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# JOINT U.S.-KOREA ACADEMIC STUDIES

**THE EAST ASIAN WHIRLPOOL:  
KIM JONG-UN'S DIPLOMATIC SHAKE-UP,  
CHINA'S SHARP POWER, AND TRUMP'S TRADE WARS**

EDITOR-IN-CHIEF: GILBERT ROZMAN



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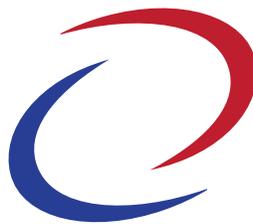
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2019 | Volume 30

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KEI is the premier U.S. think tank and public outreach organization solely dedicated to helping Americans understand the breadth and importance of our relations with the Republic of Korea. Through its publications, social media, programs, and public events, KEI seeks to advance scholarship and understanding of Korea in ways that will inform policy-makers and the American public of the security, economic, and political implications of our connections to the Korean Peninsula.

To produce accurate and in-depth analysis, KEI draws on the expertise of its resident staff; provides a platform on which leading writers, thinkers and commentators from the United States, Korea, and third countries can share their research and opinion; promotes scholarship by commissioning and publishing original articles; and hosts public and off-the-record conversations among policy makers and opinion leaders. The point of these activities is to ensure that decisions – whether made by government officials or private citizens – are soundly based within the context of the Korean Peninsula’s complexity and significance.

KEI maintains strong connections with its partner think tanks in Washington and with the academic community throughout the United States. Its “Academic Paper Series,” “Academic Symposium,” and “University Programs” ensure that the best in research and scholarship on Korea are shared among experts and are available to students and the general public. All KEI’s publications are accessible free of charge.

Although most of its activities take place at its Washington, DC headquarters, KEI is committed to engaging the public throughout the United States. Programs such as the “Future of Korea,” held in partnership with the World Affairs Councils of America, and the “Ambassadors’ Dialogue” bring Korean and American diplomats to venues across the country to discuss current events and the overall U.S.-ROK relationship. Participating officials value the opportunities KEI provide to speak to, and hear from, communities beyond the Washington DC area.

KEI continues to expand its social media presence. Its blog, “The Peninsula”; podcast, “Korea Kontext,” and livestream and recorded video allow those interested in Korea outside the Washington, DC beltway to engage with KEI and the U.S.-Korea alliance on issues of trade, culture, and security. KEI invites you to like its Facebook page and to follow us on Twitter and Instagram.

The U.S. partnership with the Republic of Korea is strong and based on enduring values and interests, but it cannot be taken for granted. KEI is committed to keeping our understanding of the relationship current.

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For more information about these programs and upcoming events at KEI, please visit our website, [www.keia.org](http://www.keia.org).

*KEI is contractually affiliated with the Korea Institute for International Economic Policy (KIEP), a public policy research institute located in Seoul and funded by the government of the Republic of Korea.*

## 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. As the region is being shaped by major new developments, the sharing of ideas continues to be of great importance. Our 2019 Academic Symposium, through which we endeavor to bridge the academic and policy communities, contributes to understanding crucial questions in the Asia-Pacific.

In 2019 we were pleased to return to the International Studies Association (ISA) annual conference for three panels in Toronto, Canada. 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 organize a fourth group of experts to contribute to the final section of this volume.

Marking eight 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 conference. 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. Kim Jong-un's turn to diplomacy in 2018 put the spotlight on the United States and the two Koreas to reach a solution to the North Korea nuclear issues issue. The authors in the first section, however, analyze another important trio of countries—North Korea, Russia, and China—which could significantly influence the ongoing talks among Washington, Seoul, and Pyongyang. The second section analyzes another recent major shift in the region, namely the increase of foreign government interference in domestic affairs amid a decline in values-driven diplomacy. Authors in this section assess Beijing's efforts to influence domestic actors in key democratic partners as well as similar actions taken by Pyongyang in South Korea. As Trump elapses two years in office, the penultimate section examines the impact of Washington's "America First" economic policies on the region so far. The chapters in the final section provide overviews of media reactions in South Korea, Japan, Russia, and China to the lack of an agreement resulting from the Trump-Kim summit in Hanoi, highlighting key concerns and preferences for the diplomatic path forward of each country.

Whether our connection with you is new or continuing, we hope you enjoy the 30th edition of the Joint U.S.-Korea Academic Studies volume.



**Ambassador (ret.) Kathleen Stephens**  
President and CEO, Korea Economic Institute of America  
July 2019



**THE CHINA-RUSSIA-NORTH KOREA  
TRIANGLE AFTER KIM JONG-UN'S  
TURN TO DIPLOMACY**

## Introduction

The triangle of Beijing-Moscow-Pyongyang has great significance for the geopolitics of not only Northeast Asia, but the globe. It played a critical role in the 1950 launching of the Korean War, when the Cold War took shape. It became the subject of much speculation in the 2000s, when the Six-Party Talks offered hope that the post-Cold War framework could become one of trust based on shared interests in peace and stability and joint prosperity focused on Northeast Asia. Today, it is again worthy of close attention, as diplomacy has intensified in an atmosphere of increasing polarization. Various alternatives for the future of this triangle have recently been suggested.

The options offered for the emerging China-Russia-North Korea triangle include the following. One, a North Korean defection centered on a deal with the United States and an understanding with South Korea allowing for gradual inter-Korean integration with economics in the forefront. Two, a Chinese sphere of influence, which Russia is too weak to resist and North Korea prefers to the danger of regime change through Korean integration and U.S. demands for openness and human rights. Three, a balanced triangular alliance, where North Korea resumes playing off its allies in Beijing and Moscow without having to take the side of either, but this time without a serious split between the two great powers. Four, maximum autonomy of Pyongyang carving space among the five states most concerned with its destiny, leaving this triangle with no more significance than the triangle with the U.S. and South Korea. Fast-moving, diplomatic developments in 2018-2019 provide some evidence for assessing these alternative outcomes.

The five chapters in Part I give us differing perspectives on what is transpiring within the triangular configuration. Each sets forth some of the details for how Sino-North Korean and Russian-North Korean relations have been changing. All interpret the state of Sino-Russian ties at the end of the 2010s. They differ on the angle they take on the Sino-Russian-North Korean triangle. One reflects on Japan's thinking. One draws South Korea heavily into the analysis. A few stress the Sino-Russian nexus. The fifth chapter offers details about energy issues. Together, they explore a process of transformation still at an early stage after sanctions were pressed through 2017 and as diplomacy was reaching its full fruition in 2018 with uncertainty building through early 2019.

Authors have been asked to consider where this triangle is heading, looking back on recent diplomacy and keeping in mind the strategic thinking of the various states. Their arguments were tentatively prepared prior to the Hanoi summit of Donald Trump and Kim Jong-un on February 27-28 and finalized in the aftermath of that meeting as developments kept unfolding. This is a fast-changing situation; authors can only capture what has transpired in the recent turn to diplomacy and offer a snapshot of where things were with informed commentary on where they may now be heading. At the end of April, chapters were last updated to cover the Putin-Kim summit in Vladivostok.

Drawing on the first three chapters, the following questions are addressed: 1) Why have Sino-Russian relations strengthened and how strong is this relationship? 2) What is North Korea's role in that? 3) How much overlap is there between the policy priorities of the two in dealing with the North? 4) What challenges do the two have in coordination? 5)

What is the impact of the U.S.? and 6) To what extent are triangular ties with Pyongyang being institutionalized? The final two chapters are covered in more traditional fashion, summarizing and interpreting their main points.

Robert Sutter, “Sino-Russian Relations,  
South Korea, and North Korea”

Stephen Blank, “The North Korean Factor  
in the Sino-Russian Alliance”

Brian G. Carlson, “Sino-Russian Relations  
and Security Ties to North Korea”

### **Why have Sino-Russian relations strengthened and how strong is this relationship?**

Blank describes Sino-Russian relations as an alliance, predicts the return of bipolarity that characterized the Cold War in Northeast Asia, albeit in altered and looser form, and foresees a recurrence of the dynamics whereby North Korea facilitated the Soviet-Chinese alliance during the Korean War. Russia’s Vostok-2018 exercise that also involved Chinese forces originally reflected apprehension about a U.S. strike on North Korea that could oblige them to respond, and the overall schedule of Sino-Russian military exercises of 2017-2018 was probably conceived of and implemented to thwart a U.S.-led invasion of North Korea, Blank argues. The earlier Terminal High Altitude Area Defense (THAAD) installations generated a Chinese trade and economic war against South Korea and also enhanced Sino-Russian military coordination. These are all evidence of how the security situation in Northeast Asia is becoming polarized with Korea in the forefront.

Washington would benefit from viewing Korean issues primarily as regional security questions. Russia and China do so, notes Blank. For both, it is essential to be recognized as major if not dominant actors on the Korean Peninsula. If their ability to influence developments on their immediate periphery is diminished, then their ability to play a global great power role will also be reduced. Russian analyses follow China in blaming Washington for North Korea’s continuing nuclearization due to U.S. threats against it. Russia and China argue, to Pyongyang’s delight, that Washington must initiate concessions, e.g. formally ending the Korean War, reducing sanctions, giving security guarantees, and ceasing its threats while deferring denuclearization. Overlapping thinking in Moscow and Beijing on Korea, thus should serve as a wake-up call in other countries.

The chapters list many factors drawing Moscow and Beijing close, although Carlson finds that one factor that has held them back from establishing a formal political-military alliance is the unwillingness of both countries to be dragged into the other’s regional conflicts. Yet, Korea is viewed as a shared regional interest, even if Moscow accepts that Beijing’s interests prevail. In historical memory, national identity, and geopolitical interests, it boosts their common cause.

### **What is North Korea's role in improving Sino-Russian relations?**

Sutter considers how the Sino-Russian relationship reacted to the major changes on the Korean Peninsula brought on by the string of remarkable developments there since 2017. He lists those developments as: the Trump administration's pressure against North Korean nuclear weapons development in 2017; the North's abrupt shift away from confrontation and toward negotiations with the U.S. and South Korea in early 2018; the subsequent dramatic shift toward top-level U.S.-North Korea negotiations to ease tensions and improve relations seen in Trump's meetings with Kim Jong-un in June 2018 and February 2019; and active, related North Korean summitry with South Korea and China. He finds that China and Russia in ties with both Koreas worked together to offset U.S. pressures and undermine U.S. influence, with Russia, putting aside concerns, repeatedly siding with China in playing second fiddle to it on matters there. China, for its part, seemed comfortable with close cooperative relations with Russia in dealing with Korean matters.

The dispositions of Vladimir Putin and Xi Jinping support forecasts of closer relations, Sutter says. The momentum is based on: 1) common objectives and values; 2) perceived Russian and Chinese vulnerabilities in the face of U.S. and Western pressures; and 3) perceived opportunities for the two powers to expand their influence at the expense of U.S. and allied powers seen in decline. Russia and China work separately and together to complicate and curb U.S. power and influence in world politics, economy, and security. The dramatic rise in tensions on the Korean Peninsula followed by the equally dramatic U.S.-North Korean summitry provided repeated opportunities for Beijing and Moscow to work together in support of their interests and at odds with U.S. ones.

Blank offers five reasons why North Korea has brought China and Russia closer together, despite three reasons for why this should not be occurring. The facilitating factors are: 1) historical great power identity; 2) denial of a U.S. identity victory seen as a "color revolution"; 3) a geopolitical test reshaping the Northeast Asian region in opposition to the U.S. presence and U.S. alliances; 4) each government's view that North Korea can become a strong ally under the right conditions; and 5) positive assumptions in each about economic integration with North Korea if it resolves the nuclear crisis in the right manner, albeit conflicting in some details. The factors that complicate a sustained alliance are: 1) the traditional North Korean tactics to play China off against Russia; 2) Russian concern about China's dominance leaving Russia with little economic benefit or prospects for multipolarity in Northeast Asia; and 3) Chinese insistence on unilaterally subordinating North Korea to its policies with scant regard for Russia's role. All these factors have appeared intermittently, but in 2018-2019 we see more clearly how they combine to boost Russian-Chinese alliance ties, and the prospects of a three-way alliance, concludes Blank.

During the period leading up to the turn toward diplomacy on the Korean Peninsula that began in 2018, China and Russia achieved close cooperation in addressing the North Korean nuclear crisis. This cooperation was one of the most striking examples of the increasingly close relationship that the two have forged in recent years amid a downturn in both countries' relations with the U.S., argues Carlson. All three chapters trace how coordination regarding North Korea's relationship with the U.S. has deepened between Moscow and Beijing, leading to qualified support for tougher UN Security Council sanctions in 2017 and softer attitudes for relaxing those sanctions in the 2018 diplomacy.

## **How much overlap is there between the policy priorities of the two in dealing with the North?**

The policy priorities of China and Russia on the Korean Peninsula overlap significantly, all the chapters argue. Apart from Taiwan, there is no more important area along Beijing's periphery—the longstanding focus of its foreign and security policy—than the Korean Peninsula. What happens in Korea impacts directly China's longstanding efforts to offset the threat posed by the large American security presence along China's all-important maritime frontier. Serious disruption in Korea would have a large impact on the adjoining Chinese provinces that are critically important in Beijing's economic development. It would cast a pall over Chinese broader plans for economic development. A bottom line among Chinese interests in Korea is preserving stability. Optimally, Beijing seeks to sustain and develop the independent North Korean state through economic reforms and international outreach that would preserve the advantages China sees in division of the peninsula rather than risking the negative consequences that regime change could involve, explains Sutter. Russia is seen as having no less compelling geostrategic, economic, and national identity reasons for sustaining the North Korean regime.

In the face of U.S.-backed pressure on North Korea to end its nuclear weapons program and related ballistic missile development, China tends to focus on ways to preserve stability that work against such disruptive interventions and advance Chinese advantages in relations with North Korea. In this process, Beijing at various times has seen South Korea more willing than the U.S. to support more positive engagement with North Korea. It has sought to work more closely with Seoul in those instances, often in ways that divide Seoul from Washington. The significance of the common ground seemed diluted by the backwash of the acute dispute between the two countries over the deployment in 2017 of the U.S. THAAD anti-ballistic missile system in South Korea and China's unofficial, very damaging economic sanctions against South Korean businesses. In late 2017, Beijing and Seoul negotiated at least a pause in their dispute. For Russia, dividing Seoul from Washington and stopping THAAD also were strategic goals.

China and Russia welcome the current process but recognize the difficulty of achieving a diplomatic resolution of the crisis. As this process unfolds, China and Russia are likely to continue their close coordination, with China taking the lead and Russia largely playing a supportive role. The similarity of Chinese and Russian views on international issues, especially their shared opposition to a U.S.-dominated international system and to claims of the universal applicability of liberal values, suggests that their close partnership is likely to endure for the foreseeable future. Similarity in the two countries' perceptions of their security interests on the peninsula indicates that their close cooperation on this issue is likely to persist. Yet, authors note that if reunification eventually becomes a serious possibility, Russia's eagerness to increase its regional influence through joint economic projects with the peninsula could create tension with China, which would be concerned about the impact of such developments on its own relative power in the region. Such an outcome remains a distant prospect, however, Sutter explains. As explained by Christoffersen in the summary below, the struggle over Chinese bilateralism and multilateralism has started.

Moscow scrupulously avoids steps that would potentially upset its leading strategic partner and is unlikely to take substantial initiatives on the peninsula that run against the basic interests of China. It is well aware that Korea is vital for China's security, recognizing that

Beijing's stakes in the peninsula are significantly higher. Yet, Russia sustains ambitions to play a leading role in the North Korean nuclear crisis as part of its overall effort to enhance its profile in East Asia. At the end of April 2019 Putin hosted Kim Jong-un, raising Putin's profile in the diplomacy over the Korean Peninsula, while giving Kim a chance to showcase other options after the Hanoi failure.

### **How much overlap is there between the risks of diplomacy to China and Russia?**

The surprising thaw leading to the June 2018 U.S.-North Korea summit seemed to put at risk Chinese interests and influence. A possible U.S.-North Korean reconciliation could marginalize China. Chinese leaders are aware that North Korean officials have repeatedly demonstrated antagonism to China when they have interacted privately with American officials. North Korea has a long history of maneuvering among larger powers. Reconciliation could result in much stronger North Korean independence backed by the U.S., which could seriously complicate China's ambitions in Northeast Asia. Such calculations seemed behind Xi's abrupt shift away from his wariness toward Kim Jong-un. China eased implementation of sanctions in exchange for less confrontational North Korean behavior, although it generally adhered to the strict terms of the UN Security Council sanctions. Yet, Beijing provided leverage and backing as Kim Jong-un dealt with Trump. Xi held four summits in China with Kim in a single year.

Putin has tailored his approach to the region in ways that enhance Russia's alignment and avoid serious friction with China. The result over the past two years has seen collaborative Russian-Chinese efforts pursuing interests at odds with the United States. Russia's relations with North Korea in recent years have continued to improve, even when China's relations with Pyongyang declined. North Korea's support for Russia in the UN after the invasion of Crimea led to a reassessment of its value as a partner. As China in 2017 used economic leverage against North Korea, Russia avoided such pressure, smuggled oil to North Korea, and improved its political relations with Kim's regime. Yet, Kim's visit to Vladivostok saw no notable easing of sanctions. South Korea was the only U.S. ally which did not impose sanctions on Russia in 2014. Moon Jae-in's visit to Moscow and summit with Putin in June 2018 appeared friendlier than Moon's visit with Xi in Beijing six months earlier. After Moon took office in May 2017, Russia sought to capitalize on his interest. Sino-Russian coordination has been incomplete, but it is growing.

### **What is the impact of the U.S.?**

Both China and Russia view the issues of the Korean Peninsula through the prism of global security and their competition with the U.S. They seek to reduce the U.S. security presence in Northeast Asia, and they accuse the U.S. of using North Korea's nuclear weapons program and provocative behavior as a pretext for strengthening this presence. They are particularly concerned about U.S. deployment of THAAD in South Korea. Opposition to THAAD represented the continuation of sustained efforts by China and Russia to resist the expansion of U.S. missile defense dating back to the 1990s. As the North Korean nuclear crisis intensified in 2016 and especially in 2017, China and Russia closely coordinated their responses to events. They expressed a shared position clearly in a July 4, 2017 joint declaration. As much as North Korea's nuclear weapons and belligerent behavior may

irritate them, their goal of limiting the U.S. military presence in the region overrides these concerns. Unless the U.S. agrees to limit its regional military presence, China and Russia will continue to support the regime and attempt to ensure its survival.

Chinese leaders have become increasingly irritated with North Korea's behavior in recent years and increasingly supportive of international sanctions against the regime. China recognizes that North Korea's nuclear weapons program serves as the only reliable deterrent against a potential U.S. attack on the regime in Pyongyang. It thereby serves China's interests by ensuring the continued survival of North Korea as a buffer state for China. North Korea's provocations create demands on U.S. military resources and attention, potentially reducing pressure on China. Chinese leaders also recognize that progress in the construction of North Korean nuclear weapons and intercontinental ballistic missiles has the potential to weaken U.S. alliances in Asia. These programs could increasingly call into question the willingness of U.S. citizens to put their own cities at risk on behalf of their Asian allies' security. Along with Russia, China has sought to ensure that a reduction of the U.S. security footprint in Northeast Asia accompanies steps toward denuclearization by North Korea. China supports the goal of denuclearization only if it occurs in a way that preserves its perceived security interests. Despite its official opposition to North Korea's possession of nuclear weapons, Russia professes understanding for the motives behind it and assigns a significant amount of blame for the crisis to the U.S.

China and Russia took a "good cop/bad cop" approach. China, which was experiencing a relatively warm period in relations with the U.S. following Xi Jinping's meeting with Trump at Mar-a-Lago, Florida, in March 2017, was willing to support slightly tougher sanctions than it had previously. Russia was more reluctant, viewing sanctions as an ineffective means to induce changes in North Korean behavior, but it ultimately agreed to follow China's lead. China and Russia nevertheless succeeded in weakening U.S. sanctions proposals. Most notably, they rejected the U.S. proposal for a total crude oil embargo. The turn toward diplomacy on the Korean Peninsula during 2018 changed some of China's calculations. As the crisis intensified during 2017, China sought to use its influence over North Korea as leverage in relations with the United States. China hoped that its willingness to apply diplomatic and economic pressure on North Korea would help to achieve more favorable U.S. policies regarding such issues as Taiwan, the South China Sea, and trade. Now, with the turn toward diplomacy, China had to be alert to the possibility that North Korea would return to its time-worn tactic of playing on divisions for great-power rivalry.

Above all, China and Russia were determined to limit and ultimately reduce the U.S. military presence in Northeast Asia, including the deployment of missile defense systems. The security interests of China and Russia on the peninsula are not identical, especially regarding the long-term prospects for reunification, but their interests are likely to remain largely aligned for the foreseeable future, asserts Carlson. China and Russia welcomed the turn toward diplomacy that began in 2018, which essentially followed their preferred course of a moratorium on North Korean nuclear and missile tests and a corresponding pause in the conduct of U.S.-South Korean joint military exercises. Yet, the two countries remained skeptical about the prospects. China is widely expected to intervene in any war on the Korean Peninsula, as it did in 1950. China's paramount goal, however, is to

dramatically reduce and ultimately eliminate the U.S. presence in Northeast Asia, as in the wider Asia-Pacific region, allowing China to establish itself as the dominant regional power. China supports the eventual reunification of the peninsula, but only as a country that is, at minimum, neutral. With no prospect of such an outcome currently in sight, China is likely to persist in its belief that the status quo is preferable to any unification process for the foreseeable future. Russia has many of the same caveats, but it has a stronger interest than China in reunification or at least a much closer relationship between the two Koreas. Unification or integration would allow Russia to pursue economic projects that could stimulate the development of the Russian Far East, expand Russia's influence on the peninsula, and enhance Russia's profile in the Asia-Pacific region. Yet, for the foreseeable future, Russia and China are focused on addressing the immediate crisis, in which their interests are largely aligned.

Beijing's persuasion, not U.S. concerns, reportedly drove Russia in December 2017 to agree to tough sanctions. In their joint statement in July 2017, Putin and Xi said that tensions on the Korean Peninsula should not be used as a pretext for expanded U.S. military capabilities and opposed THAAD as detrimental to their own security interests and ineffective in achieving denuclearization or peace and stability in Northeast Asia. This paved the way for Russia agreeing with China on sanctions. Their unified position on the crisis combined previous Chinese proposals of a "double freeze" (the halt of nuclear and missile programs by the North in exchange for suspension of massive U.S.-ROK military drills) and "parallel advancement" (simultaneous talks on denuclearization and the creation of peace mechanisms on the peninsula) with a Russian-proposed stage-by-stage Korean settlement plan. It was the first time that China and Russia so clearly articulated their common position with respect to the North, Sutter explains, adding that they explicitly link the resolution of the North Korea problem to America's willingness to make major strategic concessions in Northeast Asia.

While China exercised severe economic pressure on North Korea through substantial diminution of its trade with the country in 2017-2018, the advent of talks with the U.S. has led to new optimism. China is now apparently urging North Korea to join its Belt and Road Initiative (BRI), arguing it would prosper by doing so. This move would reduce its economic exposure to a politically dangerous situation, yet would also subordinate North Korea's economy to China. Yet, North Korea has never fully trusted either Beijing or Moscow and fears either abandonment or efforts to suppress its independence. One reason for building nuclear weapons is the desire to achieve independence from both those powers and force them to offer resources to sustain it. Pyongyang still will not undertake the kinds of reforms launched by Vietnam or China, presumably due to fears of their political consequences.

