will support the peace effort by being discreet in its activities to improve existing capabilities and to develop new abilities. The focus of improving existing capabilities will probably be towards missile accuracy and re-entry, a greater nuclear warhead yield and some of its conventional forces. New abilities will be towards cyber, submarines, electronic warfare and unmanned drones. Its message that its nuclear weapons are only for defense will deflect a limited military option by the United States or the alliance. North Korean cyber units will play a critical role by infiltrating South Korean social networks to create and form public opinion. False news as well as raising enough suspicion to plant doubt will be easy against an open society like South Korea.

North Korea's Public Relations Strategy, 2018

Eun A Jo

Tension on the Korean Peninsula had reached a boiling point by the time Kim Jong-un delivered his New Year's address—a tradition set by his grandfather that he had revived in 2013. Beyond the talk of a “nuclear button,” which triggered another round of fiery exchanges with Donald Trump, Kim devoted a considerable segment of his speech to calling for improved inter-Korean relations. Though signaling an ambiguous friendly overture to the South has become an annual exercise for Kim, this year's speech was uncharacteristically specific in that he offered to send a delegation to South Korea's highly anticipated Pyeongchang Winter Olympics. But sports diplomacy is hardly new to Kim; an avid sports fan himself, Kim is acutely aware of its propaganda value and utility as a channel for diplomacy. For Kim, the Pyeongchang Olympics presented a timely opportunity to remake the regime's flailing image at home and abroad.

In this chapter, the Pyeongchang Olympics are used as a case study to understand Kim's public relations strategy. Before exploring the strategic intentions behind Kim's diplomatic campaign, both the old and new features of his image-making efforts are examined, focusing in particular on his use of sports diplomacy. How Kim's charm offensive in Pyeongchang is communicated internally and received externally is then analyzed, yielding important insights about the prospects of reconciliation between the two Koreas post-Olympics.

The Making of Kim's Image

Kim's public relations efforts are largely resonant with those of his predecessors—albeit with a flair of his own. They encompass the following dimensions: 1) inculcating the *juche* ideology; 2) reinforcing the *surjong* system and building a cult of personality; and 3) stirring nationalism.

At the center of the Kim family's public messaging strategy is the promotion of *juche* ideology. Formulated by Kim Il-sung, the state ideology of *juche* is typically translated as “self-reliance” and consists of: 1) political independence, 2) economic self-sustenance, and 3) self-reliance in defense. From the outset, the ideology has been used by the Kims in their own image-making initiatives. For instance, in a 1982 treatise titled *On the Juche Idea*, Kim Jong-il systematized the concept of *juche* and elevated the importance of security above political and economic independence. Publishing the treatise allowed Kim Jong-il—then Kim Il-sung's propaganda chief—to craft his image as an intellectual, or as one scholar put it, “the one and only bona fide interpreter of the ‘immortal Juche idea’ of Kim Il-sung.”¹ This reinterpretation later enabled him to justify his military-first politics (*songun*), placing the army above all aspects of society and pursuing his nuclear ambitions at the expense of the people's welfare.

Juche is likewise central to Kim Jong-un's public messaging. In his 2018 New Year's address, Kim stressed the concept of *juche* visibly more than in his previous speeches. He openly acknowledged the “difficult living conditions” that the North Korean people have endured due to international sanctions. However, he declared that those challenges would soon be overcome with the fulfilment of his *byungjin* policy—the simultaneous pursuit of nuclear weapons and economic development. Unlike his predecessors, who “emphasized the people's strength in the face of adversity and willingness to suffer for the sake of their country,” the young Kim avowed that North Korean people would no longer be hungry.²

He pointed out that the completion of the North's nuclear forces had "opened up bright prospects for the building of a prosperous country," signaling a shift from his father's army-first policy by highlighting his promise of economic recovery. While the theme of self-reliance is broadly consistent in both Kims' image-making efforts, they carry slightly varying interpretations of *juche* to justify their respective policy directions—*songun* under Kim Jong-il and *byungjin* under Kim Jong-un.

Kim's public relations efforts also serve to reinforce the *suryong* (or the supreme leader) system, which establishes the Kim family as the nucleus of political leadership and elevates the ruling Kim's personal authority beyond the influence of the party and the military. The *suryong* system legitimizes the Kim family's dynastic rule by identifying Kim Il-sung as the sole founder and protector of the Korean nation, whose leadership can only be sustained by his prodigious lineage, the so-called "Mount Paektu bloodline." This idea is further cemented in the *Ten Principles for the Establishment of a Monolithic Ideological System*—the country's supreme law that supersedes the national constitution as well as laws of the Worker's Party—which declares that Kim Il-sung's revolutionary achievements "must be succeeded and perfected by hereditary succession until the end."³ Under such a system, Paik Haksoon argues, "the *suryong* and his heir enjoy the same absolute authority and play the same decisive roles... [T]he incumbent *suryong* and his successor are one and the same."⁴

The *suryong* system is maintained by promoting cults of personality around members of the Kim family. According to the mythologies disseminated by regime propaganda, Kim Il-sung single-handedly liberated Korea from the Japanese occupation, commanding his guerillas from a secret camp on Mount Paektu—the country's national symbol.⁵ These narratives depict Kim as the patriarch of the family of the Korean nation; he protects his pure, innocent children—the Korean people—from the impure, hostile world.⁶ Apocryphal stories also surround the birth and life of his son Kim Jong-il, who was supposedly born on Mount Paektu and inherited from his father superhuman capabilities as well as a revolutionary destiny. Today, tens of thousands of statutes of the two late Kims dominate public spaces across the country, and their pictures hang in every household and building. Their birthdays are commemorated as the Day of the Sun (April 15) and the Day of the Shining Star (February 16)—the two most lavishly celebrated public holidays. Even after their deaths, they are worshipped as the "eternal leaders" of Korea.

Kim Jong-un seeks similar veneration by forging his own cult of personality. Notably, the young Kim undertakes a series of public relations efforts that evoke memories of his predecessors, in particular Kim Il-sung. Unlike his more reclusive father, his grandfather was a Fidel Castro-type, reveling in public engagements and photo-ops that bolstered his popularity as a "man of the people."⁷ Kim Jong-un has revived many of those lost traditions, including giving lengthy public speeches and paying visits to the army or the state-run factories. It helped that he was "such a splitting image of his grandfather"—a result very much intended as Kim tailored his physique to conjure up his grandfather's image in preparation for his leadership debut.⁸ According to one account, "when he first appeared on TV, many North Koreans broke into tears, hailing him as the second coming of Kim Il-sung."⁹ Although relatively nascent, Kim Jong-un's cult of personality is progressively taking form, in large part through imitation of his popular grandfather.

Finally, nationalism is a key feature of the Kim family's public relations strategy. For generations, the Kims fanned fears of external threats to justify their high spending on the military and rally the public behind their strong-hand rule. Moreover, they dodged responsibility for the country's internal hardships by blaming foreign enemies—Japan and the United States—as well as their puppet, South Korea. Xenophobia is, therefore, prevalent in the regime's nationalist propaganda: Americans and Japanese are denigrated as “bastards,” “jackals,” and “swine,” attempting to subjugate Korea under their capitalist-imperialist rule, and South Koreans are portrayed as “servile flunkies,” whose purity is tainted by submission to the United States.¹⁰ This narrative paints North Koreans as the only true agents of Korean nationalism and places the Kims at the center of Korean liberation.¹¹ As Kim Kwang-cheol writes, “Today's North Korean ruling ideology takes the form of a Korean-ethnicity based ‘Kimilsungism’ or ‘Kim Il-sung Nationalism.’”¹² Under this logic, the North Korean nation cannot be understood apart from the Kims.¹³

Kim Jong-un's public messaging harnesses much of the same ethno-nationalistic sentiments as his predecessors', in particular by highlighting the regime's progress in building its nuclear arsenal. On the 100th anniversary of his grandfather's birth, Kim declared, “the days are gone forever when our enemies could blackmail us with nuclear bombs.”¹⁴ This year's annual address is even bolder; it claims that the regime has achieved a “historic cause of perfecting the national nuclear forces” and promises to “mass-produce nuclear warheads and ballistic missiles [...] to give a spur to the efforts for deploying them for action.”¹⁵ While the speech still largely characterizes the North's nuclear weapons as a defensive deterrent, Stephan Haggard notes an “interesting personalization” of the conflict: Kim asserts, “In no way would the United States dare to ignite a war against *me* and our country.”¹⁶ This appears to promote a sort of “kimjongunism”—akin to “kimilsungism”—in which Kim Jong-un is, effectively, North Korea.

A “Modern” Kim for a Modern North Korea

Although Kim Jong-un adheres to the broader public relations rubrics set forth by his predecessors, his brand is demonstrably more “modern.” Indeed, if the image of youth had once threatened his legitimacy in the early days of his succession, it is now a defining feature of his leadership. Today, he actively promotes an image of youth and modernity: 1) he is more concerned with how he and the country is perceived externally and encourages the public to be more globally aware; 2) he highlights a previously overlooked aspect of *juche*—economic self-sustenance—and endorses an emerging consumerist culture; and 3) he involves women in image-making operations to present a softer, more inclusive picture of the regime. While these efforts do not necessarily translate to major political changes, they introduce a new imagery: a “modern” Kim for a modern North Korea.

Kim's public messaging frequently refers to “global trends,” fostering an unfamiliar image of openness. Barely a year into office, he called on the party officials to “accept global development trends and advanced technologies in land management and environment protection,” demonstrating his desire to shape an image of globalism.¹⁷ He even encouraged the people to use the Internet, saying they “can see many materials on global trends,” and urged the party to “send delegates to other countries to learn what they need to know.”¹⁸ These messages triggered widespread speculation that the country was on the verge of a proper opening. Though such earlier expectations of reform remain unrealized—at least

officially—Kim's continued references to "global trends" indicate that he wishes to be seen as open—even if without actually opening up.

Under this façade of globalism, Kim promulgates an image of strength and prosperity by promoting his *byungjin* policy. With the country's nuclear program now declared as complete, Kim is able to shift his focus toward economic development without contradicting his father's *songun* legacy. So far, his economic agenda involves building luxury establishments—like amusement parks, ski resorts, and a dolphinarium—which are more ostentatious than practical. Kim's vision of economic development reflects his preoccupation with how the regime is perceived internally and externally; in the words of Jung Pak, Kim likely "considers these [luxury establishments] as markers of a 'modern state.'"¹⁹ It is also possible, though not probable, that Kim genuinely wants the North Korean people to experience the things that he always enjoyed. He once reportedly ruminated to Fujimoto Kenji, his close confidant and sushi chef, "We are here, playing basketball, riding horses, riding Jet Skis, having fun together. But what of the lives of the average people?"²⁰ Whatever his true intent, Kim's economic agenda serves a critical function in terms of public relations; it paints North Korea as a prosperous, "modern" state and Kim, its young and animated leader.

This image of modernity is bolstered by the "feminine touch" in Kim's public messaging. Two women play particularly important roles: his wife Ri Sol-ju and his sister Kim Yo-jung. For the ordinary people as well as for the privileged elites, Ri is an idol. As Pak reports, "[t]he carefully curated public appearances of Kim's wife [...] provide the regime with a 'softer' side, a thin veneer of style and good humor."²¹ Together, Kim and his wife represent a "modern, young, virile couple on the go."²² Then there is his sister Kim Yo-jung, who—besides accompanying her brother in various public engagements—is said to be the country's de facto propaganda chief.²³ Many credit her for the discernible change in the regime's public relations strategy, including its recent embrace of transparency.²⁴ Under her direction, the state media today disseminates information about the country's internal affairs with an unprecedented degree of honesty and detail. For instance, in April 2012, the state media reported the crash of the Unha-3 shortly after its launch, marking it the first time the regime has admitted to such failure.²⁵ The involvement of his wife and sister in public relations helps mollify Kim's image as well as transform the regime's image-making methods to reflect Kim's supposed modernity and openness.

Kim's Sports Propaganda and Diplomacy

For a "modern" leader like Kim, sport is a refreshing, powerful tool for propaganda and diplomacy. The symbolism of sports—youth, excellence, and honor—is closely aligned with the imagery Kim seeks to promote in association with himself. In fact, regime propaganda reports that Kim is a sport prodigy—having mastered sailing, golfing, and shooting, among others—but that he retired from sporting once he was "satisfied with his performance."²⁶ Further, Kim has demonstrated his enthusiasm for sports on various occasions. Even as sanctions hit the regime's cash supply, he boosted its spending on sports, signaling his ambition to turn the North into a "sports power."²⁷ As part of this effort, he also invited and hosted Denis Rodman, a former NBA champion, cultivating what many deemed an unusual friendship.²⁸ Kim's love of sports explains, in part, why he uses sport as a propaganda and diplomatic tool more actively than his grandfather and father.

Indeed, the North's practice of politicizing sports predates Kim Jong-un. In a 1986 speech, Kim Jong-il stressed the importance of sports for realizing the ultimate objective of *juje*: "Unless a man is healthy and strong, he cannot become a powerful being with the capacity to conduct creative activities... [a] strong physique is a basic quality of a fully developed communist."²⁹ In the same speech, he also identified the benefits of sports in improving the country's international reputation and relations: "if our sportsmen achieve good results at many international events and they fly the flag of our Republic, the honor of the country will be increased and our nation's resourcefulness will be demonstrated to the world."³⁰ He added, "Developing sporting skills and organizing sporting exchange on a wide scale will also contribute to promoting friendly relations with many countries."³¹ Espousing his father's views on sports, Kim today harnesses its potential to reinforce national identity at home and build the country's soft power abroad.

Sports propaganda helps heighten a sense of nationalistic pride on which image-dependent Kim greatly relies.³² Winning is particularly helpful, as victorious athletes would "pour adulation on their Dear Leader," with bandwagon effects across the country.³³ During the 2012 Summer Olympics in London, where the North won four gold medals, the medalists credited Kim for their success and received "a hero's welcome" upon their return.³⁴ Their triumphs were shown repeatedly on state television, inspiring national pride and loyalty. To prevent losses from tarnishing the regime's image, the state media also broadcasts sporting events with a delay—if the result is unfavorable, it can be easily censored. Stakes were particularly high at the 2014 Asian Games in Incheon, when the North Korean men's football team faced the South Koreans in the finals. The North eventually lost, and the result was—unsurprisingly—never aired.³⁵

Besides propaganda, sporting engagements also serve as a platform for diplomacy. The tradition of using sports to improve political relations dates at least as far back as 776 BC in Ancient Greece, when the monarchs of Elis, Pisa, and Sparta signed the Olympic Truce, allowing safe passage of the athletes to participate in the Games.³⁶ Recalling the spirit of the Truce, the United Nations introduced a resolution titled "Building a peaceful and better world through sport and the Olympic ideal" in 1994, which has since been adopted every year prior to the Games. Given this robust tradition, sports have come to represent a face-saving tool for Kim to facilitate diplomatic exchanges with the South, even when tensions are manifest. The idea is not foreign to Seoul either; the two Koreas marched under one flag in 2000 and 2004 during the Summer Games—an initiative that was then hailed as a "diplomatic breakthrough" but which culminated in limited political progress.³⁷ For Kim, the imagery linking sports and peace is a highly expedient gesture of goodwill on the international stage without jeopardizing the domestic narrative of "North Korea against the world."

Why the Pyeongchang Olympics?