The U.S. presence would dramatically reduce Russia's projected main instrument for gaining leverage over either or both Korean states, i.e. the generation-long proposal for a Trans-Siberian and then Trans-Korean Railway (TSR-TKR). Likewise, if the U.S. can steer the negotiations with North Korea, this would likely mean preserving a sizable U.S. military presence in both South Korea and Japan that both Beijing and Moscow see as directed against them. Lastly, to the degree that Washington can successfully steer the negotiations, that outcome would greatly enhance its standing across Asia at China's expense. The earlier THAAD installations generated a Chinese trade and economic war against South Korea and enhanced Sino-Russian military coordination. If we reckon with all of the economic, military-

strategic, and ideological-political interests, we easily see that both Moscow and Beijing have compelling and, more crucially, comingled ideological-political-strategic-economic interests in common against the U.S., concludes Blank. Accordingly, they cannot easily permit North Korea to act independently in ways that sideline them even if they both need and desire a détente in Northeast Asia that minimizes the risks of a war in Korea. These interests correlate with their expectations regarding North Korea's role in their regional economic designs, as in Russian obsession with proposed infrastructure projects.

### **To what extent are triangular ties with Pyongyang being institutionalized?**

The combination of the Xi Jinping-Kim Jong-un rapprochement with the already cordial Russia-North Korea relations led to tentative institutionalization of a Beijing-Moscow-Pyongyang bloc. In October 2018, Russia, China, and North Korea, represented by deputy foreign ministers, held in Moscow their first official trilateral meeting and called for the easing of the UN Security Council sanctions against North Korea to reward Pyongyang for its efforts at denuclearization. This is a consequence of the fact that the pattern of security ties between Russia and North Korea bears many similarities to those of the China-North Korea relationship. Russia views North Korea's nuclear tests and missile launches as potentially destabilizing for regional security. It considers North Korea's nuclear weapons program and provocative behavior to be a pretext for U.S. regional military buildups that are at least partly directed at the containment of Russia as well as China. Like China, Russia wants to maintain North Korea as a buffer state. In their view, the U.S. should first ease sanctions as a reward for North Korea's willingness to enter negotiations, then engage in a step-by-step process in which the two sides trade reciprocal concessions. The three chapters suggest the potential for institutionalized trilateral security coordination, but they leave unclear North Korea's interest and the timing that could lead to this outcome in light of ongoing U.S. diplomacy or China's reluctance to incite a break with the U.S.

## James D.J. Brown, "Japan's Strategy to Keep the North Koreans and Chinese Down, the Americans in, and the Russians Neutral"

North Korea, China, and Russia each present Japan with specific security concerns, explains Brown, adding that Japan also faces the added worry that these three countries will increasingly coordinate their activities within the region. Even if they do not actually forge a strategic triangle, there remains the threat that they could join together on certain issues, forming a "loose coalition" to counter the interests of Japan and its U.S. ally. This is related to the fact that while there may be some common ground regarding the ultimate goal of denuclearization, Beijing and Moscow are diametrically opposed to Tokyo's position when it comes to the question of how to achieve this. The Japanese government has maintained a hard-line position, even though Abe Shinzo has conceded that he too would be willing to meet Kim, conditional on that contributing to the resolution of the abductions issue.

Tokyo is worried that Beijing and Moscow are increasingly making common cause with Pyongyang, argues Brown. This impression was strengthened in October 2018, when the deputy foreign ministers of Russia, China, and North Korea met in Moscow. Furthermore, there have been allegations that China and Russia are becoming increasingly lax in enforcing

existing international sanctions. Two factors make the situation especially troublesome: the poisonous state of relations between Japan and South Korea, and Trump's leadership, not intervening to smooth out tensions between U.S. allies, but contributing to Japan's sense of regional insecurity. This is a consequence of Trump's "America First" foreign policy and the transactional approach that he takes to alliances. Thus, Japan's security situation is alarming. The country faces not only the individual security challenges posed by North Korea, China, and Russia, but also the danger of increased cooperation between these three nuclear-armed neighbors. What is more, at just the time when Tokyo needs reliable partners, it finds itself dealing with a South Korean government that it considers chronically untrustworthy and a U.S. administration that often seems less like a loyal friend and more like an increasingly expensive supplier of commercial security services.

Japan's current strategy can be characterized as aiming to keep the North Koreans and Chinese down, the Americans in, and the Russians neutral, concludes Brown. Despite feelers toward Kim Jong-un for a summit and a supposedly breakthrough summit between Abe and Xi Jinping, no fundamental change has taken place in Japan's policy. The Japanese leadership remains just as wary of both Pyongyang and Beijing as previously, and the guiding principle of Japan's strategy remains to contain North Korea and China. Rather than indicating a true reorientation of strategy, Japan's seemingly changed approach has been driven by the need to respond to alterations in U.S. policy towards North Korea and by the priority of avoiding a crisis in relations with China.

The Japanese leadership was shocked by Trump's announcement in March 2018 that he intended to meet Kim Jong-un. This was made even more unpalatable by the knowledge that the change in U.S. policy had been brought about through the work of the Moon administration, in which Japanese trust has never been high. From the very start then, the Abe administration has regarded the talks with North Korea as a mistake, believing that a summit with the U.S. president should only have been granted after Pyongyang offered something more concrete than a vague commitment to the denuclearization of the Korean Peninsula. Yet, the Abe administration felt that it had no choice but to alter the presentation of its North Korea policy to limit the appearance of differences with Washington. This is the real reason why Abe also announced his willingness, in principle, to meet Kim Jong-un. Abe has consistently emphasized the abductions issue as the most important problem in relations with North Korea. This means that Abe would find it hard politically to engage with Pyongyang unless real progress were made on the abductions issue.

Japan's real policy is therefore not to provide genuine support for the diplomatic process with North Korea but rather to encourage the U.S. to maintain as much pressure as possible. Additionally, Japan is focused on the goal of minimizing the perceived risks of the U.S.-North Korea talks. Above all, Japan is worried about the prospects of Trump cutting a deal with Kim Jong-un that would address the issue of North Korean intercontinental ballistic missiles (ICBMs) but would not tackle the threat of short- and medium-range missiles that can reach Japan.

If the Korean War is declared to have officially concluded, Trump may be inclined to begin implementing his longstanding goal of withdrawing or reducing the U.S. military presence in South Korea. Japanese strategists see such a step as not only benefiting North Korea,

but also potentially causing South Korea to reorient itself towards China. Japan's isolation in Northeast Asia would then be complete. After all, while the atmosphere in relations between Tokyo and Beijing has undergone a welcome improvement, Japan continues to regard China as a chronic security threat, exceeding even the acute danger posed by North Korea. Efforts are concentrated on challenging China's expanding activities in the East China Sea, especially around the Senkaku Islands, as well as in the South China Sea. Yet, while Tokyo may be united with Washington in the overall aim of countering China's geopolitical ambitions, it has a very different approach to achieving this. The U.S. has taken an increasingly confrontational stance. Japan's strategy is to quietly work toward containing the effects of China's rise, yet to simultaneously keep bilateral relations on an even keel and avoid dangerous squalls while emphasizing the goal of mutually beneficial co-existence. Japan has nothing to gain from recurring crises, and Abe has been seeking to take the heat out of the relationship to return ties to their status before the collision of September 2010. The improvement appears to have been driven by the Chinese side, argues Brown.

The Abe administration is pursuing what might be described as a preventative anti-abandonment strategy to demonstrate that Japan is a valuable ally and not a free rider, thereby ensuring that Washington does not even begin to question its security commitment, and to keep strong personal rapport with Trump. This is something that Japanese leaders seek to do with all U.S. counterparts. The task has, however, become especially important with Trump due to his isolationist instincts and highly personalized approach to foreign policy. This accounts for Abe nominating Trump for the Nobel Peace Prize in recognition of his diplomatic engagement with North Korea, albeit at the request of the U.S. government. This revelation was embarrassing for the Japanese leader, not least because it is well known that Abe is not an enthusiastic advocate of diplomatic engagement with Pyongyang. The Japanese government's official assessments also state that the threat from North Korea remained undiminished after the summit in Singapore. Moreover, there has been no apparent progress towards resolving the abductions issue. Yet, Abe evidently calculated that humbling himself before Trump was a price worth paying if it contributes to retaining the U.S. presence in the region, Brown concludes.

As for Russia, Japan's primary concern is not that its forces will pose a direct military threat, as was the case during the Cold War, although, in fiscal 2017, 390 scrambles of Japanese planes were to intercept Russian aircraft, second only to the 500 scrambles provoked by Chinese planes. Compared with the threats posed by China and North Korea, Russia is considered a very distant third. Instead, the main worry is that Russia's support will embolden North Korea and China. The close relationship between China and Russia is already a source of strength for Beijing. The strategic nightmare for Japan is that this trend could lead to Russia abandoning its position of neutrality on the issues of the Senkaku Islands and the South China Sea and move to explicitly support Beijing's position. Japan's Russia policy has been shaped by the goal of neutralizing the danger of Beijing and Moscow forging a united front against Japan. This, along with Abe's desire to resolve the countries' territorial dispute, accounts for his wooing of Putin. If the talks on a peace treaty ever reach fruition, there is also the possibility that the sides would include a clause that would commit them not to take part in hostile military activities against each other. While easing Japanese concerns about Russia contributing to hostile actions by China, this clause could appeal to Moscow, guaranteeing that the U.S.-Japan alliance would not be directed against it.

Kim Jong-un's turn to diplomacy in 2018 has done nothing to ease Japan's long-term security concerns, nor has Beijing's simultaneous adoption of a softer stance towards Tokyo. Japanese strategists remain deeply concerned about the threats posed by North Korea and China, as well as by the danger that Russia could increasingly make common cause with them. Added to this, the Abe government questions whether the Moon administration really is a security partner and fears the withdrawal of the U.S. commitment to the region, leaving a perilous situation of attempting to keep the North Koreans and Chinese down, the Americans in, and the Russians neutral. The urgent concern is North Korea; the Japanese leadership is hopeful that the current diplomatic efforts will fail, overlooking the risk that such a failure will return the region to the brink of a conflict from which Japan can hardly expect to escape unscathed, argues Brown. He adds that the Abe administration may find it increasingly difficult to continue its courtship of Putin's Russia. Domestically, there is growing criticism of Abe's failure to achieve real progress on resolving the territorial dispute. Meanwhile, while Trump himself is unlikely to criticize Abe for being too close to Putin, others in the U.S. security establishment may ask why their main ally in Asia continues to ardently pursue cooperation with the U.S. strategic competitor. Added to this, the Japanese leadership may have overestimated the extent to which Moscow shares its concerns about China since there is currently no evidence of any success altering Russia's China policy.

## Gaye Christoffersen, "Chinese, Russian, Japanese, and Korean Strategies for Northeast Asian Cross-Border Energy Connectivity"

Christoffersen reviews research in Northeast Asia on trilateral and multilateral initiatives for cross-border infrastructure connectivity involving China, Russia, both Koreas, and Japan. Infrastructure includes railway lines, cross-border oil and gas pipelines, and power grids. She compares the strategies of the five parties, recognizing that Northeast Asian institutionalization is understood to require a concrete functional area, which appears to be energy. However, there has long been a failure to form a regional political consensus on an energy regime; a core question unanswered is whether such a framework will be China-centered and largely bilateral in nature or truly multilateral, perhaps at South Korea's initiative.

Beijing has promoted a BRI that contains six energy channels, all of which are bilateral for importing oil, natural gas, and other raw materials into China. It is a network of energy infrastructure centered on China, using the BRI to create bilateral asymmetric dependencies.

South Korea's New Northern Policy (NNP) and the Asian Super Grid, involving Japan, Russia, Mongolia, South Korea, and China, have in common the fact that they do not conform to the BRI's strategy of bilateral energy channels and are not centered on China. These initiatives promote energy infrastructure connectivity that could form the core of a multilateral energy regime, the super grid on a commercial basis, and the NNP through a political consensus.

In 2018 Beijing changed its policies and studied incorporating Northeast Asia into BRI, primarily South Korea's NNP, which partners with Russia, but also the Asian Super Grid, a project centered on Mongolia and initiated by Japanese and South Koreans with Russia as a partner. Both of these projects interrupt the BRI's bilateral energy channels and undermine

older Chinese regional projects. Chinese analysts have suggested that Sino-Russian pipelines could form the core of a Northeast Asian energy regime, but there is no regional response to these suggestions.

Christoffersen recalls Park Geun-hye's Eurasia Initiative, which included development of international energy networks and was primarily focused on the Russian Far East and Central Asia. China was included in the concept of Eurasia, but it was not at the center. The Eurasian Initiative proposed trilateral cooperation among North Korea, South Korea, and Russia, as well as trilateral cooperation among North Korea, South Korea, and China, placing Seoul at the center. Christoffersen points to Russia's interest from 2016 in what it called the Russia-Japan energy bridge, meaning the Asia Super Grid. The Russian expectation was to make Siberia and the Russian Far East the hub of a regional energy network. Moon proposed the NNP at the third Eastern Economic Forum held in Vladivostok. It included the economic and energy integration of the Russian Far East, North Korea, and South Korea. Moon's "nine bridges" of the NNP included a natural gas pipeline.

There are many known impediments: international sanctions on Russia and North Korea would block financial assistance from international organizations and companies; Russia and South Korea have different goals in trilateral cooperation; Russian companies want access to the South Korean market; and South Korea's goal is economic integration with North Korea. Some warn that Russia and the Koreans would have to coordinate their actions with China, in effect giving China veto power over Russian-Korean trilateral projects. With regard to the Asian Super Grid, Chinese researchers have argued that energy channels and infrastructure proposed by the BRI can resolve the problem of regional energy cooperation. Northeast Asian countries need oil and gas pipeline networks and power grids. BRI could supply investment through the Silk Road Fund and the Asian Infrastructure Investment Bank. BRI can be implemented bilaterally and does not initially require a multilateral framework, but rather could evolve into one as Japan and South Korea join the Sino-Russian economic corridor of oil and gas pipelines and the China-Mongolia-Russia economic corridor. BRI promises political trust and an organizational answer.

Some analysts have argued that currently there is greater political will and vision that will enable a Northeast Asian energy regime, making it possible to combine China's BRI, Mongolia's Gobitec Project, South Korea's NNP, and Russia's New Eastern Policy. Yet, Christoffersen adds, they recognize that there is still an organizational deficit. The Chinese approach contrasts with the Japanese and South Korean ones; Chinese perceive regional infrastructure projects as a means to avoid market competition, and there is less emphasis on commercial viability. There is no evidence of Chinese economic feasibility studies prior to project implementation. Beijing has promoted coopting other regional projects, placing them under BRI to acquire political control.

The possibility of incorporating South Korean initiatives into the BRI began in 2016 with Chinese discussion of docking the Eurasia Initiative and the BRI using the China-Korea FTA as the framework. When Seoul shifted to the NNP, Chinese discussed docking BRI with it. In the Chinese understanding of docking, it is the means by which the NNP could be incorporated into the BRI. Chinese analysts considered BRI a larger, stronger, more enduring initiative with a greater capacity for implementation than NNP, but South Korean analysts question the benefits of BRI and critique its compatibility with Seoul's strategies. Moon expected BRI

would lessen Korean dependence on China, but critics thought dependency would increase because Beijing would use South Korea to develop China's Northeast provinces as a hub. By November 2018, Beijing was ready for BRI docking with NNP. At the Asia-Pacific Economic Cooperation (APEC), Xi proposed to Moon that South Korea participate in BRI, intending to incorporate the NNP into it. At that time Moon had not decided whether to join. Some Koreans suspected Xi's proposal was meant to force South Korea to choose between China and the U.S. during their trade war, Christoffersen added.

The puzzle of Northeast Asian energy infrastructure is how to link the three regional energy projects—BRI, Asian Super Grid, and the NNP—without BRI coopting and absorbing the other two projects. BRI's proposed infrastructure projects promise infrastructure connectivity in Northeast Asia. The other infrastructure initiatives are more multilateral, not exporting energy only to China. Beijing's response to these multilateral initiatives has been to try to run all multilaterals through China to keep China at the center. Given the fact that since the end of the Cold War, Northeast Asian regional energy cooperation has been seen as a basis for building a larger regional mechanism and a peace regime on the peninsula, the outcome will be important.





# Sino-Russian Relations, South Korea, and North Korea

Robert Sutter

This examination of the relations among these four governments assesses the ever-closer China-Russia relationship featuring stronger strategic alignment against the United States and its interests in many parts of the world, including the Korean Peninsula. It also considers how the Sino-Russian relationship reacted to the major changes in the Korean Peninsula brought on by the string of remarkable developments on the peninsula since 2017. Those developments include: the Donald Trump administration's heavy pressure against North Korean nuclear weapons development in 2017; North Korea's abrupt shift away from confrontation and toward negotiations with the U.S. and South Korea in early 2018; the subsequent dramatic shift toward top-level U.S.-North Korea negotiations to ease tensions and improve relations seen in Trump's meetings with North Korean leader Kim Jong-un in June 2018 and February 2019; and active, related North Korean summitry with South Korea and China.

In this period, China and Russia in relations with South Korea and North Korea repeatedly worked together to offset U.S. pressures and undermine U.S. influence. Developments over the past two years have seen China emerge as a critically important player with a major role in all aspects of negotiations involving the crisis caused by North Korea's rapid development and repeated testing of nuclear weapons and related development and testing of ballistic missiles capable of carrying a nuclear warhead as far as the continental U.S.

By contrast, Russia's role and influence have declined in importance. The failed revival of the Six-Party Talks, in which Russia and Japan played a direct role along with North and South Korea, China, and the U.S. in dealing with the North Korean nuclear weapons crisis, and the current regional dynamic focused on only the four latter powers means that Moscow and Tokyo have been marginalized by recent developments. Such an outcome challenges the Russian government of President Vladimir Putin and its drive to play a prominent role as a leading world power on issues important to Russian interests. Demonstrating new prominence, Putin hosted visiting Kim during a brief summit long sought by Russia in Vladivostok on April 25. The Russian leader said North Korea's security concerns would be better met with international guarantees involving Russia and China rather than bilateral North Korean agreements with the U.S. Up until this point, Russia had been playing second fiddle to Beijing, repeatedly siding with China in matters regarding the Korean Peninsula. China, for its part, seemed comfortable with close cooperative relations with Russia as it deals with Korean matters. Whatever differences the two may have over Korean issues have been difficult to discern amid their collaboration and cooperation, which focus on weakening the American position in Korea and Northeast Asia.

## Increasing Sino-Russian Alignment Against U.S. Interests

The partnership between Moscow and Beijing matured and broadened after the Cold War and significantly strengthened during the past decade. The dispositions of Putin and President Xi Jinping support forecasts of closer relations. The momentum is based on: 1) common objectives and values; 2) perceived Russian and Chinese vulnerabilities in the face of U.S. and Western pressures; and 3) perceived opportunities for the two powers to expand their influence at the expense of U.S. and allied powers seen in decline. The relationship has gone well beyond the common view a decade ago that Russian-Chinese ties represented an "axis of convenience" with limited impact on international affairs.<sup>1</sup>

Increasingly, even longstanding observers doubtful of the significance of China-Russia cooperation are altering their positions in the face of clear and assertive moves by the two countries to challenge the U.S. and shape the international order along lines they favor. Heading the list of such evidence was the massive September 2018 Russian military exercise *Vostok*, involving 300,000 troops—bigger than any previous Russian exercise since the end of the Cold War—and featuring active participation of 3,200 Chinese fighting forces under “joint” Russian-Chinese command. The exercise took place against the backdrop of rising tensions in both countries’ relations with the U.S. over a wide range of security, economic, and diplomatic issues and ever advancing signs of mutual Sino-Russian support against the U.S., causing some skeptics of China-Russia cooperation to reluctantly acknowledge the *de facto* alliance.<sup>2</sup>

Today, Russia and China pose increasingly serious challenges to the U.S.-supported order in their respective priority spheres of concern—Russia in Europe and the Middle East, and China in Asia along its continental and maritime peripheries, including the Korean Peninsula. Russia’s challenges involve military and paramilitary actions in Europe and the Middle East, along with cyber and political warfare undermining elections in the U.S. and Europe, European unity, and NATO solidarity. China undermines U.S. and allied resolve through covert and overt manipulation and influence operations by employing economic incentives and propaganda. Chinese cyber attacks have focused more on massive theft of information and intellectual property to accelerate China’s economic competitiveness to dominate world markets in key advanced technology at the expense of leading international companies. Coercion and intimidation of neighbors backed by an impressive buildup of Chinese military and civilian security forces expands Beijing regional control and influence.

Russia and China work separately and together to complicate and curb U.S. power and influence in world politics, economy, and security. They coordinate their moves and support one another in their respective challenges to the U.S., allies and partners in Europe, the Middle East, and Asia. These joint efforts also involve diplomatic, security, and economic measures in multilateral forums and bilateral relations involving U.S. opponents in Iran, Syria, and North Korea. The two powers also support one another in the face of U.S. and allied complaints about Russian and Chinese coercive expansion and other steps challenging regional order and global norms and institutions backed by the U.S.

The dramatic rise in tensions on the Korean Peninsula in 2017 followed by the equally dramatic U.S.-North Korean summitry provided repeated opportunities for Beijing and Moscow to work together in support of their interests and preferences, which are often at odds with those of the U.S. The U.S.’s ability to deal with the overall rising challenges of increasing China-Russia cooperation is commonly seen as in decline. The U.S. position in its triangular relationship with Russia and China has deteriorated, to the satisfaction of leaders in Moscow and Beijing opportunistically seeking to advance their power and influence. Russia’s tension with the West and ever deepening dependence on China and heretofore active U.S. constructive interaction with China gave Beijing the advantageous “hinge” position in the triangular relationship that the U.S. used to occupy.

From one perspective, the developing Russia-China rapprochement represents a failure of U.S. foreign policy strategy going back to the Nixon administration—that the U.S. would seek to have better relations with Russia and China than they had with one another. With the end of the Soviet Union and its threat to China, it is not surprising for Sino-Russian relations to

improve. But the degree of recent Sino-Russian collaboration, seemingly “double-teaming” the U.S., clearly disadvantages America and has reached sufficient importance that some urge the U.S. to drive a wedge between Moscow and Beijing as a strategic move. The failure to do so would leave in place a strengthening authoritarian axis increasingly capable of challenging the liberal order central to the American position in the world.<sup>3</sup>

A contrasting view is that the ever more extensive development of overlapping Russian-Chinese interests served by their mutual cooperation since the end of the Cold War makes any American effort to manipulate one against the other very difficult. Unlike the Sino-Soviet animus of the Cold War, the two powers have come to depend on each other for economic, military, and diplomatic support in the face of challenges they encounter brought on in particular by U.S. and Western policies at odds with their domestic and international ambitions. The prevailing pattern is ever-closer Sino-Russian cooperation in their respective opposition to a U.S.-led international order seen as disadvantaging them. At the same time, the values and outlook of authoritarian leaders in Moscow and Beijing converge in opposition to U.S. interests and goals; those leaders are not likely to change for the foreseeable future.<sup>4</sup>

Recent Russian and Chinese policy calculations show that the importance of improved relations with the U.S. is low for Putin and the Russian leadership; their world view focuses on addressing the American threat with coercive means short of war including military deployments, cyber attacks, and security assistance to American adversaries. Xi’s government continues to balance strong opposition to U.S. international leadership and perceived U.S. encirclement in Asia with avoidance of confrontation and conflict with the U.S. by managing differences. China has a much greater stake in the U.S.-led international order than does Russia, but Beijing strikes the balance in ways that seriously undermine the U.S. For example, China’s coercive advances to control disputed territory along its rim undermine the American position as regional security guarantor, and China’s ever-expanding military buildup seeks to turn the military balance of power in Asia against the U.S..

Complicating an effective U.S. policy response is the fact that U.S. and allied leaders remain preoccupied with troubles at home and abroad, creating a balance of international power favoring further adverse advances and challenges by rising China and resurgent Russia. Additionally, U.S. influence on key areas of Russia-China cooperation, notably sales of advanced weapons, energy related trade and investment, and cooperation in the United Nations and elsewhere against various Western initiatives, is low.

While the drivers of Russian-Sino cooperation overshadow the brakes on forward movement at America’s expense, there remain limits on partnership between the two. The two governments continue to eschew the commitments of a formal alliance. And, up to this point, it has been hard to find instances when Russia took substantial risks in support of China’s serious challenges to the U.S. that did not involve overlapping Russian interests, and vice versa.

Meanwhile, much of Sino-Russian cooperation depends on circumstances subject to change. The bilateral relationship focuses on overlapping interests and converging outlooks of the authoritarian rulers in Beijing and Moscow. Though not discussed prominently, there is full awareness on both sides that today’s bonhomie follows decades of acute Cold War

hostilities. At that time, Moscow was the dominant power pressing Beijing to defer. Today, the tables have turned. Russia, with national wealth only one tenth the size of China's increasingly modern economy, is ever more dependent on China. This reality severely undercuts Putin's goal, widely supported in Russia, of reestablishing Moscow's great power status.

## U.S. Hardening toward Russia and China and Dynamics in Korea

Apart from the above noted Trump government pressure followed by thaw in dealing with North Korea, the main circumstance influencing Chinese and Russian policy in the Korean Peninsula is the Trump government's harder line toward Moscow and Beijing. At the outset of the administration, the American posture was strongly opposed to Russian policy and practice. Moscow's hopes that Trump's personal regard for Putin would ease American sanctions and pressures faded with stepped up U.S. sanctions strongly pushed by Congress amid arguments over Russia's attempted assassination of opponents abroad, military threats to Ukraine, and violations of the Intermediate Nuclear Forces agreement. The Trump government's first year also involved strong pressure on Beijing to compel Pyongyang to halt nuclear weapons and related ballistic missile tests, but it was offset by concurrent amicable interaction between Trump and his Chinese counterpart Xi. The U.S. government's much harder line toward China and China-Russia cooperation became more apparent with the National Security Strategy of December 2017 that gave Beijing and Moscow the first and second positions as America's major international dangers; the two were listed together 30 times as America's "strategic rivals."<sup>5</sup>

Trump continued to value his friendship with Xi and avoided repeating the language of his administration's stated strategy; his cabinet had a hard time agreeing on what to do about China's challenges, especially over economic matters and trade. By mid-2018, however, the president decided to begin punitive tariffs that had a significant impact on China's economy, and he signed a broadly supported National Defense Authorization Act in August 2018 with numerous provisions strongly supported by bipartisan leaders in both chambers of Congress, striking back against perceived Chinese challenges on trade, investment, high technology espionage, theft and transfer, information operations in the U.S., and Chinese pressures and assertiveness in the South China Sea and toward Taiwan. His administration told the media and the American public that the U.S. government was initiating an across-the-board effort to publicly demonstrate its resolve to check and counter Chinese challenges in a wide range of sensitive policy areas.<sup>6</sup>

## China-Russia Convergence on Korean Issues

The policy priorities of China and Russia on the Korean Peninsula overlap significantly even though the region is much more important for China's security and development than it is for Russia. Apart from Taiwan, there is no more important area along Beijing's periphery—the longstanding focus on Chinese foreign and security policy—than the Korean Peninsula. What happens in Korea directly impacts China's longstanding efforts to offset the security threat posed by the large American security presence along China's all-important maritime

frontier. Serious disruption in Korea would have a large impact on the adjoining Chinese provinces that are critically important in Beijing's economic development. It would cast a pall over China's broader plans for economic development. Economic progress is the key element supporting the legitimacy of continued Communist Party rule in China and essential for the Xi government's headlong quest for wealth and power to restore Chinese greatness, often called the "China Dream."<sup>7</sup>

A bottom line among Chinese interests in Korea is preserving stability. Optimally, Beijing seeks to sustain and develop the independent North Korean state through economic reforms and international outreach that would preserve the advantages China sees in division of the peninsula rather than risking the very negative consequences and disruptions that regime change in Pyongyang could involve.

Obviously, North Korea's determined march forward in developing nuclear weapons poses a security danger for China and causes repeated disruptions in regional stability. It also affronts the UN Security Council and prompts broad international condemnation; China agrees with UN Security Council condemnations of and sanctions against North Korean provocations. Nevertheless, in the face of U.S.-backed pressure on North Korea to end its nuclear weapons program and related ballistic missile development, China tends to focus on ways to preserve the Korean Peninsula's stability that work against such disruptive interventions and sustain and advance Chinese advantages in relations with North Korea. In this process, Beijing at various times has seen South Korea more willing than the U.S. to support more positive engagement and less confrontation with North Korea, which China supports. Beijing has sought to work more closely with Seoul in those instances, often in ways that divide Seoul from Washington and weaken America's influence. China and South Korea have also developed extensive economic connections that Beijing seeks to preserve and enhance by fostering the peninsula's stability; it also uses the economic ties as leverage to influence and sometimes heavily pressure the South Korean government to avoid closer alignment with the U.S.<sup>8</sup>

On specific issues regarding the crisis posed by North Korea's weapons development, China rejects criticism that it has enabled North Korea through economic support and diplomatic protection from proposed harsher world sanctions. The surprise thaw leading to the June 2018 U.S.-North Korea summit seemed to put at risk Chinese interests and influence. A possible U.S.-North Korean reconciliation could marginalize China and work against Beijing in this area of major importance for Chinese interests. Chinese leaders have been well aware that North Korean officials repeatedly have demonstrated antagonism to China when they have interacted privately with American officials. North Korea has a long history of maneuvering among larger powers, seeking to maximize benefit. A North Korean-American reconciliation could result in much stronger North Korean independence backed by the U.S. that could seriously complicate China's ambitions for greater power and influence in Northeast Asia.

Such calculations seemed behind Xi's abrupt shift away from his wariness toward Kim Jong-un in recent years. China supported North Korea during the sensitive period of succession with the failing health and death of Kim Jong-il leading to ascension of an inexperienced leader, Kim Jong-un, in 2011. Subsequently, Xi and his government came to avoid close association with and support for North Korea, especially following Kim Jong-un's execution

of his powerful uncle Jang Song-thaek, known to have close ties with China, in 2013. And the younger Kim continued high profile pursuit of weapons of mass destruction despite Chinese warnings against such disruptive behavior.<sup>9</sup>

But with the thaw leading to the North Korea-U.S. summit in 2018, Xi and his government moved quickly and effectively to show greater support for the North Korean leader. China eased implementation of sanctions in exchange for less confrontational and more cooperative North Korean behavior. Beijing provided leverage and backing as North Korean leaders dealt with Trump. Xi held four summits with Kim in the following year, all involving the North Korean leader coming to China, seeking Beijing's cooperation. Xi reportedly plans to visit North Korea for the first time later this year.

Meanwhile, amid the crisis atmosphere caused by North Korea's provocative weapons development and the strident reactions of the Trump administration came developments showing in various ways China's sensitivity to North Korean contingencies. The reported possible contamination and/or collapse of North Korea's nuclear testing site led to alarm in adjoining Chinese provinces. Also alarming were heated exchanges in 2017 between Trump and Kim Jong-un forecasting possible all-out war. To prepare for massive refugee flows in the event of a conflict or collapse of the North Korean state, Chinese government planning reportedly involved construction of refugee centers. There were also plans to take control over North Korean weapons of mass destruction (WMD) installations, and limited discussions with U.S. officials about how to deal with a possible North Korean government collapse.<sup>10</sup>

In the face of unprecedented U.S. pressure on China to do more to halt North Korea's WMD development in 2017, China seemed to cooperate with the U.S. and adopt more stringent sanctions; but, as noted above, China relaxed the sanctions as North Korea moved toward moderation and China sought better relations with Pyongyang in 2018. Adding to reasons for China's reduced support for U.S. pressure on Pyongyang were U.S. punitive tariffs and other American affronts against perceived Chinese challenges in 2018. In sum, Chinese behavior at times shows interests that overlap with those of the U.S. in seeking denuclearization of North Korea and reduction of threats and aggression from Pyongyang. But overall, the evidence seems to support assessments that Beijing gives top priority to preserving its interests in Korea that work against the influence and actions of the U.S.

Regarding China's relations with South Korea, the thaw in North Korean behavior also led to increased Chinese coordination with South Korean president Moon Jae-in, with the two sides often agreeing on more moderate policies toward North Korea than the tougher Trump administration policy. However, the significance of the common ground on North Korea seemed diluted by the backwash of the acute dispute between the two countries over the deployment in 2017 of the U.S. Terminal High Altitude Area Defense (THAAD) anti-ballistic missile system in South Korea and China's unofficial, but nonetheless very damaging, economic sanctions against South Korean businesses. In what appeared to be the result of hard bargaining, Beijing and Seoul negotiated at least a pause in their dispute over THAAD. The THAAD system remained in South Korea, the Chinese sanctions ended, and Moon pledged the "three nos"—1) no additional THAAD deployments in South Korea, 2) no participation in a U.S.-led strategic missile defense system, and 3) no creation of a South Korea-U.S.-Japan trilateral military alliance.<sup>11</sup>

Russia's behavior toward the Korean Peninsula reflects China's ever-growing importance for Russian foreign policy. As Korea is vital for China's security and developments, the Putin government has tailored its approach to the region in ways that enhance Russia's alignment and avoid serious friction with China. The result over the past two years has been collaborative Russian-Chinese efforts pursuing interests at odds with the U.S. They are explained below. Other Russian interests in Korea include supporting nuclear non-proliferation, avoiding war on Russian borders, pursuing economic benefits, and enhancing great-power prestige, notably continuing Russian involvement in multilateral efforts dealing with the North Korean nuclear weapons crisis and broader security in northeastern Asia.<sup>12</sup>

Regarding denuclearization of the Korean Peninsula, Russia doubts the overall effectiveness of sanctions but supports them at times, notably if they discourage or otherwise offset U.S. military buildup or attack near its borders.<sup>13</sup> Russia's interest in actually settling the North Korea nuclear crisis may be stronger than China's because such an accord seems important for the Putin government's economic agenda in the Russian Far East. The plan proposes trilateral economic and energy cooperation with North and South Korea. It also includes a project to create a rail hub in the North Korean port of Rajin, with a connection to Europe via the Trans-Siberian railroad. Additionally, Russia has long been interested in constructing a trilateral gas pipeline connecting North and South Korea.<sup>14</sup>

Russia's relations with North Korea in recent years have continued to improve, even when China's relations with Pyongyang declined. North Korea's support for Russia in the UN after the invasion of Crimea led to a reassessment of North Korea's value as a partner. As China in 2017 used economic leverage against North Korea, Russia avoided such pressure, smuggled oil to North Korea, and improved its political relations with Kim's regime. Nevertheless, despite many invitations, Kim was slow to visit Russia. Meanwhile, South Korea was the only U.S. ally which did not impose sanctions on Russia in 2014. While Russia joined China in opposing the U.S. THAAD anti-ballistic missile system in South Korea, it avoided following Beijing in imposing economic sanctions against Seoul. Perhaps of some significance was the fact that Moon's visit to Moscow and summit with Putin in June 2018 appeared friendlier than Moon's visit with Xi in Beijing six months earlier against the background of the dispute over the U.S. deployment of the THAAD anti-missile system in South Korea.<sup>15</sup>

Meanwhile, Russia sustains ambitions to play a leading role in the North Korean nuclear crisis as part of the country's overall effort to enhance its profile in East Asia. It encourages the use of multilateral frameworks such as the lapsed Six-Party Talks as a means of making its own contributions more relevant and contributing toward the development of a new regional security architecture, in which it would play a key role. While careful not to offend Russia, Chinese officials typically deal with the emerging reality that the U.S. and China are the leading powers involved in dealing with Korean Peninsula issues. Overall, despite various incentives and positive opportunities for Russia to advance influence on the peninsula while China faces some problems, in practice Moscow scrupulously avoids steps that would potentially upset its leading strategic partner.

## Instances of China-Russia Cooperation Challenging America

Artyom Lukin and other close observers of Russian foreign policy in Asia have been impressed by a pattern of Russian behavior over the past several years showing deference to China's concerns and seeking cooperation with Beijing on the Korean Peninsula. After the end of the Cold War, Russia took a back seat to China regarding North Korea. During discussions on the North Korean misbehavior in the UN, Moscow usually let Beijing do the job of advocating for Pyongyang. A major deterioration in Chinese relations with North Korea followed the 2013 execution of Jang Song-thaek, who was considered China's closest ally in the North Korean leadership, and lasted until the thaw in North Korea's stance and the related summits of 2018. This prolonged deterioration of North Korean-Chinese relations raised the possibility of Moscow advancing its influence in North Korea as China's declined. The North in this period displayed interest in moving away from China. In 2017, there were direct rhetorical attacks on China by North Korean media, accompanied by Pyongyang's de facto boycott of high-level political contacts with Beijing. For its part, China backed the U.S.-initiated sanctions resolutions against North Korea at the UN Security Council and began to enforce them more fully, squeezing the North Korean economy hard. In contrast, Russia was the least criticized by Pyongyang among the major powers involved in Korean affairs; Russian-North Korean diplomatic exchanges remained active. Discussion of sanctions against Pyongyang at the UN Security Council in this period saw Russia, rather than China, as a stronger advocate for softening the penalties.<sup>16</sup>

Against this background, Russia, nonetheless, demonstrated little inclination to expand its role at China's expense and, in fact, took steps to advance coordination with China. A Russia-China vice-ministerial dialogue on security in Northeast Asia, centered on Korean issues, began regularly scheduled meetings in 2015;<sup>17</sup> they involved representatives from both sides' defense and foreign ministries.<sup>18</sup>

Evidence of closer Russian-Chinese collaboration against American interests on the Korean Peninsula was strongly evident in 2017. In March, China outlined a "suspension for suspension" plan that became known as the "double freeze" proposal. According to this plan, North Korea would suspend its nuclear and missile tests if the U.S. and South Korea would suspend their military exercises.<sup>19</sup> After Moon took office in Seoul in May, Russia sought to capitalize on the new leader's interest in improving North-South relations to propose new diplomatic efforts toward denuclearization. The steps reflected past Russian plans for a settlement, including rejecting the use of force and unilateral sanctions, addressing the US military presence in Northeast Asia along with the North Korean weapons programs, and creating a new security architecture.<sup>20</sup>

Moscow and Beijing announced their unified position on the North Korea crisis during the summit between Putin and Xi in Moscow on July 4. The two leaders combined previous Chinese proposals of the "double freeze" (the halt of nuclear and missile programs by the North in exchange for suspension of massive U.S.-North Korea military drills) and

“parallel advancement” (simultaneous talks on denuclearization and the creation of peace mechanisms on the peninsula) with the Russian-proposed stage-by-stage Korean settlement plan. It was the first time that China and Russia so clearly articulated their common position with respect to North Korea. Indeed, it marked the first joint position the two countries have taken on an international issue.<sup>21</sup>

Moscow and Beijing now explicitly linked the resolution of the North Korea problem with America’s willingness to make major strategic concessions in Northeast Asia. Aiming at the U.S. alliances with South Korea and Japan, Russia and China insisted that “allied relations between separate states should not inflict damage on the interests of ‘third parties’” and expressed opposition to “any military presence of extra-regional forces in Northeast Asia” as well as “the deployment of THAAD antimissile systems.”<sup>22</sup> In sum, China and Russia sought to weaken the U.S. position in Northeast Asia, at least with respect to the Korean Peninsula and the U.S.-South Korea alliance.

A seemingly contrary development came when Russia, to the surprise of many observers, supported the strict sanctions punishing North Korea for nuclear and missile testing that were backed by the U.S. in the UN Security Council in September and December 2017. Russia’s support came even though Moscow previously insisted that pressure through sanctions was not effective. However, the analysis of Artyom Lukin showed that the cooperation stemmed from pressure by Beijing to support the sanctions. Beijing’s persuasion and not U.S. concerns reportedly drove the unusually accommodating Russian position.<sup>23</sup>

Regarding trade with and the impact of sanctions on North Korea, China and Russia seemed roughly in line with their respective mixed record in supporting U.S.-backed sanctions curbing trade with North Korea because of its nuclear weapons and ballistic missile development. In recent years, China reportedly provided 500,000 metric tons of crude oil and 270,000 metric tons of oil products annually; Russia sold 200,000-300,000 metric tons of gasoline and diesel fuel, valued at close to \$300 million.<sup>24</sup> The U.S. in 2018 accused Russian companies of undermining economic sanctions by transferring fuel oil to North Korean tankers on the high seas, thereby violating the cap on fuel deliveries. Russia denied the U.S. allegations. Moscow also worked to prevent the publication of a UN report detailing how Russian and Chinese front companies violated the sanctions.<sup>25</sup> It showed how Chinese companies were instrumental in facilitating black market trade as well as illicit financial transactions.<sup>26</sup> China, which accounts for 90% of North Korea’s foreign trade, reportedly enforced sanctions more strictly at various times, to show its displeasure at certain North Korean actions opposed by China.<sup>27</sup>

China and Russia both opposed the deployment by U.S. forces in South Korea of THAAD to counter the North Korean threat. Speaking separately and together, Chinese and Russian officials made clear that they saw the move as counterproductive to regional stability and harmful to their respective security interests. Chinese officials reacted particularly strongly to the April 2017 deployment, going so far as to take ostensibly unofficial economic counter-measures against South Korea, one of China’s top economic partners, due to the potential impact of THAAD on China’s second-strike capability.<sup>28</sup> Restrictions on Chinese tourists visiting South Korea, the closing of some operations, and a widespread boycott of

South Korean products by Chinese consumers cost the South Korean economy as much as \$7.5 billion in sales in 2017.<sup>29</sup> Russia did not employ sanctions or other pressures against South Korea.

Chinese officials fear that THAAD could be configured in such a way as to cover missile launches from deep inside China.<sup>30</sup> Although THAAD would not imperil Russia's deterrent, located out of the system's range, Russian officials, like their Chinese counterparts, oppose measures that strengthen the U.S. military presence around their national borders. China and Russia previously issued joint statements opposing the U.S. deployment of missile defense systems globally.<sup>31</sup> In their joint statement in July 2017, Putin and Xi said that tensions on the Korean Peninsula should not be used as a pretext for expanded U.S. military capabilities and opposed THAAD as detrimental to their own security interests and ineffective in achieving North Korea's denuclearization or stability in Northeast Asia.<sup>32</sup>

The coming to power of Moon and his progressive allies, traditionally more accommodating of China and Russia than the outgoing conservative party leaders, saw improved South Korean relations with Russia. Negotiations by the end of the year led to a South Korean arrangement with China that eased tensions over the THAAD issue and may have ended the unofficial Chinese economic sanctions and boycotts directed against South Korean businesses. As noted above, South Korea moved forward with the initial THAAD deployment, but Moon also agreed to China's "three nos" with hope that the economic sanctions would be lifted and bilateral ties put back on track.<sup>33</sup>

While China and Russia have called for a freeze on U.S.-South Korean military exercises in exchange for a moratorium on North Korean weapons testing, the massive Russian-Chinese Vostok exercises in September 2018 discussed above have indirect but important implications demonstrating Russian-Chinese military cooperation and resolve against the U.S. in Asia. Other military cooperation with implications for a conflict in Korea include two sets of computer simulated exercises to practice missile defense. One set of exercises was called Air and Space Security 2016, held in May 2016 at the Russian Defense Ministry's Aerospace Defense Force in Moscow.<sup>34</sup> A second set of exercises was held in Beijing in December 2017 to simulate joint missile defense operations.<sup>35</sup> China and Russia have also held three sets of naval exercises in waters near the Korean Peninsula, the first in 2005, as a part of the initial joint Sino-Russian Peace Mission series of exercises and then as part of joint naval exercises in 2012 and 2017. Nonetheless, the missions involved were not clearly linked to Korean Peninsula security threats. The location of the 2005 exercise was a compromise choice and actually focused on a Taiwan scenario. The two later sets of exercises focused on emergency rescue missions.

## Recent Developments and Uncertain Outlook

In 2018, the situation on the Korean Peninsula changed dramatically. North Korea's Kim began his charm offensive directed at Seoul and Washington and markedly improved relations with Xi Jinping. Since March 2018 Kim has had three summits with Moon Jae-in, four with Xi, and two summits with Trump. Russia and Japan have been marginalized from the process of seeking peace on the peninsula and a new order in Northeast Asia. A summit

between Putin and Kim, although agreed in principle in May 2018, finally happened in April 2019. Up until that point, negotiations on Korean affairs had been a four-party process—North Korea, South Korea, the U.S., and China.

Artyom Lukin rightly emphasizes that Moscow continues its overall deference to China on Korean issues.<sup>36</sup> It sustains collaborative efforts with Beijing in thwarting American pressures and influence. Top Russian officials, including Putin, repeatedly praise China as the leading contributor to the diplomatic progress on the peninsula.<sup>37</sup> Russian diplomats say they are closely collaborating with Beijing.<sup>38</sup> If North Korea has been the primary test of the U.S.-China-Russia strategic triangle in Asia, then Gilbert Rozman seems correct when he points out that Russia has sided with China.<sup>39</sup> In sum, the recent record strongly indicates that Moscow, even with the Vladivostok summit, is more focused on weakening American influence than in taking substantial initiatives on the peninsula that would run against the basic interests of China, its main strategic partner. The Russian government is well aware that Korea is vital for China's security and recognizes that Beijing's stakes in the Korean Peninsula are significantly higher than Moscow's.<sup>40</sup>

Meanwhile, the combination of the Xi-Kim rapprochement with the already cordial Russia-North Korea relations led to tentative institutionalization of a Beijing-Moscow-Pyongyang bloc. In October 2018, Russia, China, and North Korea, represented by deputy foreign ministers, held in Moscow their first ever official trilateral meeting. Their joint statement called for the easing of the UN Security Council sanctions against North Korea to reward Pyongyang for its efforts at denuclearization. The statement also called for phased and synchronized reciprocal steps by the U.S., North Korea, and other states involved in the Korean peace process.<sup>41</sup> In effect, this formula reiterated Pyongyang's long-held mantra backed by China and Russia, and contradicted the U.S. stance that any significant rewards to North Korea, such as the removal of sanctions and the signing of a peace treaty, can only happen after North Korea's full denuclearization. In another jab at the U.S., the three sides denounced unilateral sanctions. According to some experts, the recent Russia-China-North Korea coalition recalls the 1950s, when the three countries were communist allies against the U.S. Of course, at present, Beijing rather than Moscow is the leader in this group.

In sum, the diplomatic alignment of Moscow, Beijing, and Pyongyang currently stands in opposition to American strategic goals in Northeast Asia. However, the situation on the Korean Peninsula remains in flux; it is too early to assess how viable and durable this coalition will be. Beijing and Moscow work together and with others, including North Korea, in thwarting U.S. pressures and influence on the peninsula, presumably with an aim of diminishing American strategic dominance in Northeast Asia.

However, whether or not North Korea is committed to such an anti-U.S. effort remains to be seen. Kim reportedly seeks a grand bargain with Washington that would normalize North Korea's relations with the U.S. while leaving North Korea as a *de facto* nuclear power. Given its troubled relations with China until very recently, Pyongyang seeking rapprochement with U.S. could imply North Korea welcoming American influence, perhaps including U.S. forces in Northeast Asia, as a hedge against rising Chinese dominance. Of course, North Korea also has longstanding opposition to the U.S. security presence on the peninsula and U.S. alliances with South Korea and Japan. Whether these would be put aside or played down by Pyongyang in the interests of the above rapprochement with the U.S. remains an open question.

Thus, North Korea could see its interests well served in a deal with the U.S. that curbs its ICBM forces and nuclear weapons testing while retaining its nuclear weapons capacity, especially if accompanied by positive engagement from the U.S. and perhaps allies South Korea and Japan. Meanwhile, the rising tensions in American relations with China could cause U.S. leaders to see a nuclear North Korea as an important asset in curbing Chinese ambitions for Asian dominance. It is widely assessed that strategically, North Korea may well become like China in the Cold War and Vietnam more recently, a country that used to be a bitter enemy of the U.S. but became a close partner and friend because of a changed geopolitical context.<sup>42</sup> Given North Korea's longstanding practice of maneuvering for advantage among competing larger powers, the above scenario is just one of several possible outcomes, but the current flux among concerned powers on the peninsula argues for an American policy that fully considers heretofore shunned options given the changing circumstances.