As the Pyeongchang Olympics approached, North Korea was in dire need of a public relations make-over. Externally, the regime's image had deteriorated significantly. The defection in 2016 of its high-ranking official, Thae Yong-ho, provided a rare look into the internal vulnerabilities of the regime and the extent of its brutality.³⁸ Thae's claims were further bolstered by the alleged assassination of Kim Jong-un's half-brother in 2017, which demonstrated both the violent nature of Kim's domestic purges and the perverse means by

which he executed them—in this case, using an internationally-banned chemical weapon.³⁹ Further, the mistreatment and subsequent death of Otto Warmbier, the U.S. student who had been detained in Pyongyang on charges of “hostile acts against the state,” spurred international ire.⁴⁰ Each of these events helped the Trump administration galvanize support for its “maximum pressure” approach, strengthening sanctions against Pyongyang—with crippling economic ramifications—and branding it a “rogue regime.”⁴¹

Internally, as sanctions began to bite and rumors about foreign affluence—especially that of the South—infiltrated the North’s increasingly porous information blockade, the public grew more and more disgruntled, at times to the point of defection.⁴² The regime tolerated thriving black markets to offset the effects of international isolation, but this had one deleterious side effect: as more people depended on markets to survive, an increasing number of them began to view the regime not as a provider of but an obstacle to their welfare.⁴³ In addition, among the popular items smuggled from China were foreign contents—in particular DVDs and USBs containing South Korean dramas—which revealed in plain sight the falsehood of the regime’s propaganda.⁴⁴ Though public mistrust remained largely checked, Kim became increasingly wary about a weakening of his domestic legitimacy, which he had so painstakingly manufactured over the course of his leadership.

Against this backdrop, Kim’s shift in rhetoric and attitude toward the South is perhaps neither surprising nor illogical. Kim needed to reshape his image as his reputation plummeted, hardening the international community’s resolve to punish the regime. He also needed to buy time and diffuse tension as Trump’s threats of a “bloody nose strike” appeared bafflingly genuine. The Pyeongchang Olympics proved a fitting occasion to extend an olive branch without appearing too eager for appeasement, particularly given Moon’s efforts to resume contact with the North through what he dubbed the “Peace Olympics.” Kim’s decision to partake in the Olympics could be easily justified to his people as a response to Moon’s continuous overtures and would be welcomed by the international community as a long-anticipated beacon of peace on the Korean Peninsula. For Kim, the Pyeongchang Olympics could be transformed into another opportunity for a much-needed public relations campaign.

Kim’s Charm Offensive in Pyeongchang

Besides Kim’s affinity for sports and the timeliness of his Olympics maneuver, the so-called “charm offensive” in Pyeongchang makes for an interesting case study, because it features both the old and new aspects of Kim’s public relations strategy. Among the most notable elements of the campaign include: 1) hosting a military parade before the Olympics to juxtapose his peaceful intentions with formidable capabilities; 2) showcasing the Wonsan tourist area to establish an alternative source of income and promote an image of prosperity; and 3) sending his female envoys to give the reticent regime a human face—one of glamor and grace. While consistent with promoting *juche*, his *suryong* status, and nationalism, the image-making operations Kim undertook before and during the Olympics endorse a unique combination of images: strength, prosperity, and modernity.

It is no coincidence that on the eve of the Pyeongchang Olympics, the regime held a massive military parade to commemorate the 70th anniversary of the founding of its army. Kim deliberately changed the festive day from April 25 to February 8, so that the parade

could take place before the Olympics.⁴⁵ Though its scale was smaller than usual, its timing indicates Kim's desire to nuance his Olympics message: North Korea is willing to cooperate with the international community as long as it is respected as a nuclear state.⁴⁶ This image of a powerful yet peace-seeking North Korea is deeply embedded in the minds of its people. In an impassioned speech, Kim declared that the military parade will boast the North's "world-class military power."⁴⁷ He also maintained his narrative about the imperialist threat posed by the United States, in a familiar attempt to stir nationalism and justify the stature of the army.⁴⁸ The parade represents Kim's way of rationalizing his Olympics overture to the North Korean people—he is demanding from the international community what is rightfully theirs: prestige.

Externally, Kim treated the parade as an exclusively domestic affair. Contrary to past precedent, the regime banned foreign journalists from covering the spectacle, presumably to limit outside coverage of its display of force.⁴⁹ According to Bong Yong-shik, Kim hoped to make his domestic audience believe that North Korea had truly become a "nuclear power," but tempered his activities to strengthen the credibility of his peace gesture to South Korea.⁵⁰ Despite Kim's effort to keep a low profile abroad, South Korean conservatives mounted heavy criticisms of the parade, asserting that it violated the peaceful spirit of the Olympics and failed to reciprocate the South's decision to postpone its military exercises with the United States. In retaliation, Kim canceled a joint cultural event in Mount Kumgang, explicitly characterizing the Army Day parade as an internal affair: "In the midst of continuing insults from the South Korean press [...] towards our own *domestic celebratory event*, we have no choice but to cancel the agreed-upon event."⁵¹ The parade reveals Kim's wish to defend an image of peace before the international community even as he projects a perception of strength among his domestic audience.

As part of his efforts to capitalize on international publicity and boost tourism in North Korea, Kim also promoted the Wonsan tourist zone, in particular the Masikryong ski resort, where he negotiated with the South to hold joint ski training ahead of the Olympics.⁵² Since its opening in 2013, Masikryong has been a symbol of North Korean prosperity and an important propaganda tool: "Masikryong speed"—referring to the hustle with which the resort was built—serves as a political slogan to encourage a *juche* mentality among the toiling masses.⁵³ In fact, the state media credits "the vigor, fearlessness, and high morale of the workers" for making Wonsan "the envy of the world."⁵⁴ Further, it adds that, "[i]n the near future, people coming here from around the world will open a new civilization in Chosun," signaling positive prospects for the country's economic revival—and thus, its attainment of *juche*.⁵⁵ That South Korean athletes now trained at Masikryong helps portray Kim's multimillion dollar project as a product of his far-sighted *byungjin* policy (rather than an imprudent decision made at a time of crushing poverty) and strengthen his legitimacy as *suryong*.⁵⁶

Kim's promotion of the ski resort is as much targeted at his international audience as at his domestic one. Besides reinforcing the North's message of reconciliation, the joint North-South training session at Masikryong allows Kim to show off the country's latest feat. Built amid intensifying sanctions and isolation, the resort symbolizes the North's resilience, indicating that "North Korea is preparing for a future despite its isolation—or perhaps for an end to the isolation altogether."⁵⁷ In touting the resort, Kim also highlights what makes him different from his grandfather and father: as Benjamin Silberstein puts it, "Kim Jong-un wants to make it clear that he cares not just about the country surviving and fighting the

Americans, but also about people having fun.”⁵⁸ In fact, a plaque at the resort openly labels it “[t]he work of Dear Leader Kim Jong-un who devoted hard work and heart and soul to make our people the happiest and most civilized.”⁵⁹ This imagery of North Korean prosperity is precisely what NBC anchor Lester Holt witnessed when he visited Masikryong and probably what Kim intended for him to see: a “modern resort” with “a lot of families out enjoying themselves.”⁶⁰

Among the features of Kim's Olympics campaign, one that enjoyed the most extensive coverage is his use of female envoys, trained to reshape the North's image. It began with Hyon Song-wol—a North Korean singer and Kim's alleged ex-lover—who arrived in the South two weeks prior to the Olympics to inspect the facilities where the North's Samjiyon Orchestra was scheduled to perform.⁶¹ Hyon leads the country's first modern pop group called the Moranbong Band, which represents North Korea's emerging globalism and modernity: Handpicked by Kim, the band first appeared in 2012 in short skirts and high heels, performing a rendition of the “Rocky” theme song.⁶² Embodying the North's embrace of “global trends,” Hyon attracted intense curiosity in the South and around the world. Her glamour contradicted an image of deprivation that is typically associated with North Korea, and her captivating effect was compounded by the fact that she was rumored to have been executed for making pornographic videos, which is clearly fake news. Hyon's trip exemplifies the fact that external narratives about the regime can be wrong, and that, contrary to common perception, North Korea is a “modern” country, with beautiful, empowered women like herself.

Perhaps the most prominent among the women Kim sent is his own sister, Kim Yo-jong, who led the North's Olympics entourage to signal the regime's sincerity behind its renewed engagement with the South. As one of Kim's direct family members—and the first to ever visit the South since the war—Kim Yo-jong carries with her an air of authenticity and legitimacy that even his most trusted advisors lack. This is true for North Koreans as well, as people increasingly speculate that she holds more power than Kim Jong-un's wife and that he places “a special kind of trust in her.”⁶³ To the outside world, Kim Yo-jong's soft-smiling face came to replace the image of an authoritarian regime that is politically and culturally male-dominated.⁶⁴ In contrast to her brother's brash mannerisms, Kim Yo-jong's attitude appeared “more refined and polite,” challenging a widespread notion that the regime is irrational and therefore, unreliable.⁶⁵ Conjuring up an image of goodwill, she gave further credence to the North's latest peace initiative.

To amplify her effect, Kim Yo-jong was accompanied by the North's infamous “army of beauties,” a squad of two-hundred-odd cheerleaders selected for their attractive looks and ideological devotion.⁶⁶ While trained to promote *juche* and honor Kim Jong-un, the group was dispatched with a more immediate objective in Pyeongchang: to generate positive publicity for North Korea, particularly in the South, ahead of Kim's post-Olympics diplomatic maneuvers.⁶⁷ To that aim, the cheerleaders made a surprise appearance at the South Korean men's hockey game, marking it the first time they attended an Olympic event where the North Korean athletes did not compete.⁶⁸ The squad cheered for the South and waved flags of a united Korea, chanting “Unify the Motherland” and “Win, win, our athletes win.”⁶⁹ Rekindling a connection between the two Koreas that is often lost among the younger generations in the South, the cheerleaders served to inspire new hopes of reunification and peace, however unrealistic they may be.

Olympics for Peace?

Kim's public relations campaign is designed to support his strategic agenda at the Olympics: breaking free from the debilitating economic pressure and political isolation by holding hands with South Korea. By promoting an image of North Korean modernity and stealing the symbolism of the Olympics, Kim brands both himself and the country as open and peace-seeking. Externally, this gesture of goodwill helps soften the international community's resolve to stifle the North and thwarts the United States from resorting to force. Internally, whatever rewards Kim earns from his cooperative behavior enables him to deliver on his *byungjin* promise and further strengthen his domestic legitimacy. To that end, Kim has selected South Korea as the first and primary target of his Olympics gambit. Two factors make this a salient choice: 1) under Moon's progressive leadership, Seoul is more likely to reciprocate Kim's peace initiative with immediate rewards, providing the regime with much-needed relief; and 2) the image of inter-Korean reconciliation will bolster Kim's message of peace and prompt the international community to reexamine its pressure tactics. If the credibility of any promise (or threat) is in the eye of the beholder, then learning South Korean responses is a good starting point for assessing the strategic value of Kim's Olympics campaign.

Signifying at least some success on Kim's part, Seoul's response has been reasonably promising. For Moon, having the North participate in the Olympics was the surest way to prevent a provocation, which could have otherwise sabotaged his first major diplomatic event. Besides enabling the event to take place in a friendly atmosphere, Kim's overture paved the way for the two leaders to officially meet in Panmunjom in April and revitalize their cultural and humanitarian exchanges, aspirations long espoused by Moon as part of his "Moonshine policy." Yet, the recent thaw in relations also deepened internal divisions in South Korea about how to perceive and respond to Kim's latest campaign. In particular, Moon's accommodation of sanctioned entities during the Olympics prompted heated debate about Kim's (ulterior) motives. Conservatives asserted that, by demanding concessions under a false promise of reconciliation, Kim was trying to challenge the sanctions regime and the U.S.-South Korean alliance. Beneath the surface of warming relations, suspicions about Kim's true intentions continued to boil.

This divisiveness in Seoul further heightened as Washington signaled its own skepticism toward Kim. On his way to Pyeongchang, Mike Pence stressed that the Trump administration's objective was to prevent North Korea from "hijacking" the Olympics. Indeed, to emphasize the North's brutality, Pence included in his delegation Fred Warmbier—the father of the American student who died following his detainment in a North Korean prison camp. Further, Pence visited the Cheonan memorial and met with North Korean defectors during his stay, reinforcing images of Kim's despotism to undo his image make-over. Despite expressing a willingness to engage with the North (on condition that sanctions continue), Pence skipped Moon's dinner reception, presumably to avoid encountering the North Korean officials. This show of disrespect, in the broader context of his anti-North Korean campaign, demonstrated Washington's disapproval of Kim's gambit and—according to South Korean conservatives—Moon's seeming vindication of it.

Seoul's internal dilemma—exacerbated by Washington's conflicting signals—indicates that the post-Olympics inter-Korean relations still remain uncertain and at risk. In the shorter term, Moon has to work with a narrow scope of rewards he can offer Kim, involving smaller, more symbolic measures such as humanitarian aid and family reunions. Likewise, Kim may earn some recognition and legitimacy, quashing internal criticism of his inexperience and crafting an image of a seasoned leader, but he is unlikely to attain wider sanctions relief in so far as Washington continues to advocate its “maximum pressure” approach. Indeed, any substantive progress on long-term, full-scale inter-Korean reconciliation will depend on the results of the Trump-Kim summit. Until then, what Kim can gain from the thaw in relations with the South is fairly constrained, even if still constructive for his agenda.

Kim's Charm Offensive Post-Pyeongchang

The South's conflicted stance and the constraints this imposes on Kim suggest that his charm offensive will continue for the foreseeable future, extending to the more consequential (if unlikely) partner—the United States.

Redoubling his charm offensive, Kim participated directly in remaking his image during the inter-Korean summit on April 27 in Panmunjom. The outcomes of the summit—principally the Panmunjom Declaration—consisted of familiar generalities, which were intended to set a tone of goodwill as the two Koreas deepen their engagement. Though the details of their agreement remain yet to be delineated, the summit was rich with symbolism. From savoring the North's signature dish to watering a commemorative pine tree, the brotherly chemistry between the two leaders garnered widespread delight, particularly among the South Korean public. Bolstering these cosmetic effects were Kim's own reconstructed image: defying his oft-caricatured “mad man” persona, Kim presented himself as unassuming and good-humored, joking regretfully about his morning missile launches and admitting the “embarrassing” state of the North's transit system. Shared comfortably and off-script, such remarks painted Kim as a reasonable, honest, and even amiable leader, strengthening the credibility of his peace gesture.

Moreover, following his pledge to suspend missile tests and shut down the Punggye-ri nuclear test site, Kim granted “amnesty” to the three jailed Americans and released them during Mike Pompeo's visit to Pyongyang. The images of their return were sensational, and strategically useful for both Trump and Kim: Embracing the prisoners as they thanked him tearfully, Trump declared a swift diplomatic victory. On the other hand, in releasing the prisoners, Kim gave up a crucial bargaining chip against Trump—but by letting him score politically at home, Kim locked Trump into a summit, the particulars of which had only been loosely organized thus far. Indeed, hours after Kim's decision to free the American prisoners, Trump announced that their summit will be held on June 12 in Singapore. He even underscored Kim's intentions of peace: “We're starting off on a new footing [...] I really think [Kim] wants to do something and bring that country into the real world.” In Trump's words—however transient and frivolous they may be—Kim was now a “very honorable leader,” which is a significant improvement from the “rocket man” he was once derided to be. The optics of Kim's benevolence enabled him to clinch the date and location of his summit with Trump, all the while reshaping his image as a leader of considerable diplomatic savvy.

Conclusion

Like his grandfather and father before him, Kim Jong-un relies on calculated public relations maneuvers to justify his power. At home, his public relations initiatives help propagate an elaborate set of narratives through which he can strengthen the legitimacy of his regime and his own personal credibility as the ruler. Combined with the use of force and restrictive social policies, these image-making efforts help Kim prevent internal challenges against his rule.⁷⁰ Abroad, Kim alters his image to shape the diplomatic climate and gain material and political advantages. Creating competitive images and raising the specter of conflict can coerce adversaries into making concessions, which can be exploited to arouse nationalistic sentiments and bolster Kim's authority. On the other hand, promulgating cooperative images and raising the prospect of engagement can compel both allies and adversaries to offer extensive rewards. For Kim, these resources are particularly important as they help provide for public sustenance and—to a much larger degree—the privileges of the elites, whose deference is imperative for regime stability. His external public relations efforts are, therefore, intricately linked to his domestic priority: the survival of his regime.

Kim Jong-un's public relations strategy follows the broader framework on which his grandfather and father have heretofore relied—and yet, Kim promotes an image of youth and modernity that is distinctly his own. Indeed, this is evident in his latest campaign in Pyeongchang, during which Kim sought to paint himself and the country as strong, modern, and prosperous. Though Kim's true intentions behind the Olympics gambit remain difficult to specify, his peace gesture allowed him to humanize the North's image ahead of its real diplomatic tests—namely, what comes after the “Peace Olympics.” For now, that Kim earned a chance to meet with a sitting U.S. president indicates that his public relations efforts have worked favorably toward his overarching strategic objective. For as long as his diplomatic outreach lasts, and until he can gain the necessary rewards he needs to stay in power, Kim's image-making maneuvers will continue.

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North Korea's Diplomatic Strategy, 2018

Mark Tokola

With an outbreak of diplomacy under way for the Korean Peninsula, a review of North Korea's approach to negotiations is timely. A summit between North Korean leader Kim Jong-un and South Korean President Moon Jae-in was held on April 27. President Trump has accepted an invitation to meet with Kim Jong-un.¹ The secretive nature of the North Korean state makes it difficult to assess how it will engage with and what it expects to gain from talks with the international community—not just with the United States and South Korea, but with China, Japan, Russia, the EU, and others. However, its past behavior, official statements, the testimony of defectors, and the expert opinion of North Korea watchers can provide helpful insights.

This chapter presents a brief history of talks and agreements with North Korea prior to the inauguration of Trump, followed by an overview of North Korea's diplomatic outreach in 2018 to date. It then presents indicators as to what North Korean diplomacy may look like through the rest of the year based on assessments of its stated and implicit objectives—ends it would wish to attain in any event, either through diplomacy or by coercion. I conclude with a list of key upcoming dates and scenarios describing how North Korean diplomacy may play out for the remainder of 2018.

North Korea's recent diplomatic moves mark an abrupt policy change. During 2017, it carried out in defiance of UN Security Council resolutions three test flights of intercontinental ballistic missiles (ICBMs); conducted its fifth and sixth underground nuclear tests, the latter being the most powerful to date and almost certainly thermonuclear; threatened an “unimaginable attack” against the United States;² and officially announced that it would “never give up its nuclear weapons.”³ If North Korea is indeed now willing to negotiate denuclearization with the United States and South Korea, its diplomacy can at least be described as agile.

North Korean Diplomacy in 2018, So Far

The history of talks and agreements with North Korea is monotonously one of pledges made and then broken, a roller-coaster of optimism and disappointment. Kim Il-sung and Kim Jong-il proved effective extractors of concessions from South Korea and the United States through diplomatic means, but never achieved their goals of replacing the Korean War armistice with a peace treaty and achieving diplomatic normalization.⁴ While 2017 was marked by provocative weapons tests and threats of war from both North Korea and the United States, 2018 has begun with an apparent thawing of relations and re-energized diplomatic efforts on all sides to diminish tensions on the Korean Peninsula. Much has been written on the diplomatic outreach of the Moon Jae-in administration and possible U.S. responses to North and South Korea's efforts. However, Kim Jong-un's moves and motives should be further explored.

Kim Jong-un's New Year's Address

Kim Jong-un's annual address delivered on New Year's Day 2018 was directed as much towards an international audience as it was to the people of North Korea. It presented a strikingly conciliatory tone towards South Korea and welcomed the Olympic Games in Pyeongchang:

“As for the Winter Olympic Games to be held soon in south Korea (authors note: in North Korean official parlance, ‘south’ is merely an adjective in regard to the Republic of Korea, not part of its name), it will serve as a good occasion for demonstrating our nation’s prestige and we earnestly wish the Olympic Games a success...Since we are compatriots of the same blood as south Koreans, it is natural for us to share their pleasure over the auspicious event and help them.”⁵

Kim went on to state that the auspiciousness of 2018 as the 70th anniversary of the founding of the DPRK as well as the year in which South Korea hosted the Olympic Games presented an opportunity to “improve the frozen inter-Korean relations and glorify this meaningful year as an eventful one noteworthy in the history of the nation.” He called for easing military tension and for the promotion of “bilateral contact, travel, cooperation and exchange on a broad scale to remove mutual misunderstanding and distrust, and fulfill their responsibility and role as the motive force of national reunification.”⁶

Kim Jong-un also announced in his address that North Korea had accomplished “the great, historic cause of perfecting the national nuclear forces...a powerful and reliable war deterrent, which no force and nothing can reverse.”⁷ Kim stated that, vis-a-vis the United States, “[t]he whole of its mainland is within the range of our nuclear strike and the nuclear button is on my office desk all the time.” As for the future of the DPRK nuclear and missile programs, Kim stated that it was time to “mass-produce nuclear warheads and ballistic missiles, the power and reliability of which have already been proved to the full, to give a spur to the efforts for deploying them for action.”⁸ This suggests that the weapons programs have reached a stage at which the North Koreans believe no further launches or detonations are necessary strictly from an engineering sense. If that is the case, the absence of further testing should not necessarily be taken as for the purpose of diplomatic outreach. North Korea may consider it wholly within its right to engage in “mass production” of missiles and nuclear warheads even as talks are ongoing.

Pyeongchang Winter Olympics

Following the New Year’s Day address, talks were held between North Korean and South Korean negotiators at the border village of Panmunjom in the demilitarized zone (DMZ). North Korea offered to send a delegation of athletes, a cheering squad, and a performance-art troupe to the Winter Olympics in South Korea.⁹ The two countries agreed to march under a “united Korea” flag and to field a joint women’s ice hockey team. The “Olympic Peace” served both sides’ short-term interests. South Korea received assurance that North Korea would not attempt to disrupt the Winter Olympics. North Korea was able to demonstrate that it was not isolated within the international community and received 600 all-expense paid vacations for Kim loyalists to attend the games and to visit South Korea.

The North Korean delegation at the talks included North Korea’s nominal head of state, Kim Yong-chol, who acted as chair of the delegation, and Kim Jong-un’s sister, Kim Yo-jong, who delivered an invitation to Moon Jae-in to meet with Kim Jong-un. South Korea’s former vice foreign minister from 2012-2013, Kim Sung-han, stated that “North Korea clearly appears to be winning the [diplomatic] gold...Its delegation and athletes are getting all the spotlight, and Kim Jong Un’s sister is showing elegant smiles before the South Korean public and the world. Even for a moment, it appears to be a normal state.”¹⁰ U.S. vice president Pence also attended part of the games but received mixed reviews for his studied seriousness.

A Third Inter-Korean Summit

Since the end of the Winter Olympics in late-February, North Korean and South Korean negotiators have held a series of working-level meetings culminating in the announcement on March 28 that the third inter-Korean summit will be held on April 27 at the border village of Panmunjom. Another working-level meeting will be held on April 4 in preparation. The two previous inter-Korean summits held between Kim Jong-il and Kim Dae-jung in 2000 and Roh Moo-hyun in 2007, respectively, were in Pyongyang.¹¹ The agreement to hold the 2018 inter-Korean summit at the Peace House on South Korea's side of Panmunjom is significant in breaking with the past pattern of inter-Korean summitry.

ROK unification minister Cho Myoung-gyon stated that "Both sides will continue working-level discussions (on the agenda) while focusing on the issues surrounding the denuclearization of the Korean Peninsula, the stabilization of peace and the development of relations between the South and North."¹² The March 5-6 inter-Korean meetings, held in Pyongyang at the headquarters of the Korean Workers' Party with a high-ranking delegation, was significant for being the first known instance of Kim Jong-un meeting with South Korean officials, and the first high-level South Korean visit to North Korea in a decade.¹³ The South Korean delegation was led by National Security Chief Chung Eui-yong, and included South Korea's chief of the National Intelligence Service, Suh Hoon. North Korea's state-run Korean Central News Agency (KCNA) hailed the meeting as an "openhearted talk" focused on "improving the North-South relations and ensuring peace and stability on the Korean Peninsula."¹⁴ Kim Jong-un reportedly told the South Korean delegation that he wants to "write a new history of national unification."¹⁵

Offer to Meet President Trump

The South Korean delegation led by Chung Eui-yong then traveled to Washington, D.C. on March 8 to brief the White House on the delegation's meeting in Pyongyang and delivered an unwritten invitation from Kim Jong-un to meet with Trump. After the debriefing, Chung spoke to reporters outside of the West Wing and said that Kim Jong-un had "expressed his eagerness to meet President Trump as soon as possible," and that Kim is "committed to denuclearization" and would "refrain from any further nuclear or missile tests."¹⁶ Chung also said that Kim Jong-un had expressed understanding that joint U.S.-South Korean military exercises would move forward this year,¹⁷ marking a break from past North Korean calls to end the military exercises. The White House and Trump confirmed later that day that a meeting was "being planned."¹⁸

Joshua Pollack told CNBC that "The South Koreans have been pushing the North Koreans to interact with the Americans, so it may be the case that Kim made the gesture of an invitation to demonstrate his good faith to the South Koreans, not expecting that it would go anywhere...So I suspect that Kim also may have been surprised."¹⁹ Lisa Collins also told CNBC that "North Korea may have been surprised by Trump's immediate acceptance of the offer to hold a U.S.-DPRK summit and may be carefully planning a response...or they could also be dragging out their answer to create even greater suspense and drive more attention to the issue. The intense focus on the summit outcome could then be used as bargaining leverage for negotiations."²⁰

It is possible that the Kim regime is remaining silent “to play psychological games with its adversaries in a bid to create leverage,” as Bryan Harris has reported for the *Financial Times*.²¹ Harris in his article also highlights the precarious position that Kim Jong-un may be facing in relaying to South Korean envoys, and later to Xi Jinping, his willingness to discuss denuclearization. Jeon Young-sam of South Korea told the FT that “For us, nuclear bombs are a strategic military weapon. For North Koreans, the nuclear concept is almost equivalent to religion. It is a psychological safeguard for them...So it is risky for the regime to announce a meeting with the US and to say that it is now on the path to de-nuclearization. The betrayal would be huge for North Korean people as they have long cherished the nuclear program.”

DPRK Foreign Minister Visit to Sweden: March 15-16

DPRK Foreign Minister Ri Yong Ho visited Sweden from March 15-16 for talks with Swedish foreign minister Margot Wallstrom. The Swedish government's press release on the talks stated that they would “focus on Sweden's consular responsibilities as a protecting power for the United States, Canada and Australia. They will also address the security situation on the Korean Peninsula, which is high on the Security Council agenda. Sweden is a non-permanent member of the Security Council in 2017-2018.”²² The specifics of the meeting between the two foreign ministers were uncertain. Jim Hoare, Britain's former charge d'affaires in Pyongyang, said, “The Swedes have this long-established presence in North Korea, so since the 1990s, they've particularly looked after US interests...[T]here is a long record of Sweden interacting with North Korea on behalf of the Americans. There is this tradition, this link.”²³

One possible reason for the meeting, given the timing, was that North Korea may have been considering whether the proposed meeting between Trump and Kim Jong-un might be held in Sweden, particularly given Sweden's history of neutrality. Second, it was long rumored that Sweden was acting on behalf of the United States to secure the release of the three U.S. citizens most recently imprisoned in Pyongyang. The release of Otto Warmbier in 2017 was mediated by Swedish diplomats. Such a demonstration of good will on behalf of North Korea would put them in a favorable negotiating position, possibly even to receive sanctions relief. Either way, Trump likely would feel the need to reciprocate.

Then again, it would not be shocking if Ri Yong-ho may have been sent to discuss whether Kim Jong-un might receive the Nobel Peace Prize for this year's spate of diplomatic engagements. Former South Korean president Kim Dae-jung received the Nobel Peace Prize in 2000 “for his work for democracy and human rights in South Korea and in East Asia in general, and for peace and reconciliation with North Korea in particular.”²⁴ As outlandish and unlikely as this may seem—given the Kim regime's well-documented human rights violations and crimes against humanity—Kim Jong-un may view the possibility as no more than his due.

Kim Jong-un's Visit to China

Kim Jong-un made a visit to Beijing, his first known trip outside of North Korea since he took power in December 2011 after the death of his father, Kim Jong-il. Kim Jong-il held a meeting in 2000 with President Jiang Zemin before an inter-Korean summit in June. With

Kim Jong-un's summits scheduled with Moon Jae-in and Trump, there are several possible reasons for why the North Korean regime might have felt that a visit to China was necessary. First, as with the meetings with the South Korean and U.S. presidents, the meeting with Xi Jinping plays into Kim Jong-un's push to present himself as a world leader—advantageous both at home and abroad. It would have seemed bizarre to have met with Trump before he met with Xi Jinping. Second, Xi has met with Trump and may have advice for Kim Jong-un on how to handle his meeting to maximize North Korean gains. Trump has expressed his admiration for the Chinese leader. Kim might have benefited from Xi's advice on how to conduct himself in a meeting with Trump.

Third, China is North Korea's only ally and its largest trading partner. It is in North Korea's interest to create the appearance that it has China's backing before going into a meeting with South Korea and the United States. Reaffirming the alliance may offer Kim Jong-un a way of offsetting his disadvantageous position vis-a-vis the U.S.-South Korean alliance. Fourth, Moon Jae-in has been pursuing a trilateral meeting between South Korea, Japan, and China. Having Moon meet Xi and not having Kim meet Xi would have set North Korea at a diplomatic disadvantage. Fifth, Kim Jong-un may also have been looking for an assurance from Xi that North Korea would not face tougher sanctions were talks with South Korea and the United States to collapse and North Korea publicly resumed developing its missile and nuclear capabilities.

Lastly, summits with South Korea and the United States present Kim Jong-un with the opportunity to reset North Korean relations with China. Dean Cheng pointed out that Kim Jong-un can say to Beijing, "I have an independent foreign policy. I can meet the United States and South Korea if I want to. What can you do to lift these sanctions?" North Korea can use its new diplomatic position to attempt to gain concessions from Beijing or set a new course through its interactions with South Korea and the United States. Xi, for his part, does not want to be left out of developments surrounding the Korean Peninsula.

What Does the Kim Regime Want?

North Korea will have several diplomatic objectives for 2018 and beyond. They are not mutually exclusive. Even how they are prioritized may be a matter of opportunism rather than a carefully thought-through diplomatic strategy. For the purposes of this paper, they can be grouped into three categories: 1) the status of the Kim regime, 2) the end of "hostile acts" from the United States and South Korea, and 3) settlements. This categorization is conceptual rather than real but provides one framework for thinking about how North Korea approaches diplomacy.

1) Status of the DPRK

This first set of North Korean objectives deals with the Kim regime's interest in regime survival and how it wants to be regarded by the international community. To an extent, the former depends on the latter.

Kim Regime Survival

Though this may be the most obvious of the Kim regime's objectives, it should be born in mind because it is the primary motivation behind the diplomatic outreach. Kim Jong-un's desire is to live to an old age and to have his family secure in their grip on North Korean

leadership for future generations. Now that he reportedly has children, he probably is thinking in longer terms and more dynastically than ever. The obverse is also true, he does not want to be the Kim that lost control of power in North Korea.

If Kim Jong-un has come to believe that the United States is increasingly preparing for war on the peninsula, Kim's diplomacy may be designed to defuse tensions: if he believes that North Korea's nuclear deterrence makes him immune to international pressure, Kim may choose more belligerently provocative tactics, whether conventional military or cyber, to achieve his objectives. This has been referred to as the stability/instability paradox.²⁵ Either way, regime survival will be the motivation behind the tactics that the Kim regime has employed to remain in power. The problem for Kim is that he cannot be sure which path is more likely to ensure regime survival: defiance and demonization towards external powers, or accommodation with them.

Legitimacy

The Kim regime has long sought to be recognized as the legitimate government of North Korea, an objective which has been thwarted by the continuing, inconclusive outcome of the Korean War as both Koreas became United Nations members, while each claimed to be the legitimate authority over the other's territory. American commentators have been dismissive in the past of North Korea's claims to be interested in negotiating a peace treaty to replace the armistice that ended the Korean War. They have considered it a cynical ploy, intended to waste time while North Korea continued its pursuit of a nuclear arsenal, and a transparent move on North Korea's part to put the continued presence of U.S. forces on the peninsula on the negotiating table.