## Endnotes

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# The North Korean Factor in the Sino-Russian Alliance

**Stephen Blank**

The Kim-Putin summit in April 2019 and the abortive Trump-Kim summit in February 2019 compel us to review Korean issues from the regional security standpoint, rather than primarily as a proliferation question. Despite apparent failure of the Trump-Kim summit, the search for denuclearization and peace in Korea will continue.<sup>1</sup> North Korea is obviously resuming discussions with Russia and China to decide their future course of action, inasmuch as Kim went to Vladivostok.<sup>2</sup> The summit with Putin in April only reinforced those considerations, as it is clear from the subsequent press conference that Kim asked Putin to transmit his views to Washington and that Putin agreed to do so.<sup>3</sup> Likewise, Washington must rethink its approach. Instead of emphasizing denuclearization, Washington would likely benefit from viewing Korean issues primarily as regional security questions.<sup>4</sup> Certainly, Russia and China do so. Therefore, rethinking Russo-Chinese ties to North Korea offers valuable insights in the quest for a lasting Korean peace, especially as Russia and China have become allies.<sup>5</sup> The argument of a Sino-Russian alliance is admittedly a minority view among scholars, but the mounting evidence of their alliance is apparent not only in regard to Korea—as the other chapters in this collection show—but in larger military-political affairs as well.<sup>6</sup>

In 2017, Defense Minister Sergei Shoigu called Korea a strategically important region for Russia.<sup>7</sup> More recently, immediately after the summit with Kim, Putin's spokesman, Dmitry Peskov, contended that North Korea is not only a neighboring country, but it is part of "our region"—not America's.<sup>8</sup> This is a claim having special emotional resonance to Russians, almost as if North Korea was as important as Ukraine or Kazakhstan. Obviously, it is also a strategic region for China. Indeed, for both governments it is essential to be recognized as major if not dominant actors on the Korean Peninsula. Putin's reiteration of long-standing Russian proposals for multilateral security guarantees for North Korea points to their desire to establish such guarantees as a way to include Russia as a major regional actor, as does Peskov's statement.<sup>9</sup> If their ability to influence developments on their immediate periphery is diminished, that reduces their ability to play a global great power role.<sup>10</sup> Russia views Korea through the perspectives of regional security and its relationship with Washington.<sup>11</sup> China's regional focus and priority focus on America are equally well established. As Bonnie Glazer observes, "The Chinese have always looked at North Korea through the lens of their competition with the United States, so they want to make sure their interests are protected."<sup>12</sup> South Korean diplomats similarly comment that in private Chinese diplomats focus on the U.S.<sup>13</sup>

Since Korea facilitated Soviet-Chinese alliance dynamics during the Korean War, the recurrence of those dynamics regarding North Korea is not surprising. Thus, the summit clearly indicated that Russia is in no position to launch independent initiatives regarding North Korea, as there was no joint agreement even on economic issues, although they were discussed.<sup>14</sup> Not only did Putin immediately brief Chinese President Xi Jinping on the summit, in advance of the summit, Kim also fulsomely praised the trust and friendship of North Korea with China, a departure from the way things had gone prior to 2018.<sup>15</sup> In Beijing, Putin then claimed that Sino-Russian relations were now the best they had ever been in history.<sup>16</sup> The newest round of Sino-Russian naval drills began immediately after the Belt and Road Conference in Beijing, where Putin spoke. These signs of alliance dynamics give reason to believe that Russia's Vostok-2018 exercise, that also involved Chinese forces, originally reflected apprehension about a U.S. strike on North Korea that could oblige them to respond.<sup>17</sup> Similarly, the overall schedule of Sino-Russian military exercises of 2017-2018

was probably conceived and implemented to thwart a U.S.-led invasion of North Korea.<sup>18</sup> Sino-Russian naval exercises in the Sea of Japan in 2017 point to the intention to prevent U.S. naval forces concentrated near Korea from attaining total dominance in the theater.<sup>19</sup> This schedule of exercises also included joint air and missile defense exercises, to make a similar impression on U.S. air forces. These latter exercises also suggest an alliance, because both sides must put their cards on the table and display their C4ISR.<sup>20</sup> As Vasily Kashin notes, the air and missile defense exercises took the form of a computer simulation. Both sides constructed a joint air/missile defense area using long-range SAM systems like the Chinese HQ-9 and the Russian S-300/400 series.<sup>21</sup> But the fact of continuing exercises, as is now the case, suggests a deepening of this alliance, not least in the military sphere.<sup>22</sup>

Whereas China's large role in North Korea is well known; we cannot overlook Russia's consistent efforts to strengthen Russo-North Korean ties since 2000. Russian policy has been based on the belief that without strong ties to both Koreas, Russia will be marginalized in Northeast Asia. Thus, Russia secretly offered North Korea a nuclear power plant from which it would remove the spent fuel to supervise denuclearization and enhance its own influence in North Korea and upon the overall process.<sup>23</sup> Nevertheless, Russia indisputably now plays "second fiddle" to China on Korean issues.<sup>24</sup> Moreover, it appears content to do so even as it strives for continuing influence and status there.<sup>25</sup> And the summit with Kim confirmed these conclusions.

## Alliance and Bipolarity

In 2015 Sergei Radchenko wrote,

The argument for China-Russia-DPRK triangle in Northeast Asia hinges on the idea that the three countries are willing to coordinate their actions on the international stage, adopt similar positions on key regional questions, and develop trilateral cooperation in economic or military spheres.<sup>26</sup>

At that time, Radchenko denied that these powers were or could be allies.<sup>27</sup> However, an alliance meeting those criteria, albeit an informal one unlike the U.S. alliance system in Asia, NATO, or other, earlier cases of alliances, has emerged. Although most analysts still argue that Russia and China are not allies; some do argue for a Sino-Russian alliance.<sup>28</sup> Artem Lukin, Rens Lee, Gilbert Rozman, and Alexander Korolev all believe the evidence clearly shows an evolving Chinese-dominated alliance featuring ideological or normative and strategic congruence.<sup>29</sup> More importantly, this relationship's reality supersedes whatever label is attached to it. Thus, Dmitri Trenin admits that China gets most, if not all, that it wants from Russia without a formal alliance.<sup>30</sup> Moreover, we must view this alliance not like NATO, which is a formal alliance, but as what Foreign Minister Sergei Lavrov calls network alliances,

If we talk about alliances, not in the old sense of the word, not in the sense of tough bloc discipline when NATO was against the Warsaw Pact and everyone knew that this part of the negotiating table would raise their hands and this part would vote against it. Today such discipline looks humiliating to states that preach democracy, pluralism of thought, and so on. Other types of alliances—flexible network alliances—are much more in demand today.<sup>31</sup>

Following Lavrov, Moscow and Beijing readily proclaim that they coordinate their global actions, and their observations about this relationship confirm that it is a de facto, albeit informal, alliance. Recently, a joint Russo-Chinese expert dialogue argued that the parties have attained a level of interaction exceeding a strategic partnership and surpassing an alliance. Both sides retain full freedom in relations with third countries “except in circumstances where such relations might violate certain obligations of the existing partnership.” Meanwhile, in the bilateral relationship’s intensiveness, level of trust, depth, and effectiveness, Sino-Russian ties supposedly are superior to an alliance.<sup>32</sup> Furthermore, this partnership allegedly has more potential to act “as an independent geopolitical power and deter political adversaries.” Finally, both parties have successfully adapted their cooperation “to resolve any global or regional task” while preserving their swift decision-making, tactical flexibility, and strategic stability.<sup>33</sup>

In Korea, alliance behavior and dynamics, as defined by Radchenko, are clearly occurring. Beyond the general Sino-Russian normative consensus, as regards Korea both states share strategic political and military perspectives. Russia still identifies with China’s approach of blaming the U.S., seeking mitigating excuses for North Korean behavior, and justifying that behavior by invoking U.S. threats.<sup>34</sup> Thus, Putin told the press after the 2017 APEC summit that,

Concerning foreign policy, our position, as diplomats are known to say, are very close or coincide on many issues, and they certainly do on the key ones. One such key issue today is the North Korean problem. Our views completely overlap here.<sup>35</sup>

And at the summit and ensuing press conference, Putin made clear that Russia and North Korea regarded the U.S. as a kind of rogue power that was violating international law and throwing its weight around to bully Pyongyang.<sup>36</sup> Similarly, China and Russia continue flouting UN sanctions on North Korea that they had previously supported. Russia has doubled gas and oil exports to the DPRK since 2017, while China has transferred oil to North Korean tankers, and since the first Kim-Trump summit, both sides urge easing if not removing sanctions.<sup>37</sup> In fact, in 2017-2018, despite voting for new UN sanctions on North Korea, Beijing increased covert economic aid for “daily life and infrastructure building” as well as “defensive military construction” and “high level military science and technology” to Korea. The weaponry involved included “more advanced mid-and short-range ballistic missiles, cluster munitions, etc.”<sup>38</sup> Russia’s military has long advocated an alliance with China, obviously with Putin’s support.<sup>39</sup> Michael Yahuda also observes that Russian elites very much favor enhanced collaboration.

Moscow believes that bolstering China’s military position in East Asia is very much in Russian interests. As the official in charge of Russian arms exports stated in April 2015, “if we work in China’s interests, that means we also work in our interests.” In other words, the U.S.-led economic sanctions on Russia have made Sino-Russian strategic interests more congruent.<sup>40</sup>

Finally, both governments openly support North Korea’s negotiating position of phased, synchronous, bilateral concessions. Moreover, at the summit, Putin not only reiterated his demand for multilateral security guarantees for the DPRK as a precondition of its denuclearization, his defense minister, Sergei Shoigu, meeting with his counterpart, No

Kwang-Chol, stated that Russia was interested in expanding defense cooperation with North Korea.<sup>41</sup> Normally this means arms sales or joint exercises or both. At the same time, he said that military ties with China had reached an "unprecedented" level.<sup>42</sup> There were attempts to revive such cooperation immediately after the Medvedev-Kim Jong-il agreements in 2011, but those went nowhere. If Moscow were to engage in joint military drills with North Korea alone or together with China, or sell weapons to North Korea, that would effectively confirm its fundamental anti-Americanism with regard to North Korea, even though Putin stated that Russia and the U.S. actually had some shared interests here, i.e. denuclearization and peace.<sup>43</sup>

Moreover, on October 9, 2018, following the latest visit of U.S. Secretary of State Mike Pompeo to North Korea, deputy foreign ministers of Russia, China, and North Korea — Igor Morgulov of Russia, Kong Xuanyou of China, and Choe Son Hui of North Korea— gathered for the first time in Moscow to discuss easing sanctions on North Korea. Summarizing the meetings, Morgulov, stated in a TASS interview that "measures" should reflect "reciprocity, and parallel, synchronous and gradual steps" and emphasized that the situation on the Korean Peninsula would be settled in "accordance with the Russian-Chinese roadmap."<sup>44</sup>

Xi Jinping has subsequently stated that, "the legitimate issues raised by the DPRK are rightful demands, and that he fully agrees that the DPRK's reasonable interests should be justly resolved."<sup>45</sup> Consequently, if China is encouraging North Korea to resist U.S. pressure for denuclearization as Trump has suggested, Russia is also probably coordinating with China.<sup>46</sup> Alternatively, if China is "compartmentalizing" its Korea policy and supporting denuclearization despite its other differences with Washington, as Ambassador Stephen Biegun has said, Russia is likely following suit.<sup>47</sup> But the failure in Hanoi and recent North Korean statements suggest that "the gloves are coming off."<sup>48</sup> Increasingly, Russian analyses of the Korean issue follow China in blaming Washington's threats for North Korean nuclearization as did Putin at the summit.<sup>49</sup>

Therefore, Russia and China still argue, much to Pyongyang's delight, that Washington must initiate concessions, e.g. formally ending the Korean War, reducing sanctions, giving security guarantees, and ceasing its threats while deferring denuclearization.<sup>50</sup> Moscow also showed visible pleasure that the 2018 Singapore summit corresponded to their and Beijing's proposal (largely a Chinese initiative) of a double freeze or roadmap: North Korea freezing nuclear tests in return for a freeze on U.S.-ROK exercises.<sup>51</sup> Later, Russia's media responded to the failure in Hanoi by mocking the U.S.<sup>52</sup>

These synchronized and concerted behaviors display the military-economic-political parameters of an alliance regarding North Korea if not other international security issues. Consequently, the behavior and interactive dynamics of these three parties raises the issue of whether the Northern Alliance and ensuing bipolarity that characterized the Cold War are returning to Northeast Asia, albeit in altered and looser form. Some observers warned years ago of a drift towards strategic bipolarity in Northeast Asia, with the U.S. alliance system confronting a reconstituted version of the Cold War alliance of Russia, China, and the DPRK. South Korean columnist, Kim Yo'ng Hu'i, wrote in 2005,

China and Russia are reviving their past strategic partnership to face their strongest rival, the United States. A structure of strategic competition and confrontation between the United States and India on the one side, and Russia and China on the other is unfolding in the eastern half of the Eurasian continent including the Korean peninsula. Such a situation will definitely bring a huge wave of shock to the Korean peninsula, directly dealing with the strategic flexibility of U.S. forces in Korea. If China and Russia train their military forces together in the sea off the coast of China's Liaodong Peninsula, it will also have an effect on the 21st century strategic plan of Korea. We will now need to think of Northeast Asia on a much broader scale. The eastern half of Eurasia, including Central Asia, has to be included in our strategic plan for the future.<sup>53</sup>

Subsequently, Lyle Goldstein and Vitaly Kozyrev warned that "From the standpoint of global politics, the formation of a Sino-Russian energy nexus would represent a strong consolidation of an emergent bipolar structure in East Asia, with one pole led by China (and including Russia) and one led by the United States (and including Japan)."<sup>54</sup>

Likewise, this author observed in 2011 that repeated references in Sino-Russian meetings to policy convergence showed their identity of interests.<sup>55</sup>

Xi Jinping's subsequent invitation to Russia to work more closely with China on Asian security and stability issues and signs of such cooperation suggest why Pyongyang might see a common anti-Americanism in their positions.<sup>56</sup> Indeed, Russian analysts, probably echoing official positions, argue that Washington cannot make any concessions that would induce North Korea to denuclearize. Therefore, the DPRK should retain at least some nuclear weapons for years to come, a sure way to torpedo the current negotiations.<sup>57</sup> This position clearly suits China too, as shown by its support for North Korea's negotiating stance. And China clearly prefers a nuclear North Korea to a destabilized one, which it apparently sees as the only alternative to the current status quo.<sup>58</sup> So, they will not lament the failed Hanoi summit.<sup>59</sup> As long as Russian and Chinese elites blame Washington first, Pyongyang will perceive the reappearance of this Cold War "Northern Alliance," which lets it defy the UN and Washington.

## The North Korean Factor in Building the Sino-Russian Alliance

We can identify at least five reasons why North Korea has brought China and Russia closer together, despite three reasons that have been offered for why this should not be occurring. The facilitating factors are: 1) historical great power identity; 2) denial of a U.S. identity victory seen as a "color revolution"; 3) a geopolitical test reshaping the Northeast Asian region in opposition to the U.S. presence and U.S. alliances; 4) each government's view that North Korea can become a strong ally under the right conditions; and 5) positive assumptions in each about economic integration with North Korea if it resolves the nuclear crisis in the right manner, albeit conflicting in some details. The potentially complicating factors to sustaining this alliance are: 1) traditional North Korean tactics to play China off against Russia; 2) Russian concern about China's dominance leaving Russia with little economic benefit or prospects for multipolarity in Northeast Asia; and 3) Chinese insistence

on unilaterally subordinating North Korea to its policies with scant regard for Russia's role. All these factors have appeared intermittently, but in 2018-2019, we see more clearly how they combine to boost Russo-Chinese alliance ties, and the prospects of a three-way alliance.

Putin and Xi share the obsession of constructing a laudatory image of their respective histories. Moscow's cult of World War II already impedes a deal with Japan leading to a peace treaty and the promised return of two Kurile Islands.<sup>60</sup> Putin is imposing the condition that Japan unreservedly accept Moscow's legal right to these islands through its victory over Japan in 1945.<sup>61</sup> Moscow similarly demands that Japan abjure stationing U.S. IRBMs in Japan, even if targeted against China, another example of alliance dynamics.<sup>62</sup> Consequently, a deal with Japan seems inconceivable, and recent Russian diplomatic signals tend to confirm this conclusion.<sup>63</sup>

Similarly, a recent analysis of Russia's global ambitions emphasizes the centrality of Russia's historical and forceful territorial expansion over the centuries. This narrative "make(s) up an integral part of the foundational narrative of the contemporary Russian state." Furthermore, "this legacy provides the justification and the motivation for Russia to pursue its ambitions, not just around its vast periphery, but well beyond its shores."<sup>64</sup> Obviously, Soviet success in securing North Korea figures prominently in this narrative and in Russian policy. Samuel Ramani argues that, "You can see this in two ways: first, in Russia's attempts to showcase itself as more effective at resolving conflicts in the Korean Peninsula than the United States; and second, in Russia's efforts to lead an international coalition against Washington's coercion of North Korea."<sup>65</sup> Moreover, as Ivan Krastev observes,

And contrary to conventional wisdom, Russia's craving for global power status is not simply about nostalgia or psychological trauma. It is a geopolitical imperative. Only by proving its capacity to be a 21st century great power, can Russia hope to be a real, equal partner with countries like China, which it needs to take it seriously. Believe it or not, from the Russian perspective, interfering in the American presidential election was a performance organized mostly for the benefit of non-American publics.<sup>66</sup>

He further notes that "If Russia does not gain recognition internationally, this would have repercussions in terms of identity problems and raise questions about the ability of the state to guarantee order and society."<sup>67</sup>

Russian marginalization regarding Korean issues undermines any pretension to being a great Asian power. And the failure to make any independent economic initiatives at the Kim-Putin summit only reinforces that conclusion. Inclusion in any Korean process is important, but represents only part of the larger and increasingly important objective of achieving great power status in Asia. Indeed, Putin's first Asian initiative was to travel to Pyongyang in 2000 to reestablish Russian standing as a valuable interlocutor for North Korea. Putin already understood then that Russian exclusion from the Korean dialogue deprives it of influence over North Korea and marginalizes it in Asia. Thus, Russia's Korea policy is integral to its entire Asia policy and incomprehensible apart from it. Consequently, offering a nuclear power plant indicates Moscow's ambition for a prominent role in Korean affairs.<sup>68</sup>

Even before Xi Jinping took power in 2012, his message on the glory of the Korean War reversed Chinese ambiguity in the 1990s-2000s on the history of this war. Despite tensions between him and Kim Jong-un in 2012-2017, the verdict on Mao Zedong's judgment in fighting this war was reinforced by ever-clearer veneration of Mao's legacy. The place of the Korean War within the Chinese national identity has only intensified. As Suisheng Zhao wrote,

Chinese historical discourse in the twenty-first century has refocused on imperial China and its continuous glory, interrupted only by Western imperialist powers, to advance the claims of China's peaceful rise. This type of connection between imperial China and China's peaceful rise is obviously to serve the political objectives of the Chinese government rather than a reflection of historical facts.<sup>69</sup>

In addition,

Perhaps the most fundamental reason for China's hesitation or "weakness" in its Korea policy (not restraining North Korean nuclearization and adventurism-author) is the important meaning of the Korean War for both Chinese nationalism and the Chinese communist regime's legitimacy. Most Chinese view the war as a victory and a source of national pride; they believe China, although at the cost of huge casualties, won the Korean War and resisted U.S. military offensives. If China totally abandoned the DPRK now, did hundreds of thousands of Chinese soldiers die in Korea in vain? That would be a vital blow to Chinese nationalism and the Chinese communists' political legitimacy.<sup>70</sup>

Any sign of a North Korean collapse or turn to a more pro-American posture evokes great apprehension in Moscow and Beijing, if not outright panic.<sup>71</sup> Those outcomes powerfully negate the shared Sino-Russian commitment to prevent "color revolutions," especially in countries long aligned with them. Beyond their ideological congruence and self-perception of being geopolitically and ideologically under threat from U.S. power, policy, and values, also lies their shared imperial self-consciousness and inability to conceive of their states as anything other than empires.<sup>72</sup> Dmitry Gorenburg's review of a book by Bettina Renz quotes and summarizes her views as follows (Renz's words in quotes),

"The Kremlin believes that its sovereignty to conduct internal affairs without outside interference can only be preserved if it can also pursue an independent foreign policy abroad" (p. 34). This linkage of the internal and external components of sovereignty, together with the fear that its adversaries are infringing on its sovereignty through regime change efforts, has resulted in a belief that a strong military is needed to secure Russian sovereignty. The belief that a sphere of influence is a sign of being a great power, together with an understanding of sovereignty as pertaining to great powers but not necessarily to smaller states, encourages Russian political elites to pursue the legacy of the Russian Empire and the Soviet Union by seeking to dominate its former territories in the "near abroad," though generally without asserting direct territorial control. Neither can either government fully acknowledge the right of other smaller states.<sup>73</sup>

China ultimately wants to be the hegemon of the Asia-Pacific region. As Foreign Minister, Yang Jiechi exploded at the ASEAN Regional Forum in 2010, “China is a big country and other countries are small countries, and that’s just a fact.”<sup>74</sup> Western analysts have also grasped that ambition and self-perception.

Although China does not want to usurp the United States’ position as the leader of a global order, its actual aim is nearly as consequential. In the Indo-Pacific region, China wants complete dominance; it wants to force the United States out and become the region’s unchallenged political, economic, and military hegemon. And globally, even though it is happy to leave the United States in the driver’s seat, it wants to be powerful enough to counter Washington when needed. As one Chinese official put it to me, “Being a great power means you get to do what you want, and no one can say anything about it.” In other words, China is trying to displace, rather than replace, the United States.<sup>75</sup>

The Chinese cannot conceive that small neighboring states, e.g. North Korea, can have a wholly independent foreign policy, or worse, freely choose an alignment with the U.S. Such decisions are invariably ascribed to external conspiracies. Indeed, anything that challenges their interests, even an accident like the U.S. bombing of China’s embassy in Belgrade in 1999, appears as a malevolent and intentional act.<sup>76</sup> For China, that bombing and the 1989 demonstrations at Tiananmen Square crystallized an evolving belief that the U.S. was indeed an implacable enemy of China’s governing system and great power ambitions.<sup>77</sup>

The obsession with imperial status, history, and ambitions necessitates a corresponding belief that Washington is conducting a perpetual and implacable war against them and their interests to undermine their state and great power ambitions. Whereas Chinese policymakers downplay these perceptions, Russian documents loudly proclaim them.<sup>78</sup> Consequently, ideological and geopolitical ambitions, especially in Northeast Asia and around Korea, are inextricable and analytically difficult to disentangle. Indeed, if North Korea collapsed or reoriented its policies, they would perceive that as simultaneously an ideological (political) and a strategic loss.

China and Russia are deeply apprehensive that North Korea will make an independent accommodation with the U.S. that marginalizes them. Signs of this fear were acute in 2018 during the first Trump-Kim summit. Russia, China, and Japan were clearly surprised at Washington and Pyongyang’s movement toward the Singapore summit. But whereas Japan has nowhere to go but to Washington, Russia and Beijing have other alternatives. Therefore, the subsequent Russo-Chinese moves toward the U.S. and both Koreas underscore Russian and Chinese efforts to reassert Sino-Russian interests and standing as participants with vital interests in the outcome of any negotiations. Indeed, one Chinese news report openly warned against feeling marginalized.<sup>79</sup> At one point, even China feared being excluded from peace talks about formally ending the Korean War.<sup>80</sup> Moscow too clearly worries about a peace process excluding it, i.e. bypassing the six-party process, and scrambles to keep up since that process began.<sup>81</sup> And inasmuch as it has little to offer either Korean state, other than energy, Putin and the Chinese press made a point that Russia’s long-standing quest for a trans-Siberian-trans-Korean railway and gas pipeline (TSR-TKR), along with its proposal to build an integrated Northeast Asian electrical super-grid on the basis of its own electrical and hydro-electric power and energy capabilities are also “in the interests of South Korea.”<sup>82</sup>

China's recent reassertion of its ties with North Korea may signify its limited power to influence North Korean behavior and is also an attempt to prevent North Korea from making a deal with Washington that would marginalize it. The narrative based on China's importance to Pyongyang and Washington, though it contains much truth, is also quite self-serving. One of the few substantive reactions to the Singapore summit was China's reiteration of its indispensability to any future settlement.<sup>83</sup> Frequent reiteration of this point since then should alert us to what is missing in this narrative. Arguably, Beijing "doth protest too much." This clear apprehension of marginalization is another compelling reason for China's repeated summits with North Korea. While Beijing has many means of leverage upon the North, Pyongyang knows that it has been reluctant to employ them fully. Therefore, the narrative of China's indispensability suffers from the fact that China and the DPRK both know this narrative is at some risk. China must construct an elaborate facade to hide its apprehensions while North Korea can now act more freely on its own and evidently wants an American negotiating partner if it can get its terms accepted.<sup>84</sup>

There are also concrete strategic interests at stake. Russo-Chinese anxieties about the military situation around Korea preceded Trump's belligerent policies. The 2016 decision by South Korea to deploy THAAD (Terminal High-Altitude Air Defense) generated a Chinese trade and economic war against South Korea and also enhanced Sino-Russian military coordination. Although this system does not threaten Russia's strategic nuclear forces, Russian officials now claim U.S. policies, e.g. projected space defenses, pose a threat to China.<sup>85</sup> A 2017 report by Russian and Chinese experts openly stated that, although Moscow's strategic nuclear forces are outside the range of the U.S. THAAD missiles placed in South Korea at Seoul's request, both governments claimed this deployment signified a "changing strategic balance of power in this region," representing a clear threat to China and implicitly to Russia, not just North Korea.<sup>86</sup> THAAD also allegedly changes the strategic balance of power in Northeast Asia, and from Russia's side generates fears of arms proliferation, namely that the U.S. and its Asian allies could more easily threaten the Russian Far East and Siberia.<sup>87</sup> The newly released U.S. Missile Defense Review may also heighten their perception of being at risk.<sup>88</sup>

This alliance dynamic also applies to strategic and non-military interests, since both states see North Korea as an important economic partner today and tomorrow. Therefore, failure to resolve North Korea's denuclearization would probably trigger more nuclear and THAAD deployments that greatly alarm both governments and stimulate their joint or coordinated counteraction.<sup>89</sup> Indeed, Graham Allison observes that,

What has emerged is what a former senior Russian national security official described to me as a "functional military alliance." Russian and Chinese General Staffs now have candid, detailed discussions about the threat U.S. nuclear modernization and missile defenses pose to each of their strategic deterrents.<sup>90</sup>

It is likely that these two militaries also conduct equally probing discussions concerning conventional warfare and Korean issues.<sup>91</sup> Allison's observations reinforce the notion that beyond the bilateral normative convergence concerning international affairs, a shared strategic consensus exists regarding Korea.

## Economics

In a more exclusively political and economic context, the successful attraction of North Korea to the U.S. might well have included major American economic investments there, had the Hanoi summit succeeded.<sup>92</sup> That outcome would have introduced a determined competitor in North Korea to China. Similarly, to the degree that this process entails increased energy shipments to North and South Korea (and South Korea has long sought U.S. energy imports<sup>93</sup>), that U.S. presence would dramatically reduce Russia's projected main instrument for gaining leverage over either or both Korean states, i.e. the generation-long proposal for a trans-Siberian and trans-Korean gas pipeline (TSR-TKR). If the U.S. can steer the negotiations with the DPRK, this would likely mean preserving a sizable U.S. military presence in South Korea and Japan that Beijing and Moscow see as directed against them. Lastly, to the degree that Washington can successfully steer the negotiations, that outcome would greatly enhance its standing across Asia at China's expense. Thus, both sides see in North Korea an outpost for enhanced commercial and energy ties with Northeast Asia, as well as a link to new economic opportunities in the Arctic. As Alexander Korolev wrote in 2016,

Park's "Eurasian initiative" highlights extending transportation, energy and trade networks that connect the Pacific coast to Europe and its capacity to engage North Korea [and] becomes an indispensable element of this geopolitical model. South Korea's rail network is supposed to be linked with the Trans-Siberian railway, and new energy cooperation must link energy infrastructures, including electricity grids, gas and oil pipelines, and co-developing China's shale gas and Eastern Siberia's petroleum and gas. This can stimulate trade and, more importantly, provide material foundations for reforms in North Korea and, eventually Korea's unification.<sup>94</sup>

Some South Korean experts argue that when the TSR-TKR railway and pipelines are opened and Korean ships can go to the Arctic through the Russian Far East, this initiative will be realized.<sup>95</sup> Also in this context, the successful completion of a pilot project connecting Khasan in Russia and Rajin in North Korea's Special Economic Zone by rail and rebuilding the port of Rajin are significant developments.<sup>96</sup> Russian writers also cite other infrastructural projects with North Korea as signs of progress, including the settlement of its debts to Russia, and willingness to trade bilaterally in rubles.<sup>97</sup>

China and South Korea have already preceded Russia here despite these aforementioned projects. By 2017, China had clearly dwarfed Russia's economic presence in areas like North Korea, Mongolia, and Kazakhstan.<sup>98</sup> Beijing long ago grasped the desirability of access to North Korean ports to exploit the Arctic commercially. Moscow fears that China may use the Rajin port to gain access to the Arctic and thereby minimize Russia's commercial exposure in the developing Northern Sea Route (NSR). Meanwhile, China has also gained access to another North Korean port at Chongjin on the East China Sea. While China is interested in the DPRK's ports to gain access for its northeastern provinces, the Arctic connection features prominently in Russia's mind, as Russian analysts observe.

The most significant Arctic-related shipping development in China is the leasing of North Korea's port by Hunchun Chuangli Haiyun Logistics Ltd, based in neighboring Jilin province, in northeastern China. Rajin lies on the far northeastern tip of North Korea, near its border with Russia. The company is private, but the lease was agreed on 'in cooperation with six Chinese ministries and the Jilin (sic) provincial government'. In 2008 a 10-year lease was signed for Rajin's Pier 1. This granted China access to the Sea of Japan for the first time since 1938. Although the Arctic was not mentioned in media reports about the lease, Chinese scholars presumably view Rajin as a potential Arctic hub. According to several Chinese analysts, the opening of Arctic shipping routes will be beneficial for the Tumen river area. In late 2011 the lease was extended for another 20 years. A year later, Hunchun Chuangli's parent company, Dalian Chuangli Group, was granted 50-year leases on Rajin's piers 4, 5 and 6.<sup>99</sup>

Chinese observers feared exclusion from this Russian-DPRK project. Zhou Yongsheng urged China's inclusion in the project.<sup>100</sup> Now that the Russia-DPRK project is suspended and China's Arctic reach is growing, its economic primacy in its ties to North Korea is uncontested and a major factor of its leverage over the entire complex of North Korean issues. Meanwhile, Russia cut its 2017-2018 state spending on Arctic transport infrastructure by 90%.<sup>101</sup> In other words, even before 2018, China had preempted Russia here.

Accounting for all these economic, military-strategic, and ideological-political interests, we easily see that Moscow and Beijing have compelling, and more crucially, comingled ideological-political-strategic-economic interests in common against the U.S. Accordingly, they cannot easily permit North Korea to act independently in ways that sideline them, even if they both need and desire a détente in Northeast Asia that minimizes the risks of a war in Korea. These interests correlate with their expectations regarding North Korea's role in their regional economic designs. Russia has pursued the TSR-TKR projects as an obsession since before 2000, advancing them at every opportunity as a solution to any problem in the previous six-party negotiations.<sup>102</sup> Likewise, since 2014, if not earlier, Moscow has systematically upgraded its economic ties with North Korea, to achieve potential economic leverage and opportunities to advance its railway and energy proposals, and also to ensure that it remained a politically significant player in North Korea. When peace will have emerged, North Korea will play a significant role as an economic partner in the grand scheme of Moscow's "pivot to Asia."<sup>103</sup>

China concurrently sought to manipulate its preeminent economic presence in North Korea to chastise North Korea for risking peace by going nuclear; yet it has stayed its hand to prevent its greater nightmare, the economically driven collapse of the regime.<sup>104</sup> While China exercised severe economic pressure on North Korea through substantial diminution of its trade with the DPRK in 2017-2018, the advent of talks with the U.S. has led to an effusion of optimism.<sup>105</sup> China is now apparently urging North Korea to join its BRI, arguing that it would prosper by doing so. This move would reduce China's economic exposure to a politically dangerous situation, yet would also subordinate North Korea's economy to China.<sup>106</sup>

## Factors that Impede Collaboration

While both sides see large economic opportunities beckoning, they are also competing rivals in North Korea. One might ask why, given their optimism about future economic prospects and common apprehension about too independent a North Korean policy, they have supported Pyongyang's negotiating strategy. Arguably, they have no other choice, unless they want to risk war or marginalization. And should North Korea reach an agreement with Washington that offers economic benefits, Russia and/or China could lose some, if not much, of their influence.<sup>107</sup> That possibility has become much more a real prospect, though the Hanoi summit's outcome temporarily reduces that prospect.

Japan has clearly been marginalized.<sup>108</sup> Although Kim Jong-un has held four summits with China, the conventional wisdom about China's ability to influence North Korea is arguably inadequate or incomplete. Undoubtedly, Beijing possesses considerable means of economic leverage on Pyongyang. But it remains reluctant to use its full leverage beyond registering its unhappiness with the DPRK's behavior. Furthermore, while North Korea clearly wants to retain China's good will and coordinate with it, North Korea will not subordinate its interests to those of China. Indeed, some argue that one reason for nuclearization is to evade Chinese pressure to subordinate North Korea.<sup>109</sup> Prior to 2018, Kim Jong-un showed no hesitation in brutally challenging Chinese interests and factions within North Korea by murdering his uncle and his half-brother who had been under Chinese protection to eliminate any channel of Chinese influence over his government.

Concurrently, he upgraded economic ties to Russia, thereby continuing his family legacy of endlessly manipulating Sino-Russian competition for influence over North Korea.<sup>110</sup> This highly productive tactic expands North Korea's space for maneuver and reduces the Sino-Russian scope of influence over North Korea. Moreover, the DPRK has never fully trusted Beijing or Moscow and fears abandonment or efforts to suppress its independence.<sup>111</sup> One reason for nuclear weapons is, therefore, the desire to achieve independence from both those powers and force them to offer resources to sustain North Korea, since Pyongyang apparently still will not undertake Chinese or Vietnamese types of reforms, presumably due to fears of their political consequences.

Given the continuing Sino-Russian fears of being sidelined, Sino-Russian support for North Korea suggests that they have no choice but to let North Korea deal directly with Washington as long as their equities—which are greater in China's case as a belligerent during the Korean War—are respected.<sup>112</sup> In other words, the advent of a direct U.S.-DPRK dialogue has overridden their fears of being sidelined, brought them together, yet prevented them from blocking this dialogue. And it is now clear that the U.S. has no intention of allowing them into a multilateral negotiating format with North Korea, another sign of Russia's diminished leverage.<sup>113</sup> The failure in Hanoi and Kim's apparent failure to obtain badly needed economic help in his summit with Putin may, therefore, lead Kim to resume playing Moscow against Beijing to garner resources and create more space should he decide to keep pursuing the U.S. option.

Russia's dilemma about marginalization goes deeper and it has fewer means to confront it. Russia's primary vital interests in Korea are peace and inclusion. Those linked interests are equally critical in importance because exclusion from a Korean peace process means

Russia cannot guarantee that its interests will be safeguarded or that it has any leverage over other actors concerning questions of war and peace. Moscow has long known this and been visibly alarmed about it.<sup>114</sup> Consequently, the strategy Russia and China have chosen to follow necessarily confers the current initiative on North Korea. It is the only strategy that lets Russia entertain the idea that in the future it can greatly expand economic, and especially energy ties with North Korea.<sup>115</sup>

Although China has an even greater economic stake in North Korea and has visibly improved relations with North Korea, it too has reacted to Pyongyang's initiatives, and not enforced its own strategy. It may balk at supporting Washington, given the strong Sino-American economic and geopolitical rivalry, but precisely for that reason, it cannot visibly obstruct the talks with Washington or the inter-Korean negotiation process, lest its motives be exposed and either or both Koreas make a separate and new deal with Washington. So, at least until Hanoi, China could not stop North Korea from moving forward with Washington and Seoul. After the Kim-Putin summit it will be of no little interest to see how China moves on Korean issues.

China's victory to date over Russia in the competition for influence in North Korea has not stopped the rivalry between them that lets North Korea continue playing the two off against each other, even as it solicits their support for its negotiating position. But what most benefitted the DPRK before Hanoi is that it was driving the negotiation train thanks to Trump and Moon's decision to engage Kim Jong-un directly. This forced China and Russia to support Kim's position in order to realize their key strategic, political, and economic interests. That outcome represents a welcome reversal for Pyongyang of its perceived situation since the end of the Korean War. Developments after the Hanoi and Vladivostok summits will indicate to what degree this trend will continue and how it will affect the players.

Like Washington, Moscow and Beijing have had to realize the limits of their power in dealing with North Korea to achieve their overriding goals of displacing or supplanting the U.S. Asian alliance system, or even the intermediary goal of demonstrating their indispensability as great powers to any Asian strategic changes. Korean regional dynamics, along with the global dynamics of China and Russia's break with the United States' normative posture and its supposedly hegemonic designs upon them (and refusal to take them as seriously as they wish to be valued) have helped foster the alliance we see today. This also shows the ability of Asian middle powers to exert influence on the great powers.

Jumping to the conclusion that Russia's great power arrogance will not permit it to continue playing second fiddle to China seems misplaced for now even if analysts simply invoke this conclusion as a given. Indeed, Russian analysts at IMEMO (the Institute of International Relations and Global Economics) denied this already in 2017 and stated that Russia is, in fact, or has already, accommodated itself to China's primacy.<sup>116</sup> Three points are crucial here. First, Russia's growing dependence on Chinese material and political support inhibits Russia's ability to assert itself as a great power, especially in Asia, without Chinese support. Even Putin seems to recognize this, as he has said that, "the main struggle, which is now underway, is that for global leadership and we are not going to contest China on this."<sup>117</sup> Second, China will happily support Russian challenges to Europe and the U.S. for this fits perfectly with its traditional strategic approach of fighting with "a borrowed sword" or having barbarians fight barbarians and thus weaken or distract U.S. capacity to resist

growing Chinese power.<sup>118</sup> Lastly, if we look at China's treatment of Russia when it opened a base in Tajikistan, it is clear that China moves very cautiously and solicitously regarding Russia since preserving this alliance is clearly of the utmost strategic priority to Beijing.<sup>119</sup> So, despite China's imperial ambitions, this bilateral community of interests is unlikely to disappear anytime soon. Indeed, given global tensions, it may actually get stronger before it weakens.

China is also steadily evicting Russia from past positions in Central Asia and will work to subordinate if not exclude it from long-term influence over North Korea despite its diplomatic caution and solicitude for Russia.<sup>120</sup> China's attitude toward Central Asia arguably also represents the way Beijing looks at Moscow's equities over the short and long run for Korea. Jeanne Wilson and Nadege Rolland have noted China's "scrupulous respect" that goes far to assuage Russia's permanently wounded ego.<sup>121</sup> As Rolland writes,

Chinese strategists are clear-eyed about Russia's regional ambitions and pursuit of prestige, its concerns about China's strategic intent, and its uneasiness with the growing power imbalance. At the same time they are aware that Beijing's own regional supremacy cannot be achieved if Russia is antagonized and stands in the way. Chinese strategists thus advocate a low-friction path, prudently working on ways to assuage Moscow's fears while taking advantage of its current isolation and lack of alternative options. They hope that a concerted effort might enable the two strategic partners to avoid the rise of bilateral tensions and discord, while helping both achieve their regional objectives. As one top Chinese diplomat put it, Eurasia is the main region where China must work hand in hand with Russia to seek 'convergence and a balance of interests' and align both countries' Eurasian grand strategies. Visible between the lines of Chinese assessments, however, is the expectation that the accommodation of Russia's needs and fears will only be a transitional phase during which China needs to bide its time; in the long run Russia will have become a toothless former superpower, surrendering the stage for Beijing to fully assert its influence over Eurasia.<sup>122</sup>

It appears that this or similar procedures are being used in defense consultations on the Arctic and Northeast Asia (possibly Southeast too) to solidify the alliance until China, as it expects, will, by a natural process of growth combined with Russian decline, fully reveal its hegemony over Eurasia. For now, that process has succeeded brilliantly, and there is little reason to see it failing in the immediate or short-term future, especially as Russian isolation continues due to its war on the West and domestic stagnation, policies that leave no option but dependence on China and alliance against the West.

## Conclusion

Paradoxically, the relationships outlined here offer Washington an opportunity to negotiate with Pyongyang despite the abortive Hanoi summit, if it reckons with regional security dynamics and accords them their rightful priority. Fostering North Korean independence to the greatest possible degree by recognizing North Korea's need for security as it denuclearizes, offers the U.S. the tangible possibility of reshaping regional dynamics to its advantage, because North Korea has shown that it too can move the regional equation and

shape Sino-Russian alliance dynamics. Doing so requires a much more coherent American negotiation process. However, failure to grasp the existing possibility for negotiating inter-Korean peace and denuclearization through the inter-Korean negotiations on the one hand, and Washington and Pyongyang on the other, could cause a reversion towards the bipolarity that is always lurking in the wings.

Moscow and Beijing are driven very much by anti-Americanism and their aspirations for influence over both Koreas, and would, if they could, thwart any serious denuclearization or progress towards peace while trying to prevent the outbreak of a hot war. But thwarting the current negotiations by freezing the status quo only reproduces repeated and dangerous crises, if not a new war. For now, Moscow and Beijing have no choice but to support the current negotiations to retain their influence over Pyongyang. This gives Washington the golden opportunity to reduce that influence and craft a mutually beneficial solution in Korea. Paradoxically, the dynamics of the Russo-Chinese alliance, much to the likely chagrin of those governments, has created the conditions allowing for this reshaping to occur. Such solutions are on the table, so to speak, for inspection.<sup>123</sup> Hopefully, the U.S. will seize the opportunity standing before it and lead Northeast Asia out of its dead end. Otherwise, a return to the status quo ante is all but ensured. And who benefits from that?

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# Sino-Russian Relations and Security Ties to North Korea

**Brian G. Carlson**

During the period leading up to the turn toward diplomacy on the Korean Peninsula that began in 2018, China and Russia achieved close cooperation in addressing the North Korean nuclear crisis. This cooperation was one of the most striking examples of the increasingly close relationship that China and Russia have forged in recent years amid a downturn in both countries' relations with the United States.<sup>1</sup> It also reflected the close similarity in the two countries' understandings of their respective security interests on the Korean Peninsula.

As the crisis on the peninsula intensified, China and Russia expressed similar views regarding the underlying reasons for the conflict and diplomatic paths for resolving it. They professed their opposition to the presence of nuclear weapons on the Korean Peninsula and supported increasingly tough sanctions against North Korea following its repeated nuclear and missile tests. However, they remained united in their efforts to limit pressure on the North Korean regime, aiming to prevent its collapse. Above all, China and Russia were determined to limit and ultimately reduce the U.S. military presence in Northeast Asia, including the deployment of U.S. missile defense systems.

China and Russia welcomed the turn toward diplomacy that began in 2018, which essentially followed their preferred course of a moratorium on North Korean nuclear and missile tests and a corresponding pause in the conduct of large-scale U.S.-South Korean joint military exercises. The two countries nevertheless remained skeptical about the prospects for resolving the crisis, given the large gap between the positions of North Korea and the United States. They sought to coordinate their diplomatic efforts closely with those of the North Korean leadership, though China proved more successful in this respect than Russia because of the much greater influence that it now wields on the Korean Peninsula. China and Russia may also have intensified their discussions of security coordination. Russia's large-scale Vostok-2018 military exercises, in which Chinese forces participated for the first time in this quadrennial series, may have served as a demonstration of Russian and Chinese military power in Northeast Asia in advance of the possible outbreak of armed conflict on the Korean Peninsula. The security interests of China and Russia on the peninsula are not identical, especially regarding the long-term prospects for reunification, but their interests are likely to remain largely aligned for the foreseeable future. Close cooperation between China and Russia on the Korean Peninsula's security issues is, therefore, likely to continue.

## China's Security Ties to North Korea

The Korean Peninsula plays a crucial role in China's security considerations. Relations between China and North Korea, including bilateral security ties, continue to be based officially on the Sino-North Korean Mutual Aid and Cooperation Friendship Treaty, which the People's Republic of China (PRC) and the Democratic People's Republic of Korea (DPRK) signed in 1961. The treaty includes a mutual defense clause, making provisions for the two countries to provide each other with military assistance in the event that either faces external aggression. This document, therefore, affords China the legal right to intervene militarily on the Korean Peninsula in the event of war. Nevertheless, China insists that it has a normal state-to-state relationship with North Korea, not a formal alliance, and that it is under no obligation to defend North Korea in any conflict that the regime in Pyongyang initiates. In practice, China would be widely expected to intervene in any war on the Korean Peninsula, as it did in 1950.<sup>2</sup>

China seeks to avoid such an outcome. The outbreak of a war on the peninsula would create a grave security threat close to its own borders and would stimulate a large, potentially destabilizing flow of refugees into its own territory. China, therefore, voices its support for peace and stability on the Korean Peninsula. It also officially supports the elimination of all nuclear weapons from the peninsula. Together, these preferences find expression in China's policy of "Three Nos": 不战, 不乱, 无核 (no war, no chaos, and no nuclear weapons.).<sup>3</sup> China also professes support for the eventual peaceful reunification of Korea.

China's paramount goal, however, is to dramatically reduce and ultimately eliminate the U.S. military presence in Northeast Asia, as in the wider Asia-Pacific region, allowing China to establish itself as the dominant regional power. Toward this end, China seeks to prevent the reunification of the Korean Peninsula under circumstances in which the newly unified Korea would be a U.S. ally. Such an outcome potentially would allow the United States to station military forces north of the 38th parallel and close to China's borders. China, therefore, perceives an interest in maintaining the existence of North Korea as a buffer state. Despite its official support for the denuclearization of the peninsula, China prefers the existence of a nuclear-armed North Korea to the collapse of the regime in Pyongyang if such a collapse were to occur in a way that the Chinese government viewed as detrimental to its own security interests.<sup>4</sup> China supports the eventual reunification of the peninsula, but only as a country that is, at minimum, neutral. With no prospect of such an outcome currently in sight, China is likely to persist in its belief that the status quo is preferable to any unification process for the foreseeable future.<sup>5</sup>

The North Korean nuclear weapons program, nevertheless, poses a series of challenges for China's security policies. North Korea's nuclear tests and missile launches ratchet up tensions in the region, heightening the risk of major war, and possibly nuclear war, as events in 2017 starkly demonstrated. Such actions also increase the likelihood that U.S. allies in Asia such as Japan and South Korea eventually could build nuclear weapons of their own. In the view of Chinese strategists, North Korea's belligerent posture, including its nuclear weapons program, serves as the pretext for a U.S. military presence in Northeast Asia that ultimately contains China as well as North Korea. The U.S. deployment of the Thermal High-Altitude Area Defense (THAAD) anti-ballistic missile defense system in South Korea underscored these concerns. China strongly opposed the THAAD deployment, arguing that this system posed a direct threat to its nuclear deterrent.<sup>6</sup> Chinese officials argued that the monitoring range of the system's X-band radar reached far beyond the Korean Peninsula and deep into Chinese territory.<sup>7</sup> For all of these reasons, Chinese leaders have become progressively more irritated with North Korea's behavior in recent years and increasingly supportive of international sanctions against the regime in Pyongyang.