In the longer-term however, it would seem in North Korea's self-interest to remove South Korea's claim to be the sole, sovereign authority over the peninsula. That would probably require abandoning North Korea's mirror claim over the South, but if the goal is perpetuation of Kim dynastic rule over North Korea, removing alternative claimants, such as those in the South Korean constitution, would seem a logical objective.

Recognition as a Nuclear State

Part of North Korea's drive is to be taken seriously by the international community, and to be regarded as a peer of the larger nuclear powers, rather than as what it is in reality—small, isolated, and poor. The U.S. Central Intelligence Agency's estimate of the North Korean GDP, approximately \$40 billion per year,²⁶ puts the size of its economy on a par with that of Des Moines, Iowa.²⁷ Although North Korea has declared itself to be a nuclear power, as in Kim Jong-un's New Year's address, it has also endeavored to be recognized as such by South Korea, the United States, China, and Russia, but has been rebuffed so far. Evan Medeiros, Asia director at the U.S. National Security Council under Barack Obama, believes this is a key motivation for Kim Jong-un's offer to meet Trump: "This move is vanity over strategy," he said. "It validates and advances Kim's goal of being recognized as a de facto nuclear state. You don't give away a presidential meeting for nothing. What did we get for this? Nothing."²⁸

Michael Green agrees: “It fits North Korean long-term objectives, not U.S. goals. President Trump brags that no previous president was bold enough to meet with a North Korean leader — but this was not for lack of trying by Pyongyang, which almost lured Bill Clinton to visit in 2000 and made several backchannel overtures to George W. Bush. The North’s objective since the 1990s has been to demonstrate that nuclear weapons have forced American presidents to acknowledge the regime’s legitimacy. Clinton almost fell for it in 2000. George Bush never came close. Now an American president has been delivered. Well played, Pyongyang.”²⁹

Despite North Korea’s reported willingness to discuss “denuclearization,” much depends on what is meant by the term. The United States has been clear that denuclearization means the complete, verifiable, and irreversible dismantlement of North Korea’s nuclear weapons arsenal and program. North Korea, for its part, consistently refers to the “denuclearization of the Korean Peninsula,”³⁰ which analysts believe may mean the withdrawal of U.S. forces from Northeast Asia and U.S. disavowal of extended nuclear deterrence for South Korea and perhaps Japan.

The deal North Korea may be seeking would involve a long term—perhaps a *very* long term—commitment to eventual denuclearization but temporary, de facto, recognition that it is a nuclear power.

2) An End to “Hostile Acts”

North Korea has long demanded an end to the “hostile attitude” and “hostile acts” of the United States towards North Korea. What it considers acts of hostility may range from specific economic sanctions, to joint U.S.-South Korean military exercises, to criticism of North Korea’s human rights record. Leaving a cessation of “hostility” loosely defined would likely give North Korea the excuse to claim at a future point of its choosing that the U.S. had violated whatever settlement may emerge from negotiations.

Sanctions

Economic sanctions have been placed on North Korea by the UN, the United States, the EU, South Korea, and Japan to press it toward denuclearization, to punish it for illicit activities such as money laundering and cyberattacks, and in reaction to human rights violations.³¹ There is a rich literature regarding sanctions policy towards North Korea. North Korea watchers debate their effectiveness, but it is clear that Pyongyang wants them lifted. North Korea has described the sanctions as ineffective while at the same time railing against their viciousness.

Ro Jong-hyok, the deputy head of North Korea’s Supreme People’s Assembly and director of North Korea’s National Reunification Institute, called for an end to the sanctions and pressure on Pyongyang during an Inter-parliamentary Union meeting in Geneva in late March 2018. Ri said at the meeting, “Now is the high time to put an end to the U.S. anachronistic anti-DPRK hostile policy and its futile moves of sanctions and pressure...The United States should properly understand our position and come out in a manner of sincere and serious attitude for positively contributing to maintaining peace and stability on the Korean peninsula.”³²

U.S.-ROK Military Exercises

The United States and the Republic of Korea have for many years conducted annual joint military exercises under the auspices of the Combined Forces Command and under the supervision of the Neutral Nations Supervisory Commission (to ensure that there are no violations of the Korean Armistice Agreement) recently under the titles Ulchi Freedom Guardian, Foal Eagle, and Key Resolve. The exercises are intended to ensure readiness, to practice interoperability between U.S. and ROK forces, to signal deterrence towards North Korea, and to provide assurance of the continued U.S. commitment to the alliance. North Korea has long condemned the military exercises, calling them “rehearsals for invasion.”³³ In an unsuccessful attempt to coerce suspension of the February 2011 joint exercises—in the wake of the sinking of the *Cheonan* and the bombardment of Yeonpyeong Island in 2010—North Korea’s military threatened a “merciless counteraction as engulfing Seoul in sea of flames.” KCNA urged “direct fire at sources of the anti-DPRK psychological warfare to destroy them on the principle of self-defense.”³⁴

The United States and South Korea have shown flexibility towards the exercises in the past, cancelling scheduled Team Spirit exercises between 1994 and 1996 in response to diplomatic thawing with North Korea after the signing of the Agreed Framework. North Korea has never offered to suspend its own annual military exercises and has a history of withdrawing from talks with the excuse that U.S.-ROK exercises had made talks impossible, such as in response to the Team Spirit exercises in 1986 and 1993. Remarkably, it, according to the South Korea government, did not call for a suspension of the planned April 2018 joint exercises as a precondition for the Kim-Moon summit or the Kim-Trump summit. This may have been because of the “Olympic Peace” arrangement which called for a delay in the joint exercises until after the Olympic Games. North Korea may have chosen to honor its commitment to not object to the April joint exercises rather than to be accused of bad faith before new talks had even begun.

Human Rights

North Korea’s abysmal record of human rights violations has drawn international condemnation for decades. Prior to 2014, North Korea took an attitude of ignoring the complaints or lightly dismissing them as lies concocted by anti-North Korean forces. That approach changed after the 2014 publication of the finding of the United Nations Commission of Inquiry on Human Rights in North Korea.³⁵ Since then, North Korea has attempted to more aggressively defend itself, including by dispatching senior officials to rebut the accusations and accusing its accusers of human rights abuses of their own.³⁶ The change of tactics in dealing with accusations of human rights abuses may have been triggered in part by the thorough, well-documented, convincing, and horrific nature of the UN COI report. It proved more difficult for North Korea to ignore than previous NGO reports and individual defector testimonies. The change may also have been prompted by the advent of social media, which has provided a network for human rights activists and the defector community, mobilizing public opinion more than was previously possible. Because of increased pressure over its human rights record—up to and including the possibility of regime members being put on trial for crimes against humanity as recommended by the COI—Kim Jong-un probably would seek to categorize accusations of human rights abuses as part of the United States’ “hostile attitude,” to which he would seek to negotiate an end.

International Community Coordination

North Korea has criticized international coordination as part of the “racket” against North Korea. Although such cooperation may not qualify overtly as a “hostile act,” North Korea will certainly hope through bilateral diplomacy to drive wedges among the United States, South Korea, Japan, China, and Russia. The desire of all to not be sidelined in the course of diplomacy during 2018 will give North Korea considerable leverage in bilateral talks. That could be countered by close consultations among them, but that may not be possible because of the levels of mutual suspicion among them, along with domestic pressures to protect their various specific national interests.

There may be advantages to starting with bilateral talks between North and South Korea, and between North Korea and the United States. Bilateral talks may provide for more frankness and more flexibility than would a larger multilateral format such as the Six-Party talks. However, any meaningful and durable settlement will require at least the acquiescence if not the active participation of the six countries. Their ability to support or obstruct an agreement on the peninsula means that they must have an eventual role.

3) Settlements

Although related to status, the idea of settlements is separate. North Korea will seek status and recognition in any negotiation but creating a fundamentally new and stable equilibrium on the Korean Peninsula will eventually require settling long-unresolved issues. They may be deferred in the interest of resolving current tensions, but they will have to be addressed sooner or later.

Peace Treaty

The current armistice leaves legitimacy in question, now perhaps more for North Korea than South Korea. As the overwhelmingly more successful of the two countries, South Korea poses a greater long-term threat to North Korea than the other way around. Its power of attraction is great. If the border between the two grew porous, culturally and economically, North Korea would struggle to have a competitive advantage in anything. That makes it important for North Korea to shore up its legitimacy as a full and equal signatory to an eventual Peace Treaty, the terms of which it would depend upon to defend itself against South Korean superiority.

Security Assurances

North Korea would seek, although it may not expect to achieve, an end to the U.S. military presence on the peninsula. If the armistice could be replaced by a peace treaty, North Korea would argue that there would be no further justification for U.S. forces to be in the area, or for a U.S.-ROK alliance. However, even if a peace treaty were achieved, the U.S.-ROK alliance would likely remain in place. The United States and South Korea maintain that the alliance is about more than defending South Korea from an attack by North Korea. South Korean forces fought in the Vietnam War and in the Iraq War in 2004.

During Trump’s state visit on November 7-8, the White House published a joint press release in which “President Trump and President Moon affirmed that United States-Republic of Korea cooperation on global issues is an indispensable and expanding aspect of our Alliance and decided to advance future-oriented cooperation through high-level consultations in the areas of energy, science and technology, space, environment, and health.

They announced a new Partnership in Energy Security, Health Security, and Women's Economic Empowerment."³⁷

Regardless, the Kim regime will view the continuation of the alliance as threatening to his regime, even after a peace treaty is signed. North Korea will continue at the very least to call for the removal of U.S. forces from South Korea, an end to U.S. naval and air force operations near the peninsula, and perhaps even from Japan. The nature of the "security assurances" that will be sought by North Korea likely will be a significant sticking point.

It would seem symmetrical for China to guarantee North Korea's security as the United States guarantees South Korea's. However, North Korea is suspicious of China's intentions and has not hosted Chinese forces in North Korea since the end of the Korean War. It seems unlikely to be willing to count on China to defend its sovereignty. For North Korea, the question of whether to trust the United States will prove more important than whether it can trust China.

Reunification of the Korean Peninsula

North Korea watchers differ as to whether the "real goal" of Kim Jong-un is simply regime survival or whether he has an ambition to unify the Korean Peninsula on North Korea's terms. On the one hand, it seems improbable that he could believe that North Korea could dominate the advanced, rich, and democratically feisty ROK. As one South Korean told the author, "We rose up against our own President (Park Geun-hye), we certainly wouldn't put up with being ruled by Kim Jong-un!" On the other hand, Kim Jong-un's speech to the Party Congress in Pyongyang in early 2017 was explicit in saying that a socialist unification of the peninsula was the North Korea's goal and destiny. Removal of U.S. forces from South Korea is a step in that direction.

It seems most likely that Kim does not regard regime survival and unification as competing goals—they may be mutually reinforcing. However, because unification by force or coercion does not seem within North Korea's grasp, it may be a goal deferred until an opportunity presents itself.

Kim Jong-un may be willing to put off the issue of unification because Moon Jae-in seems similarly inclined. In his public statements, President Moon speaks of unification as a goal, but a distant one. His vision seems to be one of the two Koreas growing together organically through trade, investment, and people-to-people ties. The process he envisions seems similar to that of European integration, a slow, practical melding until unification is achieved at some barely-perceived point in the process.

North Korean Diplomacy through 2018

Key dates matter to the North Koreans. The year 2018 marks the deeply significant 70th anniversary of the founding of the DPRK on September 9, 1948. Given the auspiciousness of the year, Kim Jong-un will be motivated to make large strides in domestic programs and in international engagement. He may also be opening up diplomacy in order to have a period of stability leading up to the celebrations. With the rapid pace of developments, North Korea may have to struggle to avoid a breakdown of talks in advance of the September 9

anniversary date—especially given the stated suspicions of U.S. officials keen to avoid “the mistakes of past administrations.” It may be under pressure to make concessions as well as to demand them.

Apart from September 9, other dates may influence the course of negotiations this year. One that has passed was Kim Jong-il’s birthday on February 16, which coincided with Lunar New Year and was celebrated in 2018 with “modest celebratory events” and a visit by Kim Jong-un to his father’s mausoleum.³⁸

Apr 15	Birth Date of Kim Il-sung
Apr 25	Chosun People’s Army Foundation Day
Jun 6	Chosun Children’s Union Foundation Day
Jun 19	Great Leader Kim Jong-il Day
Jul 27	Day of Victory in the Fatherland Liberation War
Aug 25	Day of Songun (“Military First” doctrine)
Sep 9	National Day
Oct 10	Korean Workers Party Foundation Day
Dec 24	Birth Date of Kim Jong Suk (anti-Japanese war heroine, Kim Il-sung bodyguard, “great mother of the revolution.”)
Dec 27	Constitution Day

How many summits Kim Jong-un will hold during 2018, first with China, then South Korea the United States, then perhaps, Japan, and Russia—or with some combination of the above—is currently unknown. What we have is North Korea’s intention, at least as relayed by Chinese reports of his meetings in Beijing: “‘It is our consistent stand to be committed to denuclearization on the peninsula, in accordance with the will of late President Kim Il-sung and late general secretary Kim Jong-Il,’ Kim said, referring to his grandfather and father, according to the statement by China’s foreign ministry.”³⁹

Conclusion

Some observers believe that a summit between Kim Jong-un and Donald Trump is merely a North Korean ruse to attempt to ease sanctions on North Korea, and to gain the legitimacy that Kim Jong-un would expect from being able to achieve a meeting with a sitting U.S. president, an objective that both Kim Il-sung and Kim Jong-il failed to achieve. Kim Jong-un and Trump may share a common desire to achieve feats that eluded their predecessors. Others have suggested that Kim Jong-un may now genuinely believe that the United States is prepared to strike North Korea in order to prevent North Korea from being able to gain the ability to attack the U.S. homeland with a nuclear-tipped ballistic missile. Observers in this camp look to Trump’s belligerent rhetoric of 2017 and his recent appointment of John Bolton as national security advisor, who has openly advocated for the legitimacy of a first strike on North Korea,⁴⁰ as signs that the U.S. may seriously consider a military option.

Two other possible reasons for the current outbreak of diplomacy may be: 1) that economic sanctions are working—Kim Jong-un may prefer to negotiate before his foreign currency reserves are depleted and while he is not yet in desperate economic straits, a situation he may foresee within months; and 2) after the rapid pace of missile and nuclear testing, North

Korea may need a pause to analyze data and prepare future tests. If they have to pause for engineering reasons, why should they not take advantage of the opportunity to pretend to be interested in diplomacy—to appear to be taking the high road for the time being?

Summitry without deep preparation poses high opportunities and high risks. The risks are threefold: 1) if the inter-Korean summit goes well but the Kim-Trump summit goes badly, it could drive a wedge in the alliance—the U.S. side might appear to be the obstacle to progress being made between the two Koreas; 2) in their haste to achieve a deal quickly, Kim Jong-un and Trump may rush into an unsustainable or destabilizing agreement, for example one that would require the withdrawal of U.S. forces unrealistically soon or that would commit North Korea to an intrusive inspection regime that it would be unable to honor once it understood what was expected of it; and 3) a breakdown of negotiations would increase the chances of war even beyond what they were before the end of 2017 because the diplomatic route would have been tried and failed, perhaps reducing the number of options to one.

However, the United States may have little choice other than to negotiate now that North Korea has extended the invitation. The point of U.S. “maximum pressure” and isolation was to lead North Korea to the negotiating table. If they have agreed to negotiate, is this not what success is supposed to look like?

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North Korea's Economic Strategy, 2018

William B. Brown

This chapter takes the perspective of North Korea's leadership as it confronts difficult economic problems in the remaining months of 2018. The major current and potential issues are listed and prioritized. Short and longer-term remedies are presented, each with trade-offs that affect other economic and policy issues. Given the absence of direct reporting from North Korea, the issues and debates presented are speculative, designed to give the reader a more comprehensive understanding of North Korea's current problems than is ordinarily presented in western media. Kim Jong-un's recent diplomatic offensive, reaching out to South Korea, China, and the United States is, in this view, suggestive of these internal economic troubles in addition to the nuclear security issues.