At the same time, China recognizes that North Korea's nuclear weapons program serves as the only reliable deterrent against a potential U.S. attack on the regime in Pyongyang. It thereby serves China's interests by ensuring the continued survival of North Korea as a buffer state for China. North Korea's provocations create demands on U.S. military resources and attention, potentially reducing pressure on China.<sup>8</sup> Chinese leaders also recognize that progress in the construction of North Korean nuclear weapons and intercontinental ballistic missiles has the potential to weaken U.S. alliances in Asia.<sup>9</sup> These advances could increasingly call into question the willingness of U.S. citizens to put their own cities at risk

on behalf of their Asian allies' security.<sup>10</sup> Although China has voted for increasingly tough sanctions in the UN Security Council, it has successfully worked with Russia to weaken the versions proposed by the United States, aiming to prevent the destabilization of the regime in Pyongyang. Along with Russia, China has sought to ensure that a reduction of the U.S. security footprint in Northeast Asia accompanies steps toward denuclearization by North Korea. As with reunification of the peninsula, China supports the goal of denuclearization only if it occurs in a way that preserves China's perceived security interests in the region.

## Russia's Security Ties to North Korea

Like the PRC, the Soviet Union signed a treaty with North Korea in 1961 that included a mutual defense clause. Relations between Moscow and Pyongyang took a downturn during Mikhail Gorbachev's tenure, then reached a low point during the early post-Soviet years, when President Boris Yeltsin focused on relations with South Korea while largely neglecting North Korea. Yeltsin annulled the Soviet-North Korean treaty in 1994 but soon expressed a desire to rebuild relations with the regime in Pyongyang.<sup>11</sup> In 2000, Russia and North Korea signed the Treaty on Friendship, Cooperation and Good-Neighborly Relations, which continues to provide the official basis for bilateral relations. Because this treaty contains no mutual defense clause, it signaled the formal end of the alliance.<sup>12</sup>

Russia, therefore, bears no obligation to defend North Korea, in contrast to China's relations with North Korea, which arguably constitute an alliance. Russia's diplomatic and security influence on the Korean Peninsula also pales in comparison to that of China, given Russia's minimal economic ties with North Korea, the underdeveloped state of its eastern regions, and its generally weak position in the Asia-Pacific region. Russia also perceives a greater interest in the eventual reunification of the peninsula than does China, for reasons discussed below. In other respects, however, the pattern of security ties between Russia and North Korea bears many similarities to those of the China-North Korea relationship.

Russia shares a border with North Korea, albeit a short one of only about 11 miles. Like China, Russia seeks to avoid the outbreak of war on the peninsula, which would pose a dangerous security threat to the Russian Far East.<sup>13</sup> Russia also aims to prevent the collapse of the regime in Pyongyang, fearing that such an outcome would destabilize the surrounding region and cause a flow of refugees toward Russian territory.<sup>14</sup> Russia officially opposes the presence of nuclear weapons on the peninsula. The most recent "Foreign Policy Concept of the Russian Federation," published in late 2016, states that Russia views the resumption of the Six-Party Talks as the most effective means to achieve the denuclearization of the Korean Peninsula.<sup>15</sup> Russia, therefore, shares the objectives of China's "Three No's."

Russia's official support for the denuclearization of the Korean Peninsula is based on a variety of considerations. Russia continues to possess a large nuclear arsenal, which is one of its few remaining attributes of superpower status. As such, Russia has a strong interest in the defense of the nuclear non-proliferation regime and the prevention of the acquisition of nuclear weapons by states that lack nuclear status under the Treaty on the Non-Proliferation of Nuclear Weapons (NPT). Russia views North Korea's nuclear tests and missile launches as potentially destabilizing for regional security. It considers North Korea's nuclear weapons program and provocative behavior to be a pretext for U.S. regional military buildups that are at least partly directed at the containment of Russia as well as China.

From the beginning of his tenure, Russian President Vladimir Putin perceived this problem. In July 2000, during his first year as president, Putin visited North Korea with the goal of persuading North Korea to cease its plans to build nuclear-capable missiles. In this way, he hoped to remove a reason for the United States to withdraw from the Anti-Ballistic Missile (ABM) Treaty, which ultimately occurred in 2002.<sup>16</sup> Russia joined China in opposing THAAD following the 2016 announcement that the system would be deployed. Although Russia's nuclear arsenal remains large enough to overwhelm any prospective U.S. theater or national missile defense system, Russia professes concern that the United States is establishing a global missile defense system that could eventually threaten Russia's nuclear deterrent. Russia is, therefore, taking steps to enhance its capabilities for nuclear deterrence, both through upgrades to its stock of nuclear-capable missiles and through the deployment of means of non-nuclear deterrence. Such concerns underscore the ways in which Russia, like China, views the problems of the Korean Peninsula in the context of global politics and rivalry with the United States.<sup>17</sup>

Despite its official opposition to North Korea's possession of nuclear weapons, Russia professes understanding for the motives behind Pyongyang's nuclear ambitions. Russian leaders and experts assign a significant amount of blame for the crisis to the United States, arguing that if not for U.S. threats to use military force against the regime in Pyongyang and to topple it, North Korea would have no reason to build nuclear weapons. Their claim is that, in the face of a security threat from the United States, nuclear weapons offer North Korea the only reliable deterrent.<sup>18</sup>

In the long term, Russia's position on unification of the Korean Peninsula differs somewhat from China's. Russia has a stronger interest than China in reunification or at least a much closer relationship between the two Koreas. Unification or integration would allow Russia to pursue economic projects that could stimulate the development of the Russian Far East, expand Russia's influence on the peninsula, and enhance Russia's profile in the Asia-Pacific region. These projects could include the linkage of the Trans-Siberian Railway with a railroad traversing the Korean Peninsula, the construction of oil and gas pipelines from Russian territory onto the peninsula, and the integration of regional electric grids.<sup>19</sup> The potential for such projects is one of the few levers of influence that Russia wields on the peninsula. Their successful conclusion could allow North Korea to reduce its economic dependence on China.<sup>20</sup> This, in turn, could allow Russia to strengthen its relations with the Korean Peninsula and other regional actors, especially Japan, thereby reducing its own dependence on China.

The difference in Russian and Chinese interests regarding the potential unification of the Korean Peninsula should not be exaggerated, however, especially in the near term. First of all, unification is still a remote prospect. For the foreseeable future, Russia and China are focused on addressing the immediate crisis, in which their interests are largely aligned. Moreover, although Russia's interest in unification is stronger than China's, Russia is also concerned about the manner in which unification would occur. Like China, Russia seeks to avoid an outcome in which the government of a newly unified Korea would form a tight political-military alliance with the United States.<sup>21</sup> From Russia's perspective, as from China's, the maintenance of North Korea as a buffer state would be preferable to such an outcome.<sup>22</sup> Just as Russia is concerned about the deployment of NATO forces along its

western borders, it also seeks to avoid the potential deployment of U.S. forces close to its eastern border, as would be possible if the United States were to gain an opportunity to station forces on the Korean Peninsula north of the 38th parallel.<sup>23</sup>

## China-Russia Relations and Security Ties to North Korea

As the above analysis suggests, China and Russia hold positions on the security issues of the Korean Peninsula that are similar, or in some cases, nearly identical. As the China-Russia relationship has grown closer in recent years, the two countries' cooperation on the North Korean nuclear crisis has increased significantly. As Gilbert Rozman has argued, the increasingly tense North Korean nuclear crisis of recent years has been a test of relations within the U.S.-China-Russia triangle, and Russia has sided with China in this important case.<sup>24</sup> Both China and Russia view the issues of the Korean Peninsula through the prism of global security and their competition with the United States. They seek to reduce the U.S. security presence in Northeast Asia, and they accuse the United States of using North Korea's nuclear weapons program and provocative behavior as a pretext for strengthening this presence. They are particularly concerned about U.S. deployment of THAAD in South Korea, viewing it as a potential threat to their own nuclear deterrents.<sup>25</sup>

China and Russia officially oppose the presence of nuclear weapons on the Korean Peninsula. They express irritation at North Korea's provocative behavior and unwillingness to follow their lead. As an expression of their irritation, they have supported increasingly tight sanctions imposed by the UN Security Council, though they have also succeeded in weakening U.S.-proposed sanctions and in helping North Korea to evade the sanctions that have been imposed, all in an effort to limit international pressure on the North Korean regime and to prevent its collapse. As much as North Korea's construction of nuclear weapons and belligerent behavior may irritate them, their goal of limiting the U.S. military presence in the region overrides these concerns. Unless the United States agrees to limit its regional military presence, China and Russia will continue to support the North Korean regime and attempt to ensure its survival.<sup>26</sup>

In recent years, these shared interests have stimulated heightened cooperation between China and Russia on issues related to the security of the peninsula. This cooperation has taken concrete form on several issues, including opposition to THAAD deployment, coordination during debates in the UN Security Council on proposed sanctions, and diplomatic proposals for resolving the crisis. This cooperation is likely to continue during the uncertain period of diplomacy that lies ahead.

### **Crisis management: 2016-2017**

In early 2016, the United States and South Korea announced plans to deploy THAAD on South Korean territory as a means of defense against potential North Korean missile strikes targeting that country or U.S. military bases in Asia. Since then, China and Russia have maintained solidarity in opposition to this deployment. Their concerns differed slightly but led them to the same conclusion. China argued that the system could pose a direct threat to its own nuclear deterrent. Russian leaders knew that THAAD posed no immediate threat to their own deterrent, but they sought to halt the spread of U.S. missile defense systems

worldwide.<sup>27</sup> Russia and China agreed that THAAD was, in reality, one component of what could eventually become a global missile defense system that aims to maintain the U.S. military advantage in the Asia-Pacific region, as in Europe and elsewhere, and to contain China and Russia.<sup>28</sup> Opposition to THAAD represented the continuation of sustained efforts by China and Russia to resist the expansion of U.S. missile defense systems dating back to the 1990s, when the United States began to contemplate such plans.

During Putin's visit to China in June 2016, China and Russia issued a joint declaration on global strategic stability in which they expressed their shared opposition to THAAD deployment.<sup>29</sup> The two countries also increased their own cooperation in the area of missile defense, holding joint computer-simulated exercises in May 2016 and December 2017 in which they practiced joint actions to respond to strikes by ballistic missiles or cruise missiles.<sup>30</sup> Efforts by China and Russia to prevent the deployment of THAAD were unsuccessful, however, as the United States began to install the system in South Korea during the spring of 2017. China and Russia continue to express their opposition to U.S. missile defense systems, most recently in a joint statement issued in June 2018.<sup>31</sup>

As the North Korean nuclear crisis intensified in 2017, China and Russia closely coordinated their responses to events. They expressed their shared position most clearly in a July 4, 2017 joint declaration on the issues of the peninsula. In this declaration, the two countries proposed a three-stage process for resolving the crisis. The first stage would consist of a "dual freeze" in which North Korea would impose a moratorium on nuclear and ballistic missile tests, and in return the United States and South Korea would refrain from large-scale joint military exercises.<sup>32</sup> The United States initially rejected this proposal, viewing it as merely a ploy to undermine the U.S.-South Korean alliance and other U.S. alliances in Asia. However, as the turn toward diplomacy unfolded during 2018, events essentially followed this script, allowing China and Russia to claim some credit.<sup>33</sup> The second stage would involve the establishment of U.S.-North Korea and inter-Korean direct dialogue to discuss principles of peaceful coexistence. The third stage would feature the establishment of multilateral negotiations on Northeast Asian security, including discussions regarding the denuclearization of the peninsula.<sup>34</sup> This proposal combined the Chinese proposals for a "dual freeze" and "parallel advancement," involving simultaneous discussions of denuclearization and a peace mechanism for the peninsula, with the Russian idea of a "roadmap" for settlement of the Korean dispute in stages.<sup>35</sup>

China and Russia also coordinated their positions during discussions at the UN Security Council about the imposition of sanctions against North Korea. The two countries had traditionally opposed harsh sanctions against the regime in Pyongyang. In 2016 and 2017, however, as U.S. pressure to impose sanctions grew following a series of North Korean nuclear and missile tests, China and Russia agreed to support increasingly tough sanctions. The Security Council passed three resolutions imposing sanctions during 2016 and four more during 2017.<sup>36</sup>

The approaches that China and Russia took during this period differed slightly, however. In the words of one Russian analyst, China and Russia took a "good cop/bad cop" approach.<sup>37</sup> China's relations with North Korea had deteriorated since Kim Jong-un's accession to power in 2011. Moreover, China was experiencing a relatively warm period in relations with the United States following Xi Jinping's meeting with Donald Trump at Mar-a-Lago, Florida, in March 2017. China was therefore willing to support tougher sanctions than it had

previously. Russia was more reluctant, viewing sanctions as an ineffective means to induce changes in North Korean behavior, but it ultimately agreed to follow China's lead. China and Russia nevertheless succeeded in weakening U.S. sanctions proposals. Most notably, they rejected the U.S. proposal for a total crude oil embargo, agreeing instead to restrict crude oil supplies to existing levels. Moreover, both China and Russia have helped North Korea to evade the sanctions in various ways.<sup>38</sup>

### **The turn toward diplomacy: 2018-2019**

China and Russia welcomed the turn toward diplomacy that began in 2018, including both the inter-Korean and the U.S.-North Korea dialogues. After a period of heightened tension and threats, both countries were relieved to see the issues of the Korean Peninsula return to a diplomatic track, though they recognized the fragility of this process. Officially, they professed their desire for the negotiating process to return to the Six-Party Talks, a forum including North Korea, South Korea, the United States, China, Russia, and Japan that operated between 2003 and 2009.<sup>39</sup> In practice, the diplomacy that emerged in 2018 returned to a Four-Party format featuring the United States, China, and the two Koreas, with Russia, like Japan, largely relegated to the margins.<sup>40</sup>

Following a flurry of inter-Korean diplomacy that coincided with the February 2018 Winter Olympics in PyeongChang, South Korea, Trump accepted Kim Jong-un's offer to meet. This signaled the emergence of new diplomatic possibilities following the sharp rhetoric and escalating tensions of the previous year. The first Trump-Kim summit, which the two leaders held on June 12 in Singapore, produced a joint declaration expressing agreement in general terms on four points, namely the commitment to establish a new relationship between the United States and North Korea, joint efforts to build a regime of peace and stability on the peninsula, North Korea's commitment to denuclearization of the peninsula, and the return of the remains of American POWs/MIAs.<sup>41</sup> Following the summit, Trump announced the cancellation of planned joint military exercises with South Korea. Together with North Korea's previously announced moratorium on nuclear and missile tests, this essentially fulfilled the call by China and Russia one year earlier for a "dual freeze."

In preparation for his meeting with Trump, Kim Jong-un turned primarily to China for support. During 2018, Kim visited China three times, twice in advance of his summit with Trump in Singapore, and again just one week after the summit. Kim's visit to China in March 2018 was his first official trip outside of North Korea and his first meeting with Xi. During this meeting, Kim and Xi reaffirmed the close bond between their two countries. Since Kim's accession to power in 2011, China and North Korea had experienced considerable tension in their relationship, as China became increasingly exasperated by North Korea's provocative behavior, both domestic and international. During this visit, the two countries endeavored to return their relationship to a solid footing. China sought to maintain its influence over North Korea, while Kim's visit demonstrated his need for Chinese support in order to increase his bargaining leverage in negotiations with the United States.<sup>42</sup>

The turn toward diplomacy on the Korean Peninsula during 2018 changed some of China's calculations. As the crisis intensified during 2017, China sought to use its influence over North Korea as leverage in relations with the United States. China hoped that its willingness to apply diplomatic and economic pressure on North Korea would help to achieve more favorable U.S. policies regarding such issues as Taiwan, the South China Sea, and trade.

Now, with the turn toward diplomacy, China had to be alert to the possibility that North Korea would return to its time-worn tactic of using great-power rivalry to its advantage.<sup>43</sup> In an extreme scenario, albeit one that seemed unlikely, North Korea might achieve sufficient improvement in its relations with the United States and South Korea to dramatically reduce its reliance on China.<sup>44</sup> By the time Kim visited Beijing in June, one week after his summit with Trump, a burgeoning trade war was creating tension in U.S.-China relations. This situation offered an opening for Kim to disrupt the cooperation on Korean issues that the United States and China had recently achieved, which had increased pressure on his own country, and use a strengthened relationship with China as leverage in his ongoing negotiations with the United States.<sup>45</sup>

Russia also sought to engage actively in the diplomatic process, but its consultations with North Korea were less extensive than those of China. The Russian and North Korean foreign ministers exchanged official visits in April and May, but no meeting took place between Putin and Kim in 2018. Following North Korean Foreign Minister Ri Yong Ho's visit to Russia in April, Russian Foreign Minister Sergei Lavrov visited North Korea in late May, less than two weeks before the Singapore summit. Lavrov delivered a letter from Putin inviting the North Korean leader to visit Russia, and in particular, if Kim so desired, to attend the Eastern Economic Forum in Vladivostok in September 2018.<sup>46</sup> South Korean President Moon Jae-in reportedly indicated that he would also attend the forum if his North Korean counterpoint did so. Xi and Japanese Prime Minister Abe Shinzo had already agreed to attend. If the two Korean leaders had attended the forum, then Russia would have succeeded in hosting the first meeting of all of Northeast Asia's heads of state.<sup>47</sup> This would have been a major diplomatic coup for Russia, signaling its re-emergence as a major actor in Korean issues and possibly presaging a revival of the Six-Party Talks. Ultimately, however, neither Kim nor Moon attended the summit.

Despite its continued marginalization on the issues of the Korean Peninsula, Russia sought to exert influence by working closely with China. During the fall, China and Russia continued to coordinate their diplomacy in addressing North Korea. In September, discussions at the UN Security Council showcased the gap between the United States and its allies, on one side, and China, Russia, and North Korea, on the other, regarding the appropriate path to denuclearization. The United States insisted that the sanctions should remain in place until North Korea had fully abandoned its nuclear weapons program. China and Russia, meanwhile, supported North Korea in demanding that the process of denuclearization proceed in stages. In their view, the United States should first ease sanctions as a reward for North Korea's willingness to enter negotiations, then engage in a step-by-step process in which the two sides would trade reciprocal concessions.<sup>48</sup>

Although North Korea turned primarily to China for support in its diplomacy with the United States, it also sought to use the solidarity between China and Russia on Korean issues to gain a bit of added leverage. In October 2018, Choe Son-hui, North Korea's vice foreign minister responsible for negotiations on nuclear issues with the United States, visited Beijing and Moscow.<sup>49</sup> Following her meeting with Russian officials, deputy foreign ministers from all three countries held a conference in Moscow, the first trilateral consultation of its kind.<sup>50</sup> They reiterated their support for a phased process, rejecting U.S. insistence that North Korea fully denuclearize before the United States would support the removal of sanctions and agree to a peace treaty formally ending the Korean War. In a joint declaration, they called

for the UN Security Council, in light of “important steps in the direction of denuclearization” by North Korea, to review existing sanctions. The process for resolving the crisis, they asserted, should be “step-by-step and synchronized,” with the parties involved making progress through reciprocal concessions.<sup>51</sup> Russian Deputy Foreign Minister Igor Morgulov, the Russian representative in this meeting, said that unilateral demands for North Korea to denuclearize were unlikely to succeed.<sup>52</sup>

Such disagreements over the proper sequence of actions continued to confound U.S.-North Korean diplomacy. The February summit in Hanoi between Trump and Kim, which Kim preceded with yet another visit to China in January, broke down amid disagreement over the steps that North Korea would have to take in order to obtain relief from sanctions. Kim reportedly offered to dismantle the nuclear facilities at Yongbyon, including those used for plutonium and uranium enrichment, in return for wide-ranging relief from sanctions imposed since 2016. Trump rejected this offer, insisting that North Korea would have to take further steps toward denuclearization in order to obtain the sanctions relief that Kim sought.<sup>53</sup> Experts believe that North Korea operates at least one uranium-enrichment facility besides Yongbyon, as well as other nuclear facilities throughout the country. Less than one month after the summit, North Korea threatened to abandon talks with the United States and resume nuclear and missile tests.<sup>54</sup> Kim later announced that he was willing to meet Trump again, but only if the United States offered what he considered to be an acceptable proposal by the end of 2019.<sup>55</sup>

The failure of the Hanoi summit had the potential to reset the diplomatic chessboard, at least somewhat. In the weeks that followed, Kim shifted diplomatic attention toward Russia, offering an opportunity for Moscow to increase its influence on Korean issues. Following the Singapore summit in 2018, Kim visited China almost immediately while declining to take up Putin’s invitation to visit Russia. After the Hanoi summit, by contrast, Kim held no immediate follow-up visit with Xi, despite traveling through Chinese territory on his long train journey home. In late April, following an announcement during the previous month that Kim would soon visit Russia, the North Korean leader traveled to Vladivostok for a summit meeting with Putin, who was on his way to Beijing for China’s second Belt and Road Forum. The meeting produced no breakthroughs, but it offered the Russian and North Korean leaders an opportunity to express their shared opposition to the U.S. negotiating position and their shared support for a gradual process of conflict resolution featuring the easing of sanctions in return for steps toward denuclearization by North Korea.<sup>56</sup>

Kim’s visit to Russia may have signaled not only his frustration with the United States following the collapse of negotiations in Hanoi, but also his continued suspicion of China. The meeting with Putin allowed Kim to demonstrate that North Korea had other diplomatic options.<sup>57</sup> Kim’s visit, which Russia had long sought, also offered Russia an opportunity to reinsert itself into Korean diplomacy. Following a period in which Kim focused his diplomatic efforts on China, the United States, and South Korea, the Putin-Kim summit offered an opening for Russia to broaden this Four-Party format and reassert its own influence. Ideally, from Russia’s standpoint, this would eventually lead to the revival of the Six-Party Talks. Such an outcome was far from certain, however, as both the United States and China might prefer the current approach of direct diplomacy with North Korea in bilateral formats.<sup>58</sup>

If the recent past is an accurate guide, then Russia is unlikely to assert its influence at China's expense. Between 2012 and 2018, when China-North Korea relations were tense, Russia sought to increase its influence with North Korea, but without challenging China overtly. Indeed, some Russian analysts speculated that Russia was now stepping forward to offer support for North Korea on China's behalf at a time when China was focused on ending the U.S.-China trade war.<sup>59</sup> China, for its part, called for patience following the breakdown of the Hanoi summit, with a Foreign Ministry spokesman stating that the issues were unlikely to be resolved overnight. In some ways, the stalemate following Hanoi was a favorable outcome for China. The U.S.-North Korea diplomacy had dramatically reduced the potential for war on the Korean Peninsula, but it had also failed to produce an agreement that the Chinese leadership might view as adverse to its own interests.<sup>60</sup>

China and Russia continued to support the U.S.-North Korea diplomatic process while recognizing the difficulty of achieving a breakthrough. As one Russian expert argued, the goal of an agreement in which North Korea would exchange its nuclear weapons for security was extremely difficult to achieve. The regime in Pyongyang would be exceedingly unlikely to relinquish its only trump card in return for a mere promise of security, and yet it was difficult to see how the United States could offer an irreversible security guarantee.<sup>61</sup> In advance of his first summit with Trump, Kim agreed to drop North Korea's demand that the United States withdraw its 28,000 troops stationed in South Korea as a condition for denuclearization.<sup>62</sup> Ultimately, however, North Korea might insist on retaining at least a minimal nuclear deterrent, a possibility that some U.S. experts recognized "through clenched teeth." In any case, U.S.-North Korea diplomacy was likely to feature repeated breakdowns as both sides periodically expressed their dissatisfaction with the other.<sup>63</sup>

### **China-Russia military cooperation in the event of armed conflict**

The negotiating process between the United States and North Korea remains fragile. The talks could once again break down, reviving a familiar pattern from the past three decades in which tensions escalate, diplomacy begins, an agreement is announced, and then the talks deteriorate and tension builds once again. The ultimate test of the China-Russia relationship, as it relates to the two countries' security ties to North Korea, would arise in the worst-case scenario, namely the outbreak of armed conflict on the peninsula.