The troubles are both short-term—the collapse in trade with China in just the past few months—and long-term, the slow-motion collapse of the communist country's "command" economy. And much more than in the past, the problems relate to the regime's unusual and dangerous monetary system, money being a normal issue for most governments but a relatively new one for this still partially rationed, or planned, oriented system. The leadership may have little choice but to let the domestic economy move further from the plan—allowing decentralized market and private activities more sway—than ever before. This would help cushion the central government from losses due to the sanctions and open the door to a much more prosperous future. Without major moves in this direction, inflation and unemployment may cascade into social crisis. It should be noted, that the recent Assembly Meetings, which annually focus on the economy, gave little official indication of policy changes, only a sense of digging in further to protect the regime from outside forces. But just a week later, Kim may have telegraphed an upcoming sea change when, in his address to the Party Central Committee plenum, that he is instituting a new Party Line, socialist economic construction, as the total focus of the Party and the country. Major changes, if they are to occur, will likely come after the upcoming important summits with South Korea and the U.S.¹

There is little doubt that the economy in 2018 is in very poor condition, delivering one of the worst productivity rates—productivity in terms of labor and of capital—in the world, but it is important to recognize that this is due not to natural circumstances but to decisions the government has made over the years, and trade-offs it has already made. This suggests that astute government policy can create solutions and restore growth. Remedies of the sort expressed here, for example in liquidating, that is selling or leasing state assets to private buyers, raising fixed prices for state delivered electricity and for water and other utilities, and giving large pay raises to the millions of state workers who now rely on rations, while culling their numbers, would require difficult economic and social trade-offs; one might say there is no free lunch for Kim and his regime although no doubt they are looking for one, even in these summits. The chapter discusses just what kinds of decisions might be made and the likely consequences. Negotiations being set with South Korea and with the United States, and likely more discussions with China, may weigh heavily in how far Pyongyang will be willing to go in these respects. In my view the regime will be looking for: outright aid, payments for pushing back the nuclear weapons program, and premature relief from sanctions, which would only give the regime time to avoid the hard choices needed to permanently fix the broken economic system.

Key Players

Rather than taking the perspective of the single leader, Kim Jong-un, we treat economic issues as being dealt with by his cabinet and the government's many ministries, since the level of technicality is high and no one person could ever hope to make all the decisions even at a high level. Kim likely has a veto over any decision, even if he delegates the running of much of the government. By himself, he cannot change the nature of the problems facing his cabinet nor can he dictate the results, unless, that is, he suddenly agrees to end his nuclear weapons program. But even in that event, and removal of sanctions, problems would be severe, and reforms needed.

Key individuals in the cabinet and associated agencies are assessed to be:

- Pak Pong-ju, Premier of the DPRK Cabinet
- Roh Tu-chol, Vice Premier and Chairman of Planning Commission
- Kim Chon-gyun, President of the Central (Chosun) Bank,
- Kwak Pong-ki, (just retired) KWP Finance Chairman and Director Planning and Finance
- Chairman of the price setting commission
- Chairman of the state budget commission
- Chairman of each of the major industry divisions.

Of these, Pak and Roh are likely the most important. Both are survivors of purges, and Pak was close to both Kim's aunt, Kim Kyong-hui, and her late husband, Jang Song-thaek, who was executed by the regime in 2013. Over the years he has been associated with the dangerously deficient electric power sector and the light industry and textiles sector currently under UN and Chinese embargo. Roh has been his deputy in former positions and is now in charge of the all-important planning commission. The two were implicated in failed attempts to change the price system a decade ago, which some would argue were an effort at reform, but nevertheless have survived. Their experience and indispensable knowledge of North Korean industry may position them to give wise guidance to Kim Jong-un who, doubtlessly, can make or break any attempt to reform the country.²

Issues Confronting the Cabinet in 2018

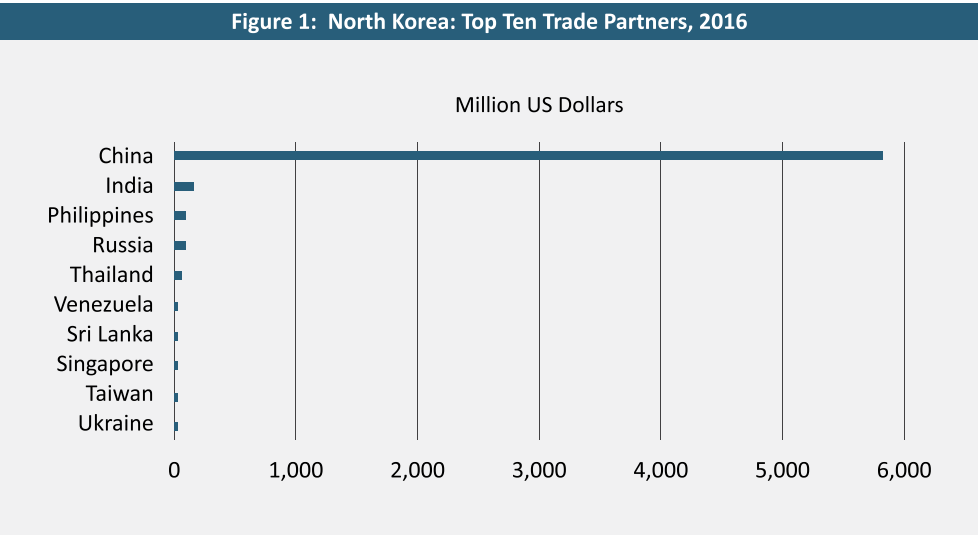
Not since the famine of the mid-1990s has North Korea faced a more challenging economic environment. For the populace, the situation is not nearly so dire as it was in that period, but for the regime it is more complicated and involves much more political and financial risk. In the past, poor decisions meant people would starve and industries would close, but the regime, secure behind its command, or slave-like, economy, could hold fast. Now, poor decisions could bring the weakened socialist system to collapse with unknown consequences for the incipient market economy. Good decisions, in contrast, could move the economy well on the path to economic revitalization and reform. Positioned thus between progress and failure, Kim and his lieutenants must be facing very high tensions.

Of critical importance, economic authorities must, at all costs, prevent:

- A collapse of its currency, the won, leading to hyperinflation and popular unrest.
- A cutoff in Chinese crude oil deliveries that would strangle transportation and the military.
- A bad harvest that would lead to the need for grain imports which the country cannot afford.

They must work rapidly to defang UN and especially Chinese trade sanctions that are now aimed at crippling the general economy, not just raising the costs of the nuclear weapons program. And they must continue to give at least lip service to Kim’s “byongjin” mantra, the creation of a powerful and prosperous country.

As for the disastrous foreign trade situation, exports in the early months of 2018 to China, by now North Korea’s most significant trade partner (Figure 1), fell 85 percent from 2017 levels and imports began what looks to be a similar slide, down 30 percent in February from February 2017 (Figure 2).³



Source: Global Trade Atlas, February 2018 data.

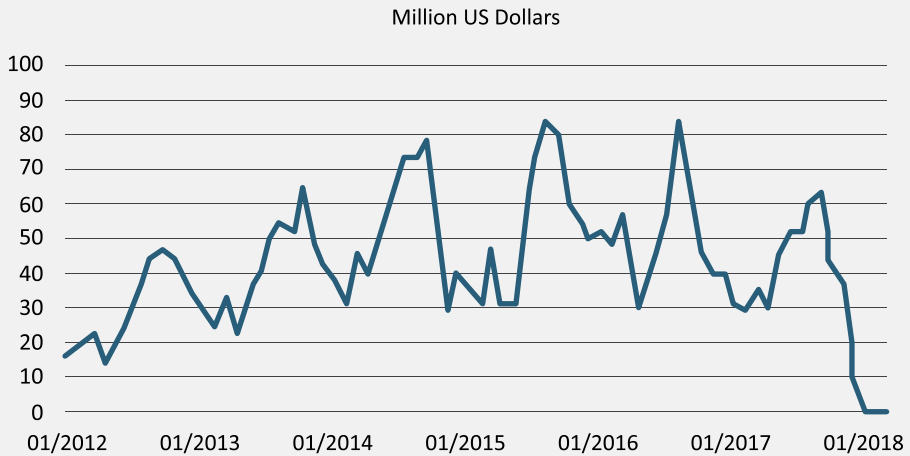
Textiles, one of the country’s fastest growing industries in recent years, is experiencing a total collapse in external demand (see Figure 3). Coal and iron ore mining have also lost their large overseas markets, as has fishing. Even more surprising, imports of vital products, such as all petroleum products, grain, all electrical and non-electrical machinery, and vehicles, have fallen to near zero. Imports of consumer goods are down sharply as well. Except for petroleum products, North Korean imports are generally not sanctioned; so, the falls indicate a combination of even tougher action by China than required or a loss of hard currency by North Korean importers.

Figure 2: China-North Korea Trade: Jan 2012-Feb 2018



Source: Global Trade Atlas, Feb 2018 data.

Figure 3: China Imports of N. Korean Apparel Jan 2012- Feb 2018



Source: Global Trade Atlas, Feb 2018 data.

As discussed in some depth, below, falls of this magnitude cannot help but cause large reactions within the domestic economy and create jarring decisions for the government, for example on how to re-employ hundreds of thousands of textiles workers and miners. Ironically, to relieve growing pressures on the state's "command economy" decisions made by the cabinet may lead to much more liberalization, freeing large elements from the planned system. Without such a release, and a big move toward economic reform, the government may face financial crisis unlike any ever seen in North Korea. Ironically, North Korea's nuclear program, and the accompanying sanctions now applied strongly even by China and Russia, may thus be showing the way for the ultimate end of the regime's severe socialist system, and the advance of economic reforms that may save the country but not the regime. There is no doubt the regime will try to avoid that choice, probably hoping to garner aid from China, South Korea, and the United States in return for some slowing of the nuclear drive. Such aid, in the author's view, could forestall economic reform for some years but is unlikely to do more than patch the growing crevice in the failing state system.

Key economic decision areas for the regime can be loosely differentiated by macroeconomic and microeconomic topics.⁴ On a day-to-day basis, the gaps, that is critical shortages, likely dominate the decision-making process, and may leave no time or energy for tackling the state's fundamental macroeconomic confusion.

Sorting out Macroeconomic Confusion

Money and exchange rate management

Oddly enough, money management is likely a rather new concern for the cabinet, but it surely has come to the forefront. The Kim government has done a remarkable job gaining control over inflation, which was in double or even triple digits during much of Kim Jong-il's administration, and stabilizing the unofficial exchange rate. The problem is that this stabilization has been achieved by allowing foreign currencies, mainly US dollars and RMB, to enter the economy and be used on an equal or even preferential basis as the won. It is a complex and dangerous development—in effect, the foreign currencies serve as savings vehicles for a population that has never had a way to save for the future. And higher savings, all other things being equal, reduce consumption and thus tamp down inflation. Instead of hoarding rice, and pushing up its price, people can hoard dollars, relatively confident they can use them to buy rice if necessary. The trick for the government is to give the population confidence that it can easily exchange the domestic won for the hard currency. Otherwise, at the slightest worry, people will massively dump won and destabilize marketplaces. This happened several times in the 2000s but, by keeping the markets open, the Kim Jong-un regime has helped the won/dollar rate to stabilize. It has also vastly expanded the use of money in place of government promised, but often not delivered, rations.

This policy carries obvious dangers, and very few countries allow foreign currency to be used to the extent that North Korea now does. A stampede easily can develop, in which everyone rushes to change won to dollars, creating a spiralizing effect that devalues the won and pushes hyperinflation. In this environment, the cabinet must give very high priority to protecting the won, even in the face of rapidly increasing trade deficits brought on by sanctions. Its choice, up to now, appears to have been to peg the won to the dollar at 8,000

(Figure 4).⁵ This is relatively painless as long as the public has confidence the government can support that rate with reserve dollars and RMB. But any deviance from that rate could signal trouble and immediately cause a run on the currency. Decisions by the central bank governor, Kim Chon-gyun, will be critical. The government, together with the bank, must:

- a. Make every effort to increase hard currency inflows to offset sanctions related stoppages. This could include higher risk sales efforts abroad, as can be seen in ship-to-ship transfers and all kinds of smuggling. In a worst-case environment, it may mean making weapons deals with rich buyers whom it normally would shun, given the risk of detection.
- b. Import substitute where possible. This will be difficult since the country has long emphasized self-reliance and, except for some modern consumer products, imports only what it needs. Decreasing imports also have an inflationary impact and weaken already poor productivity.
- c. Restrain issuance of won credit. An extremely tight monetary policy is needed to counterbalance the likely outflow of dollars. But this will make funding government operations, running state enterprises, and investment spending of all kinds difficult.
- d. Sell won denominated bonds (the Foreign Trade Bank already sells some dollar bonds) and allow interest rates to rise to high levels to encourage won holdings, all an unmistakable bow to capitalism.
- e. Develop contingencies in case of a run on the won. A likely option would be to close markets and prohibit foreign currency trading wherever possible, as occurred in December 2009. But with both dollars and won in everyone's pockets, this could prove impossible to arrange, leading to another disaster, with people in the streets.

Figure 4: North Korea won per US dollar: 2012-2018



Source: Daily NK, various issues.

Budget Management

The Worker's Party and the legislature meet in April to rubber stamp the government's annual budget. Many speeches are given but little information or data are provided. This year was no different and speeches gave no hints at any change in policies, despite the obvious crisis that has developed in the external sector. Kim Jong-un chose not to attend, perhaps suggesting policy is in flux, likely given the uncertain but important results of the coming diplomacy.⁶ Behind the door solutions, all of which require important trade-offs, could include the following:

- a. Raise taxes and fees to try to create a state surplus. The state has long boasted that it does not tax; so, this will be unwelcomed by the population, many of whom will not be able to pay any tax. Fees, moreover, drive a big wedge between those on fixed and low state incomes and those who earn much more in the market places.⁷
- b. Reduce state spending to the bone, including for the military. Cut more state enterprises out of the system, forcing them to fend for themselves, including illicit trading. Allow more military units to engage in money making activities. Consider pausing the universal draft, allowing young men to directly engage in private production of goods and services.
- c. Forcing loss-leading state enterprises to go off budget and off plan, or, as Pyongyang puts it, use the independent accounting system. The capital is still owned by the state but profits from its use, and the use of their extremely poorly paid work forces, can accrue to the managers. On their own, such factories often become more productive, buying and selling products in the markets and engaging in foreign trade. But many no doubt would fail, leaving their employees with no assets and no income.
- d. Sell important state assets (the state, in effect, owns the whole country), and allow state enterprises to sell or privatize theirs, to pull in money. This will be the most attractive option to many, and is already being done on the margins, but also has unmistakable connotations of beginning Chinese style, or capitalistic, reforms. A party fight could begin over this sensitive issue; how Kim and senior officials, such as Pak Pong-ki and Roh Tu-chol, line up will be critical.

Constructing the Economic Plan

Despite all the talk of markets, North Korea still has a planned economy and the planning commission must try to allocate goods, services, and labor among state enterprises and the government. Millions of workers, perhaps half the country, rely on this system as does the entire public for essential products and services, including much of the food supply, fuels, electricity, heavy, and some light industry, mining, general infrastructure, social services and, education, and of course the huge military.

Kim's New Year's address laid out the government's economic priorities in very general terms, but the planners must do the more difficult work of specifically allocating resources among competing needs.⁸ Machinery factories, for example, are not supposed to purchase their inputs from suppliers using a market price mechanism but instead are allocated inputs based on the plan, and they do not sell but simply allocate their final products to other factories. This is an incredibly complicated process, and it has, largely, broken down,

with enterprises dealing with each other almost on a barter basis. But for many inputs, for instance, electricity and steel, and for all their labor, they still depend on the planned allocations.