One factor that has held China and Russia back from establishing a formal political-military alliance is the unwillingness of both countries to be dragged into the other's regional conflicts. China offered Russia only limited diplomatic support during its wars in Georgia and Ukraine, pointedly declining to endorse either Russia's recognition of the sovereignty of two breakaway regions in Georgia or its annexation of Crimea. Russia, in turn, maintains official neutrality on China's maritime disputes in the South and East China seas. Russia's main strategic interests lie in Europe and the Middle East, while China's are in the Asia-Pacific region. The Korean Peninsula, however, is one region in which both countries perceive that they have vital interests at stake. This raises the question of how much they might cooperate militarily in a war on the peninsula.

The Treaty of Good-Neighborliness, Friendship, and Cooperation, signed by China and Russia in 2001, contains no mutual security clause. Neither country is obligated to provide military assistance to the other if it faces armed aggression. Nor do any treaty obligations

bind them to provide joint military assistance in the event of armed conflict on the Korean Peninsula. No publicly available evidence suggests that the Russian and Chinese militaries have developed joint operational plans, but some analysts suggest that Central Asia and the Korean Peninsula are the two regions most likely to be included in any such plans.<sup>64</sup>

Russia's Vostok-2018 military exercises, held in September 2018, may have reflected discussions between Russian and Chinese leaders about possible security coordination in the event of an outbreak of armed conflict on the Korean Peninsula.<sup>65</sup> For the first time in the history of this quadrennial exercise in the Russian Far East, Russia invited Chinese forces to participate. In previous versions of this exercise, the Russian armed forces had simulated the defense of Russian territory against a possible Chinese invasion. Most notably, the 2010 exercise ended with a simulated tactical nuclear strike against an invading army. This time, despite being staged in the Russian Far East, the scenario clearly simulated conflict between Russia and NATO. The People's Liberation Army (PLA) sent a relatively small contingent of 3,200 military personnel, 30 aircraft, and 900 tanks and armored vehicles to join massive Russian forces in joint firing operations and tests of interoperability in the Tsugol combined arms training area, located near the border with Mongolia. China's participation in this exercise illustrated the increasingly close China-Russia relationship, including the two countries' growing bilateral defense cooperation.

China and Russia may have intended to use the Vostok-2018 exercises to influence the course of events on the Korean Peninsula. Although the turn toward diplomacy began several months before Vostok-2018 was held, planning for the exercises began even earlier, during a period of heightened tension and threats between the United States and North Korea. The two countries may have intended the exercises to serve, at least partially, as a display of Russian and Chinese military power in Northeast Asia in anticipation of the possible outbreak of armed conflict on the Korean Peninsula.<sup>66</sup> The exercises were also a means to improve interoperability between the two countries' military forces, which could be valuable in the event of a Korean crisis.<sup>67</sup> In the event of armed conflict on the peninsula, China might wish to secure Russia's military support. Russia's recent combat experience and especially its nuclear arsenal could prove valuable in such a conflict, increasing the likelihood that China could achieve a favorable outcome.<sup>68</sup>

## Conclusion

The brinkmanship and risk of major war that were pervasive throughout 2017 have faded, but prospects for diplomacy to address the problems of the Korean Peninsula remain uncertain. China and Russia welcome the diplomatic process, but they recognize the difficulty of resolving the crisis and even remain somewhat wary of a U.S.-North Korea agreement that might be detrimental to their own interests. As this process unfolds, China and Russia are likely to continue their close coordination, with China taking the lead and Russia largely playing a supportive role. Russia's willingness to accept its secondary status on this issue is consistent with a recent pattern in which Russia has frequently deferred to China's wishes for the sake of strengthening this relationship. Russia also recognizes China's higher stakes on the Korean Peninsula and anticipates that China will return the favor by supporting Russia's positions on issues such as Ukraine and the Middle East.<sup>69</sup> The convergence of Chinese and Russian views on international issues, especially their shared opposition to a U.S.-dominated international system and to claims of the universal

applicability of liberal values, suggests that their close partnership is likely to be durable for the foreseeable future.<sup>70</sup> Similarity in the two countries' perceptions of their security interests on the Korean Peninsula indicates that their close cooperation on this issue is likely to endure as well.

In the long run, Chinese and Russian interests on the peninsula could diverge. China seeks to establish itself as the dominant power in Northeast Asia, whereas Russia hopes to form a regional concert of great powers that would enhance its own role in the region.<sup>71</sup> Russia would not look favorably on Chinese domination of the Korean Peninsula. On the other hand, if reunification eventually becomes a serious possibility, then Russia's eagerness to increase its regional influence through joint economic projects with the peninsula could create tension with China, which would be concerned about the impact of such developments on its own relative power in the region.<sup>72</sup> Such an outcome remains a distant prospect, however. In the near term, Chinese and Russian security interests remain closely aligned. Barring a surprising diplomatic breakthrough in the affairs of the Korean Peninsula, this situation is unlikely to change soon.

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Japan's Strategy to Keep the  
North Koreans and Chinese  
Down, the Americans in, and  
the Russians Neutral

**James D.J. Brown**

The Japanese government makes no secret of its intensifying security concerns. The Ministry of Defense's most recent annual white paper includes the assessment that, "The security environment surrounding Japan has become increasingly severe, with various challenges and destabilizing factors becoming more tangible and acute." The report is also explicit about the source of these challenges. The most immediate danger is identified as North Korea, whose "military development such as its nuclear and missile development constitute unprecedented, serious and imminent threats to the security of Japan." Second on the list is China, which is singled out for the non-transparent strengthening of its armed forces, as well as the increase in its military activities in the vicinity of Japan. Lastly, the white paper notes that "Russia has been modernizing its forces including its nuclear capability not only in the Europe region but in the periphery of Japan," and that close attention needs to be paid to these developments.<sup>1</sup>

North Korea, China, and Russia, therefore, each present Japan with specific security concerns. Yet, Japan also faces the added worry that these three countries will increasingly coordinate their activities within the region. Even if they do not actually forge a strategic triangle, there remains the threat that they could gang up together on certain issues, forming a "loose coalition" to counter the interests of Japan and its U.S. ally.<sup>2</sup>

These fears have intensified as a consequence of the deepening of the relationship between Beijing and Moscow, which is officially described as "a comprehensive, equitable, trusting partnership and strategic cooperation."<sup>3</sup> In particular, Japan took careful note of the Vostok-2018 exercises, which were held between July and September 2018 in Russia's Eastern Military District. The Russian military described these drills as being the largest since the Soviet era, involving approximately 300,000 troops.<sup>4</sup> Vostok-2018 was also the first time that Chinese forces had participated in an annual Russian strategic exercise of this type, contributing approximately 3,000 troops.<sup>5</sup> Observed by Russian president Vladimir Putin and Chinese Defense Minister Wei Fenghe, Vostok-2018 served as a powerful symbol of Russia and China's increasingly close security relationship.

The situation regarding China and Russia's relations with North Korea is more complicated. Officially, Beijing and Moscow share Tokyo's goal of achieving the complete denuclearization of the Korean Peninsula. They have also repeatedly voted in favor of strengthening United Nations Security Council (UNSC) sanctions on North Korea's nuclear and missile programs. However, while there may be some common ground regarding the ultimate goal of Korean denuclearization, Beijing and Moscow are diametrically opposed to Tokyo's position when it comes to the question of how to achieve this.

Despite North Korean leader Kim Jong-un's turn to diplomacy in 2018 and the resulting summits with U.S. president Donald Trump in Singapore and Vietnam, the Japanese government has maintained a hard-line position. Even though Prime Minister Abe Shinzo has conceded that he too would be willing to meet Kim, he has made it clear that his priority is to resolve the abductions issue, which relates to the fate of Japanese citizens kidnapped by the North Korean regime during the 1970s and 1980s.<sup>6</sup> Additionally, the Japanese government has consistently argued that existing UNSC resolutions should continue to be upheld and implemented in full until concrete progress is made towards "the complete, verifiable and irreversible dismantlement (CVID) of all weapons of mass destruction and ballistic missiles of all ranges by North Korea."<sup>7</sup>

By contrast, Beijing and Moscow take the view that Pyongyang has already made significant concessions, including its moratorium on missile launches and nuclear tests, demolition of the Punggye-ri nuclear test site, and commitment to working towards the complete denuclearization of the Korean Peninsula. On this basis, the Chinese and Russian foreign ministers used a session of the UNSC in September 2018 to call for an easing of sanctions on North Korea.<sup>8</sup> Tokyo is, therefore, worried that Beijing and Moscow are increasingly making common cause with Pyongyang. This impression was strengthened in October 2018, when the deputy foreign ministers of Russia, China, and North Korea met in Moscow. Also significant was Kim Jong-un's summit with Putin in Vladivostok in April 2019, which added to the four meetings the North Korean leader had already held with Chinese president Xi Jinping. Furthermore, there have been allegations that China and Russia are becoming increasingly lax in enforcing existing international sanctions. For instance, in January 2019, the Japanese media reported that Chinese fishery operators were violating UN sanctions by purchasing fishing licences from Pyongyang to operate in North Korean waters.<sup>9</sup>

Although this increased closeness between China, Russia, and North Korea is a worrying trend for Japan, this is hardly the first time that Tokyo has faced difficult relations with these three Northeast Asian neighbors. Two factors, however, make the current situation especially troublesome. The first is the poisonous state of relations between Japan and South Korea, and the accompanying breakdown in trust between the Abe administration and the government of Moon Jae-in. The most serious incident occurred on December 20, 2018 when a Republic of Korea Navy destroyer is alleged to have directed its fire-control radar at a maritime patrol aircraft operated by the Japanese Maritime Self-Defense Forces (JMSDF). The underlying cause of the tensions, however, is bitter differences over the history of Japanese colonial rule over the Korean Peninsula and related arguments regarding previous intergovernmental agreements about the issues of the so-called "comfort women" and forced labor.

In other circumstances, Washington could be expected to intervene to smooth out these tensions between its main East Asian allies. At present, however, it is a contributor to Japan's sense of regional insecurity. This is a consequence of Trump's "America First" foreign policy and the transactional approach that he takes to alliances. In essence, Trump has made the U.S. security guarantee to allies conditional, making it clear that, if countries are to continue to receive the protection of the U.S. superpower, they must be ready to concede to Washington on other issues. The United States has, of course, always exerted influence on security partners to encourage their policies to develop in a direction favorable to its national interests. However, the Trump administration is unusually brazen in the manner in which it exercises U.S. leverage and in its openness about directly connecting security and economic issues.

With regard to Japan, prior to becoming president, Trump was explicit about his willingness to withdraw U.S. forces if Tokyo did not significantly increase its financial contribution to their deployment. He also criticized the U.S.-Japan Security Treaty for being one-sided and "not a fair deal." Additionally, in the same interview, Trump took issue with Japan's large trade surplus, describing it as "a very unfair situation."<sup>10</sup> Guided by these long-standing views, Trump has pressed Japan to buy "massive" amounts of U.S. military equipment.<sup>11</sup> He has also continued to criticize Japan on trade and, in March 2018, his administration declined to give Japan an exemption from tariffs on imports of steel and aluminium.

Furthermore, Trump has used the threat of further tariffs to force Japan to accede to talks about a bilateral trade deal, telling Abe, “You don’t have to negotiate, but we’re going to put a very, very substantial tax on your cars if you don’t.”<sup>12</sup> With talks also expected to begin towards the end of 2019 about revised cost-sharing arrangements for U.S. forces in Japan, Tokyo can again expect to be strong-armed into concessions.

In short, Japan’s security situation is alarming. The country faces not only the individual security challenges posed by North Korea, China, and Russia, but also the danger of increased cooperation between these three nuclear-armed neighbors. What is more, at just the time when Tokyo needs reliable partners, it finds itself dealing with a South Korean government that it considers chronically untrustworthy and a U.S. administration that often seems less like a loyal friend and more like an increasingly expensive supplier of commercial security services.

Having identified the nature of this problem, the remainder of this essay focuses on explaining Japan’s strategy for addressing it. It does so by adapting Lord Ismay’s famous description of the fundamental goal of NATO as being to “keep the Soviet Union out, the Americans in, and the Germans down.”<sup>13</sup> Correspondingly, Japan’s current strategy can be characterized as aiming to keep the North Koreans and Chinese down, the Americans in, and the Russians neutral. After outlining the details of each part of this strategy, the essay will identify the main challenges to overcome in its implementation.

## Keeping the North Koreans and the Chinese Down

From the second half of 2018, there were indications of increased willingness on the part of the Abe administration to engage with both North Korea and China. In particular, Abe’s address to the United Nations General Assembly (UNGA) in September 2018 set a considerably more positive tone about relations with North Korea than his speech a year earlier. Abe stated that: “I am also ready to break the shell of mutual distrust with North Korea, get off to a new start, and meet face to face with Chairman Kim Jong-Un.”<sup>14</sup> Language about “continuing to increase pressure on North Korea to the maximum level” was also removed from the 2019 version of Japan’s Diplomatic Bluebook.<sup>15</sup> A further step was taken at the start of May 2019 when Abe said in a media interview that he was ready to meet the North Korean leader “without conditions.”<sup>16</sup>

Additionally, in October 2018, Abe made an official bilateral visit to China, his first since returning to power in December 2012. During that trip, he announced his ambitions for the relationship, stating that, “Switching from competition to collaboration, I want to lift Japan-China relations to a new era.”<sup>17</sup> Unlike the United States, Japan also accepted China’s invitation to send a naval ship to participate in the April 2019 fleet review to mark the 70th anniversary of the founding of the Chinese People’s Liberation Army Navy.

Some observers took these moves as indicating that a significant shift in Japanese thinking about North Korea and China had occurred. Indeed, one enthusiastic commentator proposed that Abe’s visit to China could mark the start of a “Pax Sinae-Nipponica era” in Asia.<sup>18</sup> This is an enticing idea, yet, in reality, no fundamental change has taken place in Japan’s policy. The

Japanese leadership remains just as wary of both Pyongyang and Beijing as previously and the guiding principle of Japan's strategy remains to contain North Korea and China. Rather than indicating a true reorientation of strategy, Japan's seemingly changed approach has been driven by the need to respond to alterations in U.S. policy towards North Korea and by Japan's priority of avoiding a crisis in relations with China.

## North Korea

Japan was caught off guard by the Trump administration's sudden embrace of diplomacy with North Korea. In a phone call on February 14, 2018, the Japanese and U.S. leaders agreed that there would be "no meaningful dialogue" until Pyongyang agreed on "complete, verifiable and irreversible denuclearization."<sup>19</sup> Having affirmed this shared commitment to a policy of "maximum pressure," the Japanese leadership was shocked by Trump's announcement in early March that he intended to meet the North Korean leader. This was made even more unpalatable by the knowledge that the change in U.S. policy had been brought about through the work of the Moon administration, in which Japanese trust has never been high.

From the very start then, the Abe administration regarded the talks with North Korea as a mistake, believing that a summit with the U.S. president should only have been granted after Pyongyang offered something more concrete than a vague commitment to the denuclearization of the Korean Peninsula. And yet, given the enormous importance to Japan of remaining in close alignment with its U.S. ally, the Abe administration felt that it had no choice but to alter the presentation of its North Korea policy to limit the appearance of differences with Washington. This is the real reason why Abe also announced his willingness, in principle, to meet Kim Jong-un.

The actual nature of Japanese thinking about how to deal with the North Korean threat remains that which was expressed in Abe's speech to the UNGA a year earlier. That address, which was focused exclusively on North Korea, made an explicit case for countries to abandon the path of dialogue and instead fully commit to a policy of pressure. Specifically, Abe argued that efforts at dialogue had been tried to exhaustion during the 1990s and 2000s. In his assessment,

"During the time this dialogue continued, North Korea had no intention whatsoever of abandoning its nuclear or missile development. For North Korea, dialogue was instead the best means of deceiving us and buying time...Again and again, attempts to resolve issues through dialogue have all come to naught. In what hope of success are we now repeating the very same failure a third time? ... What is needed to do that is not dialogue, but pressure."<sup>20</sup>

This belief in the merits of pressure is encouraged by Japanese memories of the process that led to Prime Minister Koizumi Jun'ichirō's landmark visit in September 2002, when the sides signed the Pyongyang Declaration, which presents a comprehensive framework for the normalization of diplomatic relations. Additionally, North Korea agreed to extend a moratorium on missile testing and promised to let in international nuclear inspectors. Crucially, it was also at this time that the North Korean regime finally admitted to the

abduction of 13 Japanese citizens, five of whom were permitted to return to Japan one month later. Japanese observers consider that this breakthrough was achieved by means of the international isolation of Pyongyang, including President George W. Bush's characterization of the regime in January 2002 as being part of the "axis of evil." As Soeya Yoshihide explains,

"Aggressive policies from the United States had pushed North Korea into a corner, and only then did Kim Jong-il make a strategic decision to cultivate a slim route to survival through Japan. Among the Japanese, including Abe himself who accompanied Koizumi as deputy chief cabinet secretary, this memory of North Korean concessions must be still vivid. The lesson was that pressure against an isolated North Korea works to the advantage of Japan."<sup>21</sup>

Even if Abe's new offer to meet Kim Jong-il were to be accepted, it would be difficult for the Japanese leader to make a positive contribution to addressing the nuclear and missile issues. This is because Abe has placed himself at the forefront of the movement to secure the return of remaining Japanese abductees in North Korea. Indeed, Abe has consistently emphasized the abductions issue as being the most important problem in relations with North Korea.<sup>22</sup> This means that Abe would find it hard politically to sustain engagement with Pyongyang unless real progress can be made on the abductions issue. This will not be easy since the North Korean side describes the Japanese government's continued emphasis on this question as "a clumsy and foolish attempt for reactionary elements in Japan to again bring up the 'abduction issue,' which was already resolved."<sup>23</sup>

The Abe administration's real policy is, therefore, to support engagement with North Korea only to the extent that it contributes to the resolution of the abduction issue. To address the nuclear and missile threat, Japan's priority is to encourage the United States to maintain as much pressure as possible. Additionally, Japan is focused on the goal of minimizing the perceived risks of the U.S.-DPRK talks. Above all, Japan is worried about the prospects of Trump cutting a deal with Kim Jong-un that would address the issue of North Korean intercontinental ballistic missiles (ICBMs) but would not tackle the threat of short- and medium-range missiles that can reach Japan.<sup>24</sup> This nervousness was exacerbated on 26 May when President Trump dismissed concerns about North Korea's recent tests of short-range ballistic missiles, stating that "North Korea fired off some small weapons, which disturbed some of my people, and others, but not me."<sup>25</sup> Additionally, there is anxiety that Trump could grant North Korea the peace treaty that it desires, thereby formally bringing an end to the Korean War. This is a concern in Tokyo since, if the war has officially concluded, Trump may be inclined to begin implementing his long-standing goal of withdrawing or reducing the U.S. military presence in South Korea.<sup>26</sup> Japanese strategists see such a step as not only benefitting North Korea, but also potentially causing South Korea to reorient itself towards China. As Michishita Narushige warns, "If the Korean Peninsula gets inside the Chinese sphere of influence and there are no U.S. forces on the peninsula, life for the U.S. and Japan would be very difficult, but especially for Japan."<sup>27</sup>

Given these worries, the Japanese leadership was undoubtedly relieved when Trump walked away from making an agreement at the Hanoi summit in February. Their hope is now that Washington will again realize that dialogue does not work and will return to the policy of maximum pressure. The risk, however, is that Trump's tough stance in Hanoi was

just a negotiating tactic to extract a few additional minor concessions from North Korea. On 11 April, the U.S. president affirmed his willingness to meet with Kim Jong-un for a third time and stated that “There are various smaller deals that maybe could happen.”<sup>28</sup> This will magnify Japanese fears that, despite declaring an uncompromising stance, the U.S. president will ultimately accept minor concessions, then proclaim the underwhelming deal to be a tremendous personal victory. This is the pattern of behavior that Trump is said to have shown when meeting Kim for the first time in Singapore, as well as in his approach to renegotiating trade relations with North American neighbors and China.<sup>29</sup>

## China

Japan’s policy towards China also underwent an apparent change in 2018; yet, as in the case of relations with North Korea, there was actually no fundamental shift. This is not to say that the prime minister’s trip to Beijing in October 2018 was insignificant. After Abe’s decision to visit the controversial Yasukuni Shrine in December 2013, the Chinese leadership had decided that he was not an individual with whom they could legitimately deal. Indeed, the spokesman for the Chinese foreign ministry Qin Gang stated,

“Abe has miscalculated on Sino-Japan ties, and made mistake after mistake, especially visiting the Yasukuni Shrine which houses class-A war criminals. These people are fascists, the Nazis of Asia. ... Of course the Chinese people don't welcome such a Japanese leader, and Chinese leaders will not meet him.”<sup>30</sup>

This moratorium on contacts had already been brought to an end in November 2014 when Xi and Abe held formal talks for the first time and shared a famously awkward handshake. That encounter was, however, on the sidelines of the APEC summit in Beijing. By contrast, Abe’s trip to the Chinese capital in October 2018 was an official bilateral visit, thereby marking the completion of his rehabilitation.

In terms of content, the summit delivered an agreement on cooperation for maritime search and rescue, and it was decided that Japan and China would promote reciprocal visits by their defense ministers. The sides also reaffirmed their adherence to the 2008 agreement regarding development of resources in the East China Sea and reconfirmed their resolution to make the East China Sea a “Sea of Peace, Cooperation and Friendship.” They also concluded a yen/yuan currency swap agreement.<sup>31</sup> This positive trend is expected to continue when Xi meets Abe on the sidelines of the G20 summit in Osaka in June 2019.

However, while the atmosphere in relations between Tokyo and Beijing has undergone a welcome improvement, Japan continues to regard China as a chronic security threat, exceeding even the acute danger posed by North Korea. This is reflected in Japan’s National Defense Program Guidelines, which were released in December 2018. Despite Abe’s talk in Beijing of a “new era” in bilateral relations, these defense guidelines continue to emphasize the perceived threat posed by the build-up in Chinese capabilities, asserting that “Such Chinese military and other developments, coupled with the lack of transparency surrounding its defense policy and military power, represent a serious security concern for the region including Japan and for the international community.” A leading goal of Japan’s security policy is, therefore, to counter Beijing’s “unilateral, coercive attempts to alter the status quo based on its own assertions that are incompatible with existing international

order.” Above all, these efforts are concentrated on challenging China’s expanding activities in the East China Sea, especially around the Senkaku Islands, as well as in the South China Sea, where Japan accuses China of conducting “large-scale, rapid reclamation of maritime features, which are being converted into military foothold.”<sup>32</sup>

The Japanese government, therefore, shares the Trump administration’s assessment that China is a revisionist power that is intent on reshaping the world in a way that is antithetical to the interests of the United States and its allies.<sup>33</sup> However, while Tokyo may be united with Washington in the overall aim of countering China’s geopolitical ambitions, it has a very different approach to achieving this. The United States has taken an increasingly confrontational stance vis-à-vis China. This has been notable in the Trump’s administration’s rhetoric, including Vice President Mike Pence’s speech at the Hudson Institute in October 2018.<sup>34</sup> The U.S. also began a trade war with China and, in September 2018, imposed tariffs of 10% on Chinese goods worth approximately \$200bn. More provocatively still, Washington has taken a more supportive position regarding Taiwan. In September 2018, the U.S. approved arms sales to the island worth \$330m and, in November, two U.S. warships were sent through the Taiwan Strait. In December 2018, the U.S. Congress also passed the Asia Reassurance Initiative Act, which encourages more arms sales and official exchanges between the United States and Taiwan.