Given the sanctions related drop in exports, this year the plan will have to scramble to reallocate inputs and outputs, and one can imagine a highly contentious process. Kim's address hints at this problem, saying local firms need to fix their own problems.⁹ If, for example, hundreds of thousands of textile workers are suddenly not producing for export, what are they supposed to be doing? In these circumstances, cabinet-level interference between industries is likely to absorb much of the government's energy.¹⁰

Market Liberalization

The Kim regime has survived, and in some ways prospered, by allowing continuous growth in market activity often at the expense of state enterprises and state control. Decisions will have to be made on how far they want this to go. At this point, price regulated consumer goods markets are quite prevalent. Hundreds of large government-sponsored marketplaces exist with rules set, and prices capped, for most consumer products. Policy issues surrounding these marketplaces, however, are huge. They include:

- The market regulations, fees, and price caps naturally create illegal trade activity outside the market places that currently do not appear to be policed.
- The government still provides most services, such as education and health care, but markets are developing for these and many other services and are much more difficult for the state to regulate. Pay for state service workers is abysmal.
- Labor markets are undeveloped, with most citizens having both state sponsored and private occupations. Pyongyang increasingly must deal with these inherent contradictions. State set wages, for example, probably average around 4,000 won per month, sustainable only with access to government provided rations of food, housing, and essential services. In the market economy, wages, more like contract earnings, may average a hundred times more than that, still a small income but enough to survive independent of the state. Tensions between the two wage systems, however, must be huge and growing. In the past, when such large gaps appeared between private and state workers, the state raised its salaries to match the market. In current circumstances, this would crush the state budget and lead to hyperinflation.
- Capital markets are developing spontaneously given the use of money throughout the system but are highly inefficient, small scale, and dangerously open to speculation and panic. The role of the incompetent banking system, needs to be examined and bolstered but this would require acceptance of capitalist practices, such as very high nominal interest rates.
- Real property markets are illegal, since all capital and land in theory is owned by the state or the collectives, but it is clear more and more housing and some other property is being traded privately, for large sums of US dollars. How far Pyongyang intends to let this go is not known. Currently it is sparking a boom in construction activity, not just in Pyongyang but also in other cities, but the weak legal basis for property rights must lead to rising tensions.

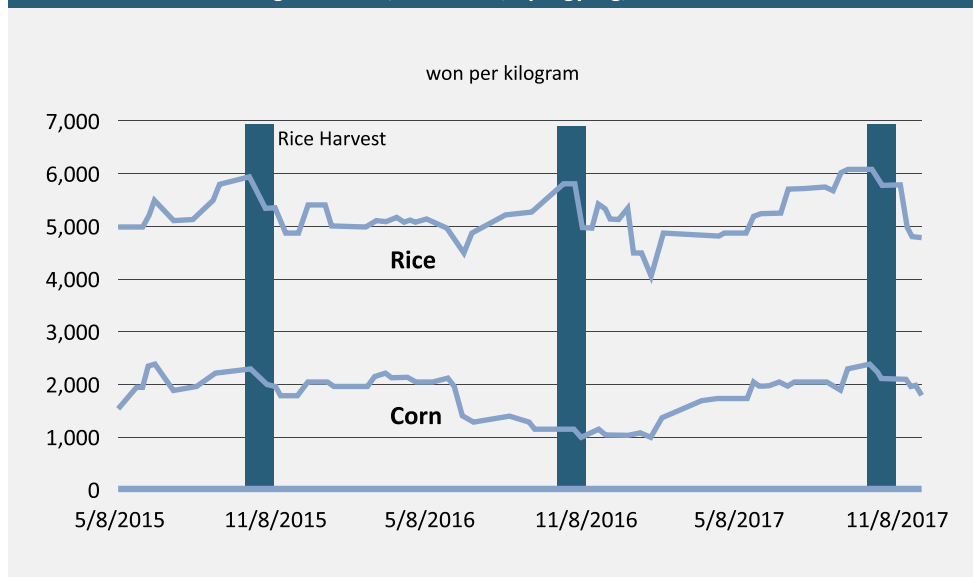
Patching Gaps, Microeconomic Policy

The emerging market economy is filling some gaps left by the broken planning mechanism, but the command economy still plays the dominant role in many industries, and shortages are thus commonplace. Unlike a market mechanism, where a shortage raises the price thus lowering demand and raising production, there is no automatic closer in the planned system. Bureaucrats must intervene and make needed on-the-spot allocations. Filling these gaps thus likely absorbs much of the cabinet's time and effort, even requiring Kim's intervention for important products. Kim appears to do less of this than did his father or grandfather, the latter being the supreme "fixer" but these still often will require high level attention. Premier Pak may be the most important such player as he has worked these issues for decades. Exports, in this planned system, are designed to earn the hard currency needed to fill gaps with imported products, as necessary. Sanction-killing exports are thus now creating a huge burden on the planned apparatus, as access to imports has all but disappeared.

Food Supply

North Korea's food supply appears barely adequate at present, despite a somewhat poor harvest last fall and a complete fall-off of cereal imports. With the seasonal lean seasons (May and July) approaching, the government is likely concerned with protecting food stocks and making sure prices do not begin to soar, while encouraging farmers to do their work to ensure a good harvest in the fall. So far, prices have been well behaved with no signs of an incipient famine (Figure 5). This could change quickly, however, with poor weather, and the government needs to put in place contingency plans for importing large amounts of grain. Grain reserves are likely very low, even for the military. There are no sanctions on agriculture and whether international aid organizations, public and private, will respond as they have in the past to signs of famine, is not known. One might expect China to offer several tens of thousands of grain as a gift for Kim's recent visit to Beijing, but needs would more likely be in the hundreds of thousands to several million tons if circumstances deteriorate.

Figure 5: Rice, Corn Price, Pyongyang, 2015-2017



Source: Daily NK, various issues

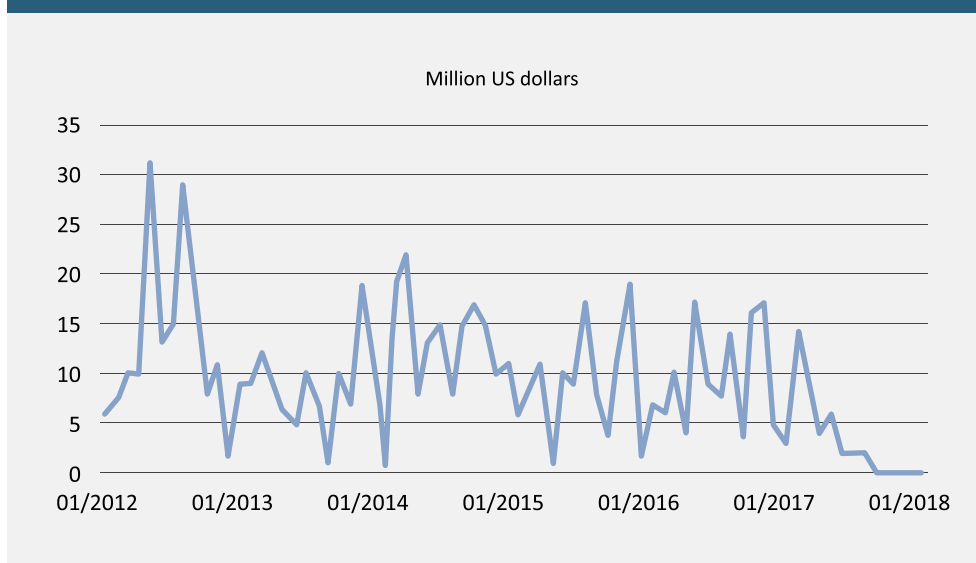
Important decisions needed by the government include how far to let private farming interfere with the much larger state farms and collectives. Kim announced a pilot program soon after he came to power to allow somewhat smaller work teams on the collectives that could enhance productivity and ultimately lead to private farming, but it is not clear how far this effort has gone. A major liberalization program would dissolve the collectives, as occurred in Deng's China, and generate a huge boost in productivity, but no evidence of such a far-reaching decision is available.

Usual allotments of fuel and fertilizer also must be planned—particularly difficult this year since China has cut off shipments of petroleum products (see below). Fertilizer production has largely been moved from petroleum feedstock to coal, however, so the farms are a little less exposed than in the past. *Daily NK* reports new efforts by the Party to push collectives to use oxen to replace tractors, amid human fertilizer collection campaigns, suggestions of trouble on North Korean farms and, likely, among the cadre who are not exempt from the collection program.

Petroleum

Other than money, the largest headache for the cabinet is likely energy, petroleum and electricity. No petroleum resources have been found, and virtually all its consumption is thus provided by China, mostly through a decades-long aid agreement that provides 600,000 tons (4.4 million bbl.) of crude oil a year. In addition, about 300,000 tons of refined petroleum products each year are imported at market prices, and most of these also come from China. But the latter have been sanctioned by the UNSC and, since November, China has supplied no diesel, kerosene, or gasoline fuels (Figure 6). Even more worrisome, crude oil deliveries are officially capped by the UNSC at the 150,000 tons per quarter rate, amid hints that these also could be halted should North Korea continue to test.

Figure 6: China Exports Petroleum Products to N. Korea
Jan 2012 - Feb 2018



Source: Global Trade Atlas, April 2018

Even with the crude supply unhindered, so far, the elimination of refined product imports is cutting significantly into the country's overall supply. Gasoline and diesel prices in officially sanctioned fuel stations have jumped and are much higher than world prices. Petroleum products always have been scarce; so they are used only when really needed, especially in transportation fuels, as a starter fuel for anthracite burning, portable electricity generation, and by the military, and any reduction thus hits hard. Especially problematic is the rising use of petroleum by taxis, private cars, and small generators used to provide needed back-up electricity for large apartment buildings and institutions, such as hospitals. The government must decide how much of the reduced supply goes directly to consumers in this way or to industry and the military. *Daily NK* claims this process is highly corrupted, and private buyers of refined products can make large profits, selling them to consumers desperate for the fuels.

- Analysts normally assume the military gets the first claim on petroleum supplies but, on the margin, this might not be the case, and in any case a decline in supply means ever tougher trade-offs, decided at top levels of the government. In the face of U.S. military threats, we can assume the North Korean air force is demanding more jet fuel for training flights, but the agriculture ministry will be equally demanding for fuel needed to move ahead with spring planting.
- Gasoline prices nearly tripled in Pyongyang soon after Trump and Xi met in Florida, early last summer, and as Chinese newspapers suggested, oil supplies might be on the chopping block (Figure 6). Prices later fell after it became clear the crude oil supply was affected but is still about 50 percent higher than it was a year earlier. This is a rare example of an external event dramatically impacting an important price in North Korea. Certainly, it caught the attention of the North Korean leadership, but not by enough to cancel an ICBM test.¹¹

Electricity

Pak Pong-ju's grim-faced visit to the Pukchang thermal power plant last November serves as a reminder that if there is one industry that serves as a parable of North Korea's economic decline since about 1984, when the nuclear weapons program began in earnest, it is electric power. At that point, the industry was very strong, and power supply was abundant compared with overall economic output. The relatively new and giant Pukchang plant produced 1,600 MW, the equivalent of two large nuclear power stations, supplying Pyongyang and its industry with vast amounts of cheap power. Industry, railroads, and even agriculture were electricity intensive, drawing on huge investments in hydroelectricity in the Japanese period and in the 1950s and 1960s in thermal coal fired expansion, culminating with the Soviet supplied Pukchang. Likely envious of South Korea's rapidly expanding nuclear power capacity, Kim Il-sung then pointed the industry in the direction of nuclear plants which to this day have likely absorbed almost all of the power sector's investment resources, all with no return to the economy. Four shells of large nuclear power plants litter the North Korean landscape, direct casualties of the country's nuclear weapons program. Even today, a tiny pilot scale light water reactor (25 MW) is being prepared for start-up at the Yongbyon research center, many years late and of dubious utility to an economy now desperately short of power.¹²

Unreliable supply, especially to Pyongyang city and to several large consuming industries, is now fraught with danger for the regime, especially if there were a better public understanding of why the situation has deteriorated so badly. Capacity has not significantly expanded in thirty years, and output has declined due to ever older and less efficient equipment. Almost half of capacity is in hydroelectric power, which is seasonal and depends on rainfall, and the other half depends on locally mined anthracite coal. Ironically, sanctions that limit coal exports might be a short-term boon for the power sector, but the loss of foreign earnings to the mines must be devastating. Most of the industry remains firmly in the command economy system, with very low, almost meaningless, electricity prices set by the plan and equally low prices set for coal. Wages in the power industry and in coal mining also are very low.

Interestingly, even in an industry where scale is important, and monopoly forces always present, North Korean residents have reacted to the plan's failure by importing large numbers of small solar panels from China, setting them up and selling power on the street for cell phone charging, and they are using small generators to provide power for apartment use, buying diesel fuel at high prices on the market. This is probably not an efficient use of either capital or energy but illustrates the complexity of the dual economy system—electricity is free at the wall plug, but usually not available, and is available from the private vendor, but at a high cost.

Pak is probably trying to figure out a way to get the daily train of coal cars into the power plant, but he could, and should, be thinking of reorganizing the whole industry. An easy solution, it would seem, would be to charge a reasonable fee for power use, say the equivalent of five cents a kilowatt hour. Any consumer would easily pay that amount, much less than the cost of the solar panels, and the money would flow through the system, allowing new investments and proper pay for miners, and less of an incentive to export the coal. And this is what North Korea charges the few over the river buyers in China. But it is not so simple. By pricing electricity so cheaply for so long, the planned economy has built an industrial sector dependent upon and exceedingly wasteful of power. Market pricing would be devastating for much of the planned economy and, while it would easily resolve power shortages, could be the final straw to break the planned economy system.

Interestingly, *Daily NK* reports that Pyongyang is ordering new electricity meters for apartments in Pyongyang, suggesting there will be a charge for power usage. (Currently a small fee is required for each electricity using appliance, encouraging all such items to be turned on whenever power is available.) This could be evidence of new thinking in Pyongyang that could begin to change the country.¹³

Wages, the market for labor

Consistent with the dual nature of the economy, but inconsistent with any semblance of efficiency or fairness, North Korea has two very different systems of remuneration for workers. The state system still exists, and all state workers, the bureaucracy, state enterprises, and the military are paid according to a ration wage system. The money part of these wages—3,000 to 5,000 won per month—is inconsequential, buying one kilogram of rice a month in the marketplace, but the rations and perks provided by the state employers mean everything. And these rations and perks have little or nothing to do with productivity

or risk taking and everything to do with loyalty to the party and the state. A key feature of the system is that since the money wage is worth so little, workers have no ability to save and invest for the future, even for the next month, and are thus completely in the arms of the state. It is little more than a slave system devised by the likes of Lenin and Stalin.

The other system is an unregulated private market system in which income is determined strictly by supply and demand, and by risks one is willing to accept in buying and selling. Some efforts apparently have been made to regulate this system as well, such as allowing some export earning firms to pay 30,000 won per worker per month, and some wholly owned foreign firms to pay 300,000 won per month—still only \$40 at the market exchange rate—according to a pilot plan proposed by Kim in the first year of his administration. Workers in this part of the economy, however, receive no rations or benefits and must pay fees for everything, including bribes should they need to travel to Pyongyang. But they have much better access to the markets and to services offered throughout the economy than do state employees, such as taxi rides, medical care, and cell phones.

Neither system of wages is optimal, and most people or families engage in both, with state workers working side jobs and most women engaged in market activities to earn money. And the ability to arbitrage across the systems is great, for example paying large sums to a policeman to allow a prohibited activity, leading to persistent and growing corruption of the police state.

The cabinet must recognize this system as inefficient and ultimately unsustainable, but reform, creating a single market for labor, would be extremely difficult. A start would be to raise state wages to close to market levels, but this could not be afforded without huge budget increases and likely spiraling inflation, or by layoffs of literally millions of people. But doing nothing simply continues the erosion of the bureaucratic state, and with the erosion ominous overtones for regime stability.

Conclusion

In this difficult economic environment, the regime will be pressing hard to maneuver foreign powers to remove or reduce sanctions, and to provide aid that offsets some of the negative results. The latter, a drive for aid, will be particularly evident if the food supply turns negative this spring and summer. At this point, economic decisionmakers, and likely Kim Jong-un himself, do not know how successful they might be with diplomacy and thus must prepare for a continuation of sanctions that bite ever harder. And more astute leaders, probably including Kim Jong-un himself, must know sanctions relief would be only a temporary solution. The economy was in deep trouble long before sanctions restricted the country's foreign trade, and trade and investment with the U.S., in particular, is restricted much more by trade policy—North Korea being considered a non-market economy and thus the recipient of automatic, very high, tariffs—than by sanctions. This knowledge, which must be very apparent to experienced officials such as Premier Pak Pong-ju, in some ways diminishes the efficacy of sanctions; the regime knows their removal, though badly needed, would be a short-lived panacea, whereas loss of the nuclear weapons bargaining tool might be permanent. Sanctions, moreover, provide the regime excuses for poor economic performance.

In this context, astute decision makers in Pyongyang will try to offset some of the bite of the sanctions and gain leverage toward longer term reforms if that is their desire, by picking up the pace of already started, but tentative and faltering, liberalizing reforms. In a dollarizing economy, the regime needs money, both its own won and foreign exchange, to push back on the loss of foreign exchange earnings abroad and the erosion of state earnings at home. An example of a way to do that would be much faster liquidation of state property, selling or leasing factories, land and residences, to private agents to gain funds to combat dollarization and protect the won. This can already be seen somewhat in the building boom underway in Pyongyang and other cities, which we presume is driven by state-owned enterprises selling or leasing land and buildings to private interests. Another move would be to set electricity and other utility prices at much higher levels, as hinted at by reports of new metering requirements in Pyongyang apartments. This would energize the moribund power stations and improve efficiency of coal and power use but would likely require exemptions for large state enterprises whose technology and capital stock depend on cheap power. More far reaching would be moves to raise the salaries and wages of the millions of state employees to close to the wage levels provided in the private markets and reduce rations. Raising funds for such raises would be difficult if the regime is to avoid massive inflation but could include shifting many workers to private work, accomplished by giving them rights to the capital they now work with. Again, some of this already occurs.

But with all the hope for positive reforms, the opposite, de-liberalizing tact is possible as the regime faces intense political and economic trade-offs and must worry about slowly diminishing state resources and loss of state and party control. Conservatives will emphasize self-reliance, and thus import substitution, in reaction to the UN and Chinese sanctions, measures that would isolate and even further lower productivity of the system. Evidence for such a move could include several speeches Kim has given in recent years lamenting the large amount of Chinese consumer goods in Korean markets and emphasis in the April Assembly meetings on self-reliance.¹⁴ We suspect that non-resolution of the nuclear weapons issue would virtually guarantee attempted, but probably not successful, moves in this backwards direction. One might argue, in fact, that the nuclear weapons program is itself aimed at isolation, and thus protection, of the command economy system.

In sum, the author thinks highly proactive measures are needed by the regime to prevent catastrophic unemployment and inflation conditions that will be brought on by continued sanctions, and that these are being considered by the economic leadership, but it is not at all clear that the party leadership will be tolerant of such radical moves. The only thing that is certain is that the system is in important flux and decisions made over the next few months, not just in Pyongyang but in Beijing, Seoul, and Washington, will be very important in determining the fate of North Korea's long experiment with socialism.

Endnotes

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- ² William Brown, “Special Report: North Korea’s Shackled Economy,” National Committee on North Korea, March 2018.
- ³ Global Trade Atlas, 1 April 2018; Chinese customs data, inexplicably, do not include shipments of crude oil, provided as aid, that should add about \$20 million a month to the export figure.
- ⁴ The cabinet of a command economy’s government is like no other. Rather than delegate economic decisions to firms and individuals through the workings of a market price system, it takes ownership of all the means of production and tries to dictate output and distribution based upon a plan which it conceives itself. Elsewhere, these systems have collapsed due to the sheer weight of the billions of decisions that must be made, and North Korea is no exception. Its command economy collapsed many years ago and the plan itself is in shambles. But unlike any other country, ownership of capital still largely resides with the state so that the Worker’s Party and the state still must directly manage large segments of the economy and millions of state employees. The failure of the planning mechanism probably makes things even worse, since the government lacks the ability to dictate the allocation of materials and labor in order to get desired outputs. Instead the system has fractured into a semi-market system where enterprise autonomy is highly desired. Factories are making their own decisions, utilizing their sunk capital and essentially serf labor that is attached to their enterprises. But division of labor is terribly weak in this mixed system and shortages abound. Much of the cabinet’s time, therefore, must be in making on the spot allocations of key products and services.
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North Korea's Military Strategy, 2018

Chun In-bum

As the focus shifted from North Korea's military advances in 2017 to its diplomatic offensive in 2018, we should not lose sight of the strategic thinking behind gaining the maximum time to develop the capacity to extend its military threat. At present North Korea needs time to perfect its nuclear strike capability. It has been very successful in developing missile capabilities, but it needs additional time to achieve its goals. Starting with high-level North-South talks on March 5, 2018, the DPRK has just gained what it needs most: time. Whenever the first talks begin with the United States and the DPRK, there should be no surprise if the DPRK comes with an improved capability to threaten the alliance. Thus, for an extended period in 2018, as diplomacy proceeds, we should expect a subdued North Korean approach: not flaunting its nuclear weapons and missiles, while striving to boost capabilities for the struggle ahead.

In the seven years since Kim Jong-un officially inherited the leadership of the DPRK, his stated policy has been *byungjin* (병진, 並進), the pursuit of both economic and military development. In conjunction with purges and efforts to eliminate rivals, *byungjin* may, in part, derive from Kim's efforts at the outset of his tenure to consolidate political power. Through it, Kim displayed moderate economic flexibility, thereby gaining favor with the North Korean people through facilitating an improvement in living standards. It is tempting to see *byungjin* as a sign of the regime's weakness, or as an indication of moderation, either of which would prompt the eventual collapse of the Kim regime. Correspondingly, one might see it as a reflection of Kim's immaturity, inexperience, and lack of political and strategic acumen. These viewpoints reflect mirror imaging more than a sophisticated understanding of North Korea. *Byungjin* may be more of a political device and a strategic communications element of a grand strategy, as opposed to the regime's strategy. It may be a significant instrument in the regime's effort to maintain elite cohesion and focus the energies of the North Korean people toward productive pursuits that likewise add to the regime's legitimacy and staying power. It by no means suggests any diminishing of the priority of making advances in nuclear and missile development in order to pose a more serious threat.

Since taking power, Kim's regime has fired close to one hundred missiles of wide variety and range compared to thirty-one for his father and grandfather combined. He has also conducted four nuclear tests, boasting of a thermal nuclear capability. During his 2018 New Year's address, Kim Jong-un proclaimed that the DPRK had perfected its nuclear and intercontinental missile capabilities, supporting North Korea's constitutional claim to be a nuclear power. Despite an upsurge in diplomacy after this address, we should keep our eyes on its military advances.

North Korean Military Strategy in 2018

It is unlikely that we will see another spate of nuclear and missile tests in 2018 even as secret development is continuing. Emphasis is probably placed on improving accuracy and re-entry capability. There should be no surprise when North Korea's next nuclear and missile provocations involve an atmospheric test, a thermal nuclear capability, or a 10,000 km plus range test with unquestionable re-entry capability. By the time North Korea conducts such a demonstration, it is conceivable that it will have acquired sufficient numbers to ensure that the world, especially the United States, understands it has a viable second-strike capability.

Of all the capabilities that North Korea possesses, the cyber threat is probably the most potent and threatening for 2018. With the difficulties in attribution and often non-kinetic impact, North Korea can seek to retain plausible deniability with respect to any particular attack, but its focus on cyber warfare is increasingly obvious. Attacks occur on a daily basis against government agencies and private organizations. North Koreans are developing increasingly sophisticated cyber techniques and methods that they will use during steady state conditions, causing concern about potentially more damaging capabilities they may use in the event of war. As North Korea faces economic sanctions they are more likely to utilize cyber theft to augment the loss of income.

A little-known area for the DPRK is Electronic Warfare (EW) capability. Attempts to disrupt friendly GPS signals continue. If successful, this would affect friendly precision bombing capability. EW as well as cyber capability could seriously affect alliance abilities to conduct operations. The North Korean People's Army (NKPA) will refrain from deliberate provocations, but accidental incidents will always be possible. For the time being, the NKPA will support the peace effort by being discreet in its activities to improve existing capabilities and to develop new abilities. The focus of improving existing capabilities will probably be towards missile accuracy and re-entry, a greater nuclear warhead yield, and some of its conventional forces. New abilities will be towards cyber, submarines, electronic warfare, and unmanned drones.

In 2018, a North Korean version of Information Operations to create seams along the ROK-U.S. alliance and to prevent trilateral cooperation among South Korea, Japan, and the United States will be a likely goal. The Winter Olympics of 2018 has already created an atmosphere of hope that could easily develop into strife within South Korea. North Korea's attempt to portray itself as the victim and its continuous message that its nuclear weapons are only for defense will deflect a limited military option by the United States or the alliance. North Korean cyber units will play a critical role by infiltrating South Korean social networks to create and form public opinion. False news as well as raising enough suspicion to plant doubt will be easy against an open society like South Korea.

The NKPA also has a role of earning money from various means. How sanctions have affected this role is unclear, but they must be making all levels of life within the North Korean military apparatus difficult. Efforts to minimize the disruption to the military as well as to find new means to engage in economic activity will preoccupy the NKPA. Finally, the NKPA will have the duty of maintaining stability within North Korea. Although the Kim family has been successful in controlling North Koreans for 72 years, keeping his closest security forces loyal must be as hard as any election in the free world. Therefore, maintaining and securing loyalty among his closest people will be a full-time job. A critical job for the NKPA military will be to keep stability and peace in North Korea.

Continuities in the NKPA

The North Korean military's strategic culture derives from Kim Il-sung. His view of war begins with *juche* (주체), in part a creative application of Marxist-Leninism. The North Koreans proclaim the uniqueness of their military philosophy, but in reality, it is based on their experience from the Korean War, Marx and Lenin's thinking, and Mao Zedong's

revolutionary military theory. The NKPA has played a central role in many aspects of society and politics, well beyond the realm of national security. The military drives the expression of social and political norms. First, the majority of men and a significant number of women spend the first 10 years of their adult life in the military. The military serves as a key institution in the socialization of North Korean adults. Further, the military occupies the time and attention of the most restive element in any population—young men. It serves as a unifying element in other respects. For example, the military is an object of pride. It symbolizes strength and power in a manner used to justify many sacrifices and deficiencies.

The North Koreans define their military as the revolutionary arm of the Chosun Labor Party (Korean Workers' Party or KWP), which inherited the honorable revolutionary traditions of the armed conflict against the Japanese. This is in accordance with KWP regulations (조선로동당규약). Ch. 7, Sect.4. Sect. 47 defines the NKPA as the "army of the party" and a "revolutionary army." These examples show the political nature of the organization and provide a glimpse as to the indoctrination that is provided to the average soldier.

As North Korea's communist party, the KWP is the ultimate authority ruling the NKPA. Since Kim Jong-un is the chairman of the military committee of the KWP, he is the commander-in-chief of the NKPA, effectively, making it his private army. The KWP states in its party regulations that its ultimate goal is to construct a communist society on the whole of the Korean Peninsula. It goes on to state that the North Korean labor party's immediate goal is "to guarantee the complete victory of socialism in the northern part of the republic and to conduct the liberation of the Korean people and democratic revolution task of the entire nation." These statements are unequivocal evidence that North Korea's goal is to unify the Korean Peninsula on North Korea's terms under the leadership of the Kim family dynasty.

The ideology of *juche* completely engulfs North Korea. This is not due to its principle or actual application. Many question whether *juche* should even be considered an actual ideology. Rather, Kim Il-sung and Kim Jong-il used it as a political instrument and as a means of controlling the government and society. Kim Jong-un is no different. Military policy is based on *juche*, which advocates independence in ideology, politics, economics, and defense. In order to enhance its sovereignty and self-reliance, the North maintains the NKPA as the core of its indigenous revolutionary force and works to cultivate a support base in South Korea and obtain international support.

Juche military ideology is based on a modified version of Marxist-Leninism. In 1980 *juche* morphed into the "supreme leader's *juche* and revolutionary ideology." What was once an ideology comparable to Marxism-Leninism became an ideology that Kim Il-sung asserted was superior to Soviet or Chinese ideology. In 1964, *juche* formalized "three revolutionary areas of focus": 1) establishing an indigenous revolutionary force in North Korea; 2) cultivating a support base in South Korea; and 3) obtaining an international force supporting the revolution. The first focus ensures that North Korea provides a strong political, economic, and military base for revolution. The second seeks the establishment of a South Korean society that sympathizes with the North and is supportive of the North Korean regime and communism—of a unified Korea under the Kim regime. The final focus

centers on Russia and China, but also includes a broader set of international relationships. These traditional communist countries with friendships with third world nations were to provide international support for North Korean led unification. These efforts would isolate South Korea and prompt the withdrawal of U.S. military forces from Korea; thereby paving the way for unification.

Traditional Military Strategy

North Korea's "short and decisive strategy" (단기속전속결) takes into consideration the terrain of the peninsula and the capabilities of the North Korean military, in addition to a number of other strategic factors. It is designed to offset the technological superiority of South Korean forces or the ability of the United States to reinforce the ROK. This strategy utilizes the element of surprise and a simultaneous offensive in the front as well as the rear culminating in a catastrophic panic in South Korea. In this panic, North Koreans hope to seize the initiative and conduct a blitzkrieg type operation with armored, mechanized, self-propelled units to penetrate deep into South Korea. The aim is to conquer the Korean Peninsula before U.S. reinforcements arrive and mount a counter-attack.

Until the 1970s, the NKPA maintained a superior military in quantity and quality. Special emphasis was placed on the ability to strike the front and the rear at the same time. Also, the ability to strike deep and quickly and the ability to strike first were priorities. By 1980, North Korea had forward deployed 70 percent of its forces, mechanized and supported by special forces and long-range artillery. All indications pointed to the conclusion that it wanted to achieve its military goals within three months. It seems the North Koreans realized that they would be challenged to maintain this superiority and started to look at asymmetric capabilities: chemical/biological weapons and nuclear capability. By the mid-1990s, the North Koreans lost an important ally, the USSR, amid economic hardship, responding by shifting to nuclear weapons development and delivery capabilities.

North Korean military strategy can be summarized as three stratagems. First, there is a surprise attack centering on blitzkrieg thrusts in the form of a large-scale conventional attack with unconventional special forces striking the rear and bypassing strongholds. An inferior force unable to sustain a long conflict would seek to occupy Seoul at the earliest possible opportunity. Second, is the aforementioned short and decisive attack stratagem, a lightning war, where light, fast, and maneuverable units are the main actors supported by SCUD missiles, air and ground fire power, and high-speed landing craft as well as fire support vessels. North Korea possesses the capabilities for this offensive strategy. Finally, there is the mixed stratagem (배합, 配合)—a mixture of Mao Zedong's guerilla warfare and traditional Soviet military strategy. The enemy is attacked from every direction. There is to be no front line or rear area. Battles will be simultaneous and everywhere. Chaos will do the rest. The enemy's main forces will be held at the front lines by the conventional forces, while critical facilities will be destroyed by infiltrated units, and disgruntled masses in the South could revolt. Although not entirely clear, the North Koreans seem to have held to this strategy through the late 1990s.

The Evolution of the North Korean People's Army (NKPA)

More than 500,000 Chinese troops remained in North Korea after the Korean War, but it is probable that Kim Il-sung was always suspicious of foreign influence. The NKPA numbered about 280,000 in 1953. Kim believed that a strong military was the first priority. By the time the Chinese troops had withdrawn in 1958 it was rebuilt. When a military government was established in South Korea, with a strong anti-communist agenda, this was another factor in investing in the North Korean military. The rift between the PRC and USSR also made clear that North Korea could not rely on foreign allies. Thus, *juche* became the mainstream ideology. The Cuban missile crisis underscored the limits of superpower politics.

The independent execution of military operations became more attractive as the world situation changed in a direction different from what Kim Il-sung wanted, making unification of the Korean Peninsula harder. From the 1960s, North Korea created a military that was offensive and sizable. Defense spending is estimated at 10-30 percent of the national budget. North Koreans bought T54/55 tanks, MIG-21s, SA-2s, and W class submarines, far outclassing the South. The number of uniformed troops is estimated to be 480,000 with more than 2.5 million in reserve.

By 1980, North Korea had about 700,000 men in uniform, nearly doubling in a decade. At the beginning of the 1970s it possessed approximately 8,800 pieces of artillery, by 1980 this number had increased to 25,000, threatening the Greater Seoul Metropolitan Area (GSMA). By this time, North Korea had more than 13 percent of its population under arms with over two million more ready in reserve. The NKPA deployed light infantry units able to exploit penetrations made along the front as well as long-range units that would infiltrate by sea, air, and land (tunnel). The Vietnam War influenced the North on the value of a second front as well as guerilla warfare.

The NKPA steadily increased its numbers to over a million men in uniform by 1989, a critical factor in the failure of the North Korean economy, which with the complete disintegration of the international communist order created an economic crisis. All these sacrifices were in an effort to secure the ability to defeat the South Korean military and the United States without external assistance. The Gulf War must have been an eye opener—a new type of war was born: precision guided munitions. At this time, North Korea seems to have realized this new reality and accelerated its nuclear and missile programs and started on cyber capabilities as well as maintaining its chemical and biological capabilities.

Kim Jong-il probably recognized that North Korea was incapable of reunifying the peninsula by force through a traditional conventional attack due to factors such as the collapse of the Soviet Union, natural disasters, famine, and industrial collapse. However, the regime's ideology, and its basis for legitimacy, could not abide an admission that it was militarily weaker than the ROK, let alone that it could not reunify Korea by force. One of the regime's imperatives is to project strength internally to ensure elite cohesion and public compliance. The regime embarked on a new military strategy meant to be asymmetric in nature and to enable North Korea to use its military in a variety of ways, including deterrence, coercive diplomacy, and the conduct of limited objective attacks. The capabilities at the foundation of this strategy include nuclear, biological, chemical weapons, ballistic missiles, cyber-warfare, special operations forces, long-range artillery, and submarines.

Nuclear

Kim Jong-il invested in a nuclear program to weaponize nuclear technology that was provided with the understanding of peaceful use. North Korea started its nuclear interest just one year after the Korean War in 1954 by establishing the Nuclear Defense Section (핵무기방위부문). In 1956, North Korea dispatched thirty nuclear physicists to a Soviet Union research center. In September of 1959, the Chosen-USSR Atomic Agreement was signed, and in 1962 a research reactor was built in Yongbyeon. By the mid-1960s, North Korean officials started to publicly mention a desire to become a nuclear weapons state. Kim Il-sung stated “We will soon have nuclear weapons” In 1967, he told his commanders that “we will soon have nuclear weapons.”¹ If the US uses atomic weapons we will use them too.”²

Missiles

The North Koreans first laid their hands on SCUD B rockets from Egypt in 1976.³ They soon improved the SCUD B to the C and D model. The SCUD D had a range of seven kilometers and was referred to as the NoDong (refers to the village of the first sighting) missile. By 2006, the NoDong Extended Range (ER) had an estimated range of 850 km. Further improvements have made the NoDong a missile with a range of 1300-1500 km, which easily reaches Japan.

The KN-02 is a tactical missile with a suspected range of 150 km and is the least appreciated but most threatening for tactical units. The HwaSong series includes the HS-6 (500 km), HS-12 (4500 km), HS-13 (8000 km), and HS-14 with a range of more than 10,000 km capable of reaching the continental United States. The MuSuDan (BM-25) is based on the Soviet SS-N-6 missile with an estimated 4,000 km range, which could reach Guam.

North Korean missiles are diverse and mobile. The more than one hundred mobile launchers or Transportation Erector Launchers (TEL), provide North Korea with an offensive capability that will be very difficult to completely overcome. In 2017 alone, North Korea tested more than fifteen missiles. Although it has declared that it has the capability to strike the continental United States, it is still unlikely that North Korea has the accuracy or the re-entry capability for an intercontinental strike. Despite this, there should be no question that its SCUDs and short-range tactical missiles have chemical and possibly biological capability that can threaten not only Koreans and Japanese populations but also the many international citizens in these countries.

Finally, North Korea is developing a submarine-launched missile capability. The KN-11 is a submarine-launched missile with an estimated range of 1200 km. Although North Korea seems to lack a credible number of missile launch submarines, it is no doubt a formidable threat on an international scale.

Cyber

Kim Jong-un started 2018 proclaiming that North Korea had perfected its nuclear capability. By accepting the invitation to the 2018 Pyeongchang Winter Olympics, he has presented himself as a peacemaker with many people forgetting why we are in this crisis. He agreed to a combined North-South team and sent an art group and cheerleaders to Korea as well as his trusted sister to represent him at the games. He then offered a North-South summit and

received a Korean delegation on March 5, 2018. The North Korean military has been quiet. Another form of offensive is on the way, and it is expected that the North Korean military will support this new strategy of “peace.”

Military Strategy in 2018

The North Korean basic strategy of *juche* will not change in 2018. The goal for the North Korean military will not change: the unification of the Korean Peninsula. Militarily, the First Strike with No Notice Strategy, Short/ Decisive Attack Strategy and Mixed Strategy (배합, 配合) will remain but with lesser priority. An estimate of what the priorities might be for each North Korean military service follows.

Ground Forces

The NKPA has been maintaining its large land forces and in fact increased the term of service and drafts women to maintain its million-man level of troops. Although large-scale training maneuvers are limited due to a shortage of fuel, rigorous education/indoctrination of troops continues. Absolute obedience and loyalty to Kim Jong-un is the prime message of the brainwashing. A large part of the military engages in physical labor, and corruption is widespread, but still mutual surveillance and political officers who are at the top of the food chain make mutiny unlikely. Shortages in basics such as food suggest that training must be limited and very rudimentary. The long years in the military have merits of their own. The average North Korean enters service at the age of seventeen and serves for ten to thirteen years. Large-scale exercises are probably difficult, but the North Koreans concentrate their limited resources on the Special Units, Light Infantry, and Sniper Units. Training and equipment are probably dedicated to these units. Military parades show that these units have modern body armor, night vision goggles, secondary weapons, etc.

Along the Demilitarized Zone (DMZ), provocations will be unlikely. Most efforts will go to preventing North Korean soldiers and civilians from defecting across the DMZ. These efforts will include increased patrols, more land mines, and increased check points. Developing and improving artillery capability will continue but discreetly. North Korean air defense is a subject that is not often discussed but the KN-06 is a good example of investing in the area. In all North Korean parades, one can observe an array of man portable air defense systems (Manpads) on all vehicles. Training for reserve units will probably continue, but little is expected since limited resources prohibit North Korea from any serious maneuver activity.

Maritime and Air Forces

North Korea has been improving its shipborne missile capability, and it seems that they will use this lull to improve and complete the on-going projects. It would be no surprise if the North Koreans unveil a new or improved submarine capable of ballistic missile launch capability. Another area is Anti-Ship Ballistic Missile (ASBM) capability. ASBMs are a serious threat to surface combatants, especially if they have nuclear capability. Since the North Koreans believe that causing mass casualties of Americans will deter further U.S. involvement on the Korean Peninsula, an attempt to sink a U.S. carrier has always been a goal. ASBMs are the best chance to achieve this goal, and North Korea will continue to develop this capability.

The North Korean Air Force (NKAF) boasts a large fleet of aircraft. Due to lack of fuel and spare parts, it relies on primitive flight simulations for training. There is no question as to the outcome in the air if there should be a conflict, but the large numbers of antiquated aircraft suggest suicide types of missions being planned. They would cause the expenditure of valuable surface to air assets and could result in considerable damage.

Conclusion

The intent of the DPRK has been clear: 1) to create a fait accompli for DPRK nuclear weapons; 2) to create seams in the ROK-U.S. alliance by portraying the United States as the aggressor; and 3) to gain time in the hope to improve its nuclear and missile capability. Only time will tell if Kim Jong-un's diplomatic outreach in 2018 represents a break from this longstanding strategy.

Endnotes

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Ms. Eun A Jo is an editor of The Asan Forum, the bi-monthly online journal of The Asan Institute for Policy Studies. Previously, she worked as a researcher on non-proliferation and disarmament issues at the South Korean mission to the United Nations. She received a BA at University College Utrecht, and an MPP at the Blavatnik School of Government, Oxford University. She will be pursuing a Ph.D. in Government at Cornell University in fall 2018.

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Dr. Kirk W. Larsen is associate professor of history at Brigham Young University. Larsen received a Ph.D. in history from Harvard University. He previously taught at the University of Texas-Austin and The George Washington University. His publications include *Tradition, Treaties, and Trade: Qing Imperialism and Chosôn Korea, 1850-1910* and *Peace in the East: An Chunggûn's Vision for Asia in the Age of Japanese Imperialism* (co-editor with Yi T'ae-jin and Eugene Y. Park). He has published, presented, and commented on a variety of contemporary issues including East Asian foreign relations, North Korea, nationalism and elections in South Korea, and Sino-Korean relations. He has appeared on ABC, MSNBC, VOA, the Canadian Broadcast System, and Al Jazeera.

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Dr. Jin Linbo is a senior research fellow at China Institute of International Studies (CIIS). He received his M.A. and Ph.D. in political science from Nagoya University, Japan. He was previously a visiting scholar at Reischauer Institute of Japanese Studies at Harvard University (1995-1997), a Japan Society for the Promotion of Science Invited Scholar at the Graduate School of Law, Kyoto University (2001-2002), and a visiting fellow at the Center for Northeast Asian Policy Studies at The Brookings Institution (2008-2009). Dr. Jin's research focuses on politics and foreign policy of modern Japan and international relations in East Asia. He has published many articles in Chinese, Japanese and English languages on Sino-Japanese and Sino-ROK relations, China's foreign policy, and the North Korean nuclear issue.

T.J. Pempel

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Dr. T. J. Pempel is Jack M. Forcey Professor of Political Science in U.C. Berkeley's Department of Political Science which he joined in July 2001. He served as director of the Institute of East Asian Studies from 2002 until 2006. There he held the Il Han New Chair in Asian Studies. Just prior to coming to Berkeley, he was at the University of Washington in Seattle where he was the Boeing Professor of International Studies in the Jackson School of International Studies and an adjunct professor in Political Science. From 1972 to 1991, he was on the faculty at Cornell University; he was also Director of Cornell's East Asia Program. Professor Pempel's research and teaching focus on comparative politics, political economy, contemporary Japan, and Asian regional ties. Professor Pempel is on the editorial boards of a dozen professional journals, and serves on various committees of the American Political Science Association, the Association for Asian Studies, and the International Studies Association Council. He is a presidentially-appointed Commissioner on the Japan-U.S. Friendship Commission and is active in the Northeast Asian Cooperation Dialogue. His current research involves Asian adjustments to the rise in global finance and the decline in security bipolarity. Dr. Pempel received his B.S., M.A., and Ph.D. from Columbia University.

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Gilbert Rozman

The Asan Forum

Dr. Gilbert Rozman is the Editor of the Asan Forum Journal for the Asan Institute of Policy Studies and was previously the Musgrave Professor of Sociology at Princeton University. Dr. Rozman specializes in national identity issues in China, Japan, Russia, and South Korea, particularly in the context of bilateral trust and evolving relations in Northeast Asia. Widely published, Dr. Rozman has produced various books which include *South Korean Strategic Thought toward Asia*, *Northeast Asia's Stunted Regionalism: Bilateral Distrust in the Shadow of Globalization*, and *National Identities and Bilateral Relations: Widening Gaps in East Asia and Chinese Demonization of the United States*. Dr. Rozman is also the Editor-in-Chief for KEI's Joint-U.S.-Korea Academic Studies series. Dr. Rozman received his BA at Carleton College and a PhD from Princeton University.

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Dr. Sheila Smith, an expert on Japanese politics and foreign policy, is senior fellow for Japan studies at the Council on Foreign Relations (CFR). Her current research focuses on how geostrategic change in Asia is shaping Japan's strategic choices. She joined CFR from the East-West Center in 2007, where she directed a multinational research team in a cross-national study of the domestic politics of the U.S. military presence in Japan, South Korea, and the Philippines. She was a visiting scholar at Keio University in 2007-08, where she researched Japan's foreign policy towards China, supported by the Abe Fellowship. Smith is vice chair of the U.S. advisors to the U.S.-Japan Conference on Cultural and Educational Exchange (CULCON), a bi-national advisory panel of government officials and private sector members. She also serves on the advisory committee for the U.S.-Japan Network for the Future program of the Maureen and Mike Mansfield Foundation. She teaches as an adjunct professor at the Asian Studies Department of Georgetown University and serves on the board of its Journal of Asian Affairs. She earned her MA and PhD degrees from the department of political science at Columbia University.

David Straub

Former Senior Foreign Service Officer, U.S. Department of State

Mr. David Straub is a former Senior Foreign Service Officer and expert on U.S.-Korean issues. He served as the head of the political section at the U.S. embassy in Seoul from 1999 to 2002, the State Department's Korea country desk director from 2002 to 2004, and the State Department's Japan country desk director from 2004 to 2006. Mr. Straub has extensive experience working on North Korea including participating in the first round of Six Party Talks and New York channel dialogue. He also accompanied former President Bill Clinton to Pyongyang in 2009 to secure the release of two American journalists. Mr. Straub was the inaugural Sejong-LS Fellow at The Sejong Institute from 2017 to 2018 and the associate director of the Korea Program at Stanford University's Walter H. Shorenstein Asia-Pacific Research Center from 2008 to 2016. Prior to that he was a 2007-08 Pantech Fellow at the Center. Mr. Straub is also the author of the book, *Anti-Americanism in Democratizing South Korea*, which was published in 2015.

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Ms. Yun Sun is co-Director of the East Asia Program and Director of the China Program at the Stimson Center. Her expertise is in Chinese foreign policy, U.S.-China relations and China's relations with neighboring countries and authoritarian regimes. From 2011 to early 2014, she was a Visiting Fellow at the Brookings Institution, jointly appointed by the Foreign Policy Program and the Global Development Program, where she focused on Chinese national security decision-making processes and China-Africa relations. From 2008 to 2011, Yun was the China Analyst for the International Crisis Group based in Beijing, specializing on China's foreign policy towards conflict countries and the developing world. Prior to ICG, she worked on U.S.-Asia relations in Washington, DC for five years. Yun earned her master's degree in international policy and practice from George Washington University, as well as an MA in Asia Pacific studies and a BA in international relations from Foreign Affairs College in Beijing.

Mark Tokola

Vice President, Korea Economic Institute of America

Mr. Mark Tokola is the Vice President of the Korea Economic Institute of America in Washington, DC. He retired as a U.S. Senior Foreign Service Officer with the rank of Minister-Counselor in September 2014. His last posting was as Minister-Counselor for Political Affairs at the U.S. Embassy London. Previously he had served as Deputy Chief of Mission at the American Embassies in Seoul, Republic of Korea; Ulaanbaatar, Mongolia; and Reykjavik, Iceland. Among his other postings were two tours at the U.S. Mission to the European Union in Brussels, Minister-Counselor for Economic Affairs at Embassy London, and Economic Counselor at the U.S. Embassy The Hague. He also served as Director of the Iraq Transition Assistance Office (ITAO) in Baghdad from 2007-2008. Mr. Tokola received the State Department's Superior Honor Award for his work on implementing the Dayton Peace Accords while serving as Political Counselor in Sarajevo, Bosnia-Herzegovina from 1997-1999. He holds a BA in International Relations from Pomona College in Claremont, California, and an LL.M. in European Community Law from the University of Edinburgh, Scotland.

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