These policies are unusually combative, even for the U.S. superpower. They are quite unthinkable for a country like Japan, which places so much emphasis on its status as “a peace-loving nation” and must take into account the fact that China is a close geographic neighbor.<sup>35</sup> Instead, Japan’s strategy is to quietly work towards containing the effects of China’s rise, yet to simultaneously keep bilateral relations on an even keel and to avoid dangerous squalls.

The first strand of this policy is best illustrated by Japan’s “Free and Open Indo-Pacific” (FOIP) vision, the Abe government’s signature foreign policy concept. Japanese officials diligently insist that FOIP is not intended to contain China, but most observers conclude that that is precisely its purpose.<sup>36</sup> In particular, it is believed that FOIP is Japan’s response to the Belt and Road Initiative (BRI), China’s multibillion-dollar program of global infrastructure projects. Japan fears that BRI is an instrument of Chinese geopolitical, as well as economic, influence and could lead to Japan being shut out of key markets. As a consequence, the FOIP concept has been put forward as an alternative framework within which to promote regional infrastructure development and connectivity. Indeed, even the name of the policy, which emphasizes freedom and openness, is intended to imply a contrast with China’s more closed and non-transparent approach.

The same motivations also explain Japan’s enthusiasm for the quadrilateral security dialogue with Australia, India, and the United States, which all share both democratic values and significant concerns about China. Closer security ties are also being pursued with Southeast Asian nations, as well as with the United Kingdom and France. Added to this, Japan has been increasing its own defense capabilities. It was with China in mind that Japan took the decision to develop its own amphibious rapid assault brigade in March 2018. This is also the justification for Japan’s decision, announced in December 2018, to purchase 147 F-35 fighter jets and to create its first aircraft carrier since WWII. As Ono Keitaro of the ruling Liberal Democratic Party (LDP) put it with unusual candor, “Actually this trigger ... to be

straight out [is] China. ... There is no need for us to operate such kind of aircraft carrier if we don't have to respond to China in the Pacific Ocean."<sup>37</sup>

These measures can all be categorized as part of a strategy of containment; yet they have been combined with a countervailing approach that emphasizes the goal of coexistence. It is this second strand of policy that explains the conciliatory rhetoric employed by Abe during his visit to Beijing in October 2018. It is based on the wise calculation that, while China may be an enduring threat that needs to be addressed, Japan has nothing to gain from recurring crises. For this reason, the Abe government has been seeking to take the heat out of the relationship and to return ties to their status before the collision incident of September 2010, when the arrest of a Chinese fishing captain, who had rammed his trawler into Japanese coast guard vessels in the vicinity of the disputed Senkaku Islands, caused China to freeze high-level contacts.

Although Japan's aim of returning bilateral relations to a state of normalcy received particular attention in 2018, in reality this search for coexistence has always been a feature of Abe's China's policy. Above all, it was evident in the four-point consensus that the sides reached in November 2014. This included a commitment to pursue engagement in "the spirit of squarely facing history," as well as a recognition that they have "different views" about the East China Sea and Senkaku Islands. On this basis, they agreed that they would "gradually resume dialogue in political, diplomatic and security fields and make an effort to build a political relationship of mutual trust."<sup>38</sup>

The warming of Japan-China relations since the end of 2017 cannot, therefore, be attributed to a shift in Japanese strategy, which has consistently pursued these twin elements of containment and coexistence. Instead, the improvement appears to have been driven by changes on the Chinese side. In particular, after solidifying his grip on power at the National Congress of the Communist Party in September 2017, Xi may have felt emboldened to pursue rapprochement with Japan. Furthermore, this may have been encouraged by the downturn in relations with the United States and by concerns about the strength of the Chinese economy.<sup>39</sup> It may also have been that, as the Chinese leadership recognized that Abe was sauntering towards an unprecedented third term as LDP leader in September 2018, they concluded that it was necessary to engage more intensively with him.

Overall then, one should not be distracted by the recent improvement in the atmosphere between Japan and China. Although Tokyo certainly does not want bad relations with Beijing, nor does it have any illusions about how close ties are likely to become, China continues to be perceived as a major threat to Japan's security and prosperity. For this reason, as well as strengthening its own efforts to contain China, Japan is counting on the United States to maintain its current presence in the region.

## Keeping the Americans In

Japanese leaders have often feared abandonment by the United States. This is the consequence of being located in a dangerous neighborhood and of relying on an extra-regional power for security. However, these concerns have become especially intense since Trump's election to the White House and his frequent questioning of the value

of alliances. As noted above, Japan is particularly worried that Trump could agree to withdraw, or at least draw down, troop numbers in South Korea as part of the negotiations with North Korea.

The worst-case scenario for Japan is that Trump declares the talks with Chairman Kim to have successfully eliminated the need for U.S. troops to be maintained in Korea. These fears receded slightly after the failure of the Hanoi summit and following an agreement between the U.S. and South Korea in February 2019 for Seoul to increase its financial contribution towards the upkeep of U.S. troops on the peninsula. However, as noted, Hanoi did not mark the end of the diplomatic process between Washington and Pyongyang. Moreover, the agreed increase in South Korea's contribution fell short of initial U.S. demands, and the deal will only last 12 months, meaning that fraught negotiations will soon begin again.<sup>40</sup> Trump has also looked to keep his options open, telling an interviewer in February 2019 that, while he had no plans to remove the troops, "Maybe someday. I mean who knows. But you know it's very expensive to keep troops there."<sup>41</sup> Additionally, Tokyo did not welcome the March 2019 decision by the United States and South Korea to scrap the large-scale Key Resolve and Foal Eagle joint military exercises.

Reliance on the United States can be slightly offset by the increase in Japan's domestic military capabilities and through the development of closer security ties with other democratic partners. However, these steps are supplements to the relationship with the United States, not replacements for it. As the National Defense Program Guidelines put it, the Japan-U.S. alliance remains the "cornerstone" of Japan's security. Without it, Japan's national defense architecture would fall apart. This being so, the Japanese leadership needs to ensure that the United States remains fully committed to Japan and to the region as a whole.

Guided by this priority, the Abe administration is pursuing what might be described as a preventative anti-abandonment strategy. This consists of two parts. The first is to take action that demonstrates that Japan is a valuable ally and not a free rider, thereby ensuring that Washington does not even begin to question its security commitment. This strategy is described by Taniguchi Tomohiko, a special adviser to the prime minister. He states that:

"From the firsthand knowledge I have obtained by working with Prime Minister Abe for over six years, I have learned that the questions he asks about U.S.-Japan relations are not 'what ifs' (such as what if the United States withdraws from the Korean Peninsula, or what if the United States under Trump sees less value in getting engaged in East Asian affairs militarily). Rather, the questions he poses to himself and his cabinet pertain more often than not to what Japan should do to keep those 'what if' situations from occurring at all."<sup>42</sup>

It is this strategy that has encouraged many of the changes to Japan's security policy in recent years. Firstly, Taniguchi says that increases in defense spending have been used to demonstrate that "Japan is doing as much as it can to help reduce the cost of U.S. engagement in the Indo-Pacific region."<sup>43</sup> Additionally, the Abe administration has sought to show increased national defense capabilities by establishing the National Security Council in 2013. In line with U.S. requests, the government also introduced a tougher secrecy law in 2013. Most importantly of all was the enactment of the legislation on collective self-defence in 2016, which, in certain circumstances, enables the SDF to give protection to the

military assets of the United States and other partner nations. This is designed to show that, while the U.S.-Japan security alliance is still not fully reciprocal, it is no longer as one-sided as it once was. Lastly, Japan has sought to keep Washington satisfied by making large purchases of U.S. defense equipment, including the F-35 strike fighters and Aegis Ashore missile defense system. In Taniguchi's words, the increase in such expensive purchases "kills two birds with one stone: enhancing Japanese airborne and anti-missile capabilities while reducing bilateral trade tensions. It is hoped that these combined measures will keep the United States close and further incentivize it to stay involved in the region."<sup>44</sup>

The second part of the strategy is to maintain strong personal rapport with the U.S. president. This is, of course, something that Japanese leaders seek to do with all U.S. counterparts. The task has, however, become especially important with Trump due to his isolationist instincts and highly personalised approach to foreign policy. From the outset, therefore, Abe has sought to establish himself as Trump's closest partner within the G7. His tactic has been to conduct frequent meetings and phone conversations, as well as to make the most of their shared passion for golf. Abe has also not been shy about indulging in outright sycophancy.

These efforts began immediately after Trump's election victory in November 2016, when Abe rushed to New York to become the first foreign leader to meet the president-elect. On that occasion, he gifted Trump a golden golf club worth almost \$4000, a present intended to appeal to Trump's passion for both the sport and the precious metal. Abe and Trump have since engaged in several rounds of golf diplomacy, including when Trump visited Japan at the end of May 2019. During this same trip, Trump was also given the honor of being the first foreign leader to meet the new emperor after the enthronement of Crown Prince Naruhito on May 1.

These efforts have generally been accepted within Japan as sensible foreign policy. There was, however, criticism of the prime minister when Trump announced that Abe had nominated him for the Nobel Peace Prize for his diplomatic engagement with North Korea. It was subsequently reported that Abe had submitted the nomination at the request of the U.S. government.<sup>45</sup> This revelation was embarrassing for the Japanese leader, not least because it is known that Abe is not an enthusiastic advocate of diplomatic engagement with Pyongyang. Defense Minister Onodera Itsunori also stated that the threat from North Korea remained undiminished after the summit in Singapore.<sup>46</sup> Moreover, there has been no apparent progress towards resolving the abductions issue. Nonetheless, Abe evidently calculated that humbling himself before the U.S. leader was a price worth paying if it contributes to retaining the U.S. presence in the region.

## Keeping the Russians Neutral

In contrast to its NATO partners, Japan does not consider Russia to represent a significant threat on its own. The Defense of Japan white paper does mention Russia's military activities as something that needs to be watched. The document also notes that of 904 scrambles that the Air Self-Defense Forces conducted in fiscal 2017, 390 were to intercept Russian aircraft, second only to the 500 scrambles provoked by Chinese planes.<sup>47</sup> However, compared with the threats posed to Japanese security by China and North Korea, Russia is considered a very distant third.

Japan's primary concern is, therefore, not that Moscow's forces will pose a direct military threat, as was the case during the Cold War. Instead, the main worry is that Russia's support will embolden North Korea and China. Regarding the former, Japan's goal has been to encourage Russia to remain committed to the full implementation of UNSC sanctions. Abe has also requested Putin's cooperation in resolving the abductions issue.<sup>48</sup> However, while Russia remains involved in events on the Korean Peninsula, Japan realizes that it is a lesser player compared with China and the United States. The focus of Japan's policy towards Russia from a geopolitical point of view is the relationship between Moscow and Beijing.

The close relationship between China and Russia is already a source of strength for Beijing in at least four areas. First, Russia is a reliable supplier of energy and other strategic resources via overland routes that are secure from interdiction by the U.S. navy. Second, friendly relations with Russia provide China with security along the countries' 4000km land border, enabling Beijing to focus on other priorities, including the South China Sea. Third, Russia and China see eye-to-eye on many geopolitical issues, and Beijing is grateful for Moscow's diplomatic support in the UNSC. Indeed, since Russia is often willing to vocally oppose Western initiatives within the Security Council and to wield its veto, this enables China to keep a lower profile on controversial issues. Fourth, Russia remains an important supplier of military technology to China in certain key areas, including aircraft engines.

Ties between Moscow and Beijing have been growing steadily since the end of the 1980s; yet relations reached a new level after the Ukraine crisis in March 2014 when tensions with the West forced Russia to place more emphasis on its relations with China. Of particular concern to Japan is that bilateral military relations have become closer, with Russia agreeing in 2015 to supply the S-400 anti-aircraft system and Su-35 fighters. Previously, Russia had held back from providing China with these most advanced weapons systems in order to maintain a military edge over its neighbor and to protect against the risk of technology theft.

Following the unprecedented Vostok 2018 exercises, Tokyo fears that security ties between China and Russia will become yet closer. This concern will only have intensified following the release of the U.S. Worldwide Threat Assessment in January 2019, which opened with the warning that "China and Russia are more aligned than at any point since the mid-1950s, and the relationship is likely to strengthen in the coming year as some of their interests and threat perceptions converge."<sup>49</sup> The strategic nightmare for Japan is that this trend could lead to Russia abandoning its position of neutrality on the issues of the Senkaku Islands and the South China Sea and could move to explicitly support Beijing's position.<sup>50</sup>

Guided by this threat perception, Japan's Russia policy has been shaped by the goal of neutralizing the danger of Beijing and Moscow forging a united front against Japan.<sup>51</sup> This, along with Abe's desire to resolve the countries' territorial dispute over what Russia calls the Southern Kuril Islands, explains the Japanese government's dedicated pursuit of warmer relations with Russia during recent years. The Abe administration also apparently judges that Moscow will be receptive to such a policy since they assume that it secretly shares their concerns about China. This view was expressed by Kawai Katsuyuki, Abe's special adviser for foreign affairs, when he told an audience in January 2019 that "Both Japan and Russia view China as a potential threat ... I would like the United States to understand the importance of concluding a Japan-Russia peace treaty as a means to jointly counter the threat from China."<sup>52</sup>

Undoubtedly, the Japanese leadership recognizes that, as a treaty ally of the United States, there are limits to how close its relationship with Russia can become. Nonetheless, the Abe administration clearly wants to develop a basic level of security cooperation, not least to demonstrate that Russia has options beyond its relationship with China. This helps explain why, despite the conspicuous lack of progress towards resolving the territorial issue, Abe continues to visit Russia so frequently, prompting criticism from opposition parties that he is engaging in “a foreign policy of paying tribute.”<sup>53</sup> It is also a factor in Abe’s flattery of Putin, with the prime minister describing his Russian counterpart as someone who “is dear to me as a partner.”<sup>54</sup> Additionally, further incentives have been offered to Moscow through the Japanese government’s 8-point plan for economic cooperation and by recent suggestions that it is willing to provide substantial financial support for Japanese companies if they invest in Russia’s Arctic LNG 2 project.<sup>55</sup> In the same spirit, the Japanese authorities have made it known that they are considering cancelling short-term visa requirements for Russian visitors.<sup>56</sup>

Within the security realm itself, the goal of expanding cooperation with Russia is made explicit in the 2013 National Security Strategy, which states that, “under the increasingly severe security environment in East Asia, it is critical for Japan to advance cooperation with Russia in all areas, including security.”<sup>57</sup> In accordance with this ambition, Japan began 2+2 meetings between the countries’ foreign and defense ministers in November 2013, with the latest of these held at the end of May 2019. Regular meetings have also been held between the secretary of the Russian Security Council Nikolai Patrushev and his Japanese counterpart Yachi Shotaro, despite the fact that Patrushev is now subject to U.S. sanctions. There have also been increased exchanges between senior military officers. Most prominently, Oleg Salyukov, commander-in-chief of the Russian Army, and Valerii Gerasimov, chief of the general staff, visited Japan in November and December 2017. In return, Japan SDF chief of staff Kawano Katsutoshi travelled to Russia in October 2018. Head of the Russian navy Vladimir Korolev is anticipated to visit Japan in 2019. Joint drills have also continued between the Russian Pacific Fleet and the JMSDF, with search-and-rescue exercises held for the 18th time in July 2018. Moreover, maritime cooperation moved into a new area in November 2018 when the JMSDF and Russia’s Northern Fleet conducted their first anti-piracy drill in the Gulf of Aden.

Tokyo evidently hopes that these contacts will promote a degree of trust and encourage Moscow not to make common cause with Beijing against Japan. This will remain a priority when Abe welcomes Putin to Japan for the G20 summit in June. If the talks on a peace treaty ever reach fruition, there is also the possibility that this document could contribute to this effort since the sides have reportedly discussed including a clause that would commit them not to take part in hostile military activities against each other.<sup>58</sup> While easing Japanese concerns about Russia contributing to hostile actions by China, this clause could also appeal to Moscow in guaranteeing that the U.S.-Japan alliance will not be directed against Russia.

## Conclusion

Kim Jong-un’s turn to diplomacy in 2018 has done nothing to ease Japan’s long-term security concerns, nor has Beijing’s simultaneous adoption of a softer stance towards Tokyo. Rather, Japanese strategists remain deeply concerned about the threats posed by North Korea and China, as well as by the danger that Russia could increasingly make common cause with

them. Added to this, the Abe government questions whether the Moon administration really is a security partner and fears the withdrawal of the U.S. commitment to the region. This leaves Japan in the perilous situation of attempting to keep the North Koreans and Chinese down, the Americans in, and the Russians neutral. This is, of course, a crude simplification, but it captures the essence of Japan's contemporary security thinking.

From a strategic point of view, Japan's approach seems logical. It also shows subtleties, especially in the combination of containment and coexistence in Japan's approach to China and in what I have called the preventative anti-abandonment policy towards the United States. However, as with any strategy, Japan's current approach faces challenges. The biggest concern relates to policy towards North Korea, where it seems that the Japanese leadership is content for the current diplomatic efforts to fail, thereby overlooking the risk that such a failure will return the region to the brink of a conflict from which Japan can hardly expect to escape unscathed. Additionally, the Abe administration must surely recognise that pressure in itself is not a policy but must serve as a prelude to negotiations.

Separately, there is the worry that Japan's carefully calibrated policy towards China will be disrupted by the Trump administration's hard-charging and erratic tactics. This already occurred with the U.S. withdrawal from the Trans-Pacific Partnership, a regional trade agreement seen by the Abe administration as making a valuable contribution towards containing China in a non-confrontational manner. Additionally, there is the danger that Trump's trade war with Beijing will seriously damage the global economy and have substantial knock-on effects for Japan itself. Worse still, if the Trump administration's actions contribute to a full-blown crisis with China, such as over Taiwan, Japan can hardly expect to stay aloof.

Finally, the Abe administration may find it increasingly difficult to continue its courtship of Putin's Russia. Domestically, there is growing criticism of Abe's failure to achieve real progress on resolving the territorial dispute. Meanwhile, while Trump himself is unlikely to criticize Abe for being too close to Putin, others in the U.S. security establishment may increasingly ask why their main ally in Asia continues to so ardently pursue cooperation with the U.S. strategic competitor. Added to this, the Japanese leadership may have overestimated the extent to which Moscow shares its concerns about China since there is currently no evidence that Abe's efforts have had any success whatsoever in altering Russia's policy towards China. Overall, the Japanese government has a clear view of the threats that it is facing and a settled understanding of the strategy it must pursue in order to address them. However, implementing this strategy and managing the tensions that are inherent within it will prove a significant test for Japan's political leadership.

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Chinese, Russian, Japanese,  
and Korean Strategies for  
Northeast Asian Cross-Border  
Energy Connectivity

**Gaye Christoffersen**

In 2018, research was underway in Northeast Asia on several trilateral and multilateral initiatives for cross-border infrastructure connectivity involving China, Russia, both Koreas, and Japan. Infrastructure included railway lines, cross-border oil and gas pipelines, and power grids. Although most discussions of infrastructure group energy and railroad infrastructure together, energy infrastructure differs from rail transport due to a greater potential for asymmetrical dependence. Reviewing these projects, this chapter analyzes and compares the strategies of the five parties in the region that are exploring new connectivity.

Northeast Asian institutionalization is understood to require a concrete functional area, which energy has appeared to be. However, there has long been a failure to form a regional political consensus on an energy regime. According to analysis from the Korea Energy Economics Institute (KEEI), a process is needed for regime formation: a political consensus followed by creation of an institutional framework, and numerous joint feasibility studies, which would lead to concrete regional projects. Alternatively, Northeast Asian countries could start with a regional cooperative energy project on a commercial basis, and then form a multilateral cooperative framework around it which would, over time, become institutionalized.<sup>1</sup> A core question is whether such a framework will be China-centered and largely bilateral in nature or, perhaps at South Korea's initiative, truly multilateral in nature.

China as the world's largest importer of energy resources might have been at risk for oil import dependency if it had not countered that risk with the strategy of the Belt and Road (BRI). Since 2013, Beijing has promoted a BRI that contains six energy channels, all of which are bilateral channels for importing oil, natural gas, and other raw materials into China.<sup>2</sup> It is a network of energy infrastructure centered on China. Beijing has used the BRI to create bilateral asymmetric dependencies for exporting countries through its investment, exports and debt, while avoiding Chinese dependency on exporting countries. Chinese efforts at constructing energy channels, that might lead to Beijing's expanded role in global energy governance, have focused on organizations that had no members from the West—the BRICS, the Shanghai Cooperation Organization (SCO) with eight members, and ASEAN. Several SCO countries—Turkmenistan, Uzbekistan, and Kazakhstan—export oil and gas to China. Most ASEAN countries have become dependent on China for markets and investment.

In 2012, a Chinese energy analyst told the author that Beijing did not want any Chinese analysts discussing Northeast Asian multilateral energy cooperation although at the time it was not clear why. Chinese emphasis on bilateral energy cooperation would become clearer a year later when the BRI was announced in September 2013, and then elaborated further in the BRI Action Plan: regional energy channels should all radiate out from China to energy exporting countries along economic corridors. If China participated in a Northeast Asian energy regime, China planned to be at the center of it. Since then, its bilateral energy links to Russia have widened, even as others have kept discussing additional, multilateral linkages.

South Korea's "New Northern Policy" (NNP) and the "Asian Super Grid," involving Japan, Russia, Mongolia, South Korea, and China, have in common the fact that they do not conform to the BRI's strategy of bilateral energy channels and are not centered on China. These initiatives promote energy infrastructure connectivity that could form the core of a Northeast Asian multilateral energy regime. The Asian Super Grid is evaluated by Japan and South Korea on a commercial basis. The NNP seeks to forge a political consensus while simultaneously proposing projects. Seoul has spurred interest in such new channels.

Before 2018, Chinese analysts claimed Beijing was not considering expanding BRI into Northeast Asia—Japan, South Korea, and North Korea—because of tensions on the Korean Peninsula, and because Chinese companies building infrastructure lacked comparative advantage in relation to South Korean and Japanese companies.<sup>3</sup> There were, however, numerous Chinese writings on linking BRI with South Korea’s Eurasia Initiative and NNP.

In 2018 Beijing changed its policies and studied incorporating Northeast Asia into BRI, primarily South Korea’s NNP, which partners with Russia, but also the Asian Super Grid, a project centered on Mongolia, initiated by Japanese and South Koreans with Russia a partner. Both these projects interrupt the BRI’s bilateral energy channels and undermine older Chinese regional projects meant to create natural economic territories centered on China such as the Greater Tumen Initiative and the economic integration of China’s Northeast and the Russian Far East. The BRI was expected to revive these two Chinese initiatives which had faced resistance from neighboring countries in the past.

This chapter assesses the plans Beijing had for incorporating Northeast Asian regional energy initiatives into the BRI in 2018, and their prospects for success. What strategies do South Korea, Russia, and Japan have to link the three regional energy projects—BRI, Asian Super Grid, and the NNP—without BRI coopting and absorbing the other two projects? How links will develop is important for not only the geoeconomics but also geopolitics in this region.

## Trilateral Russia-South Korea- North Korea Pipeline

Russia is geographically close to the Korean Peninsula, which has historically been a source of threat for Russian Far East security. In April 2017, Moscow was reported to have moved troops to the North Korean border, and civilians away from the border, in response to fears of a U.S.-DPRK military clash over Pyongyang’s nuclear program. Beijing also moved troops to its border with North Korea. Northeast Asian energy cooperation that includes the DPRK is considered one means to create a more stable and peaceful Korean Peninsula.

Beijing and Moscow initiated oil pipeline discussions in 1993. A decade later Tokyo, led by Prime Minister Koizumi, tried to redirect the pipeline towards Vladivostok which would then export to Japan. The Sino-Japanese struggle over the Russian East Siberian-Pacific Ocean oil pipeline (ESPO) lasted from 2003 to 2005. At present ESPO transports oil to both China and to Kozmino, near Vladivostok, which exports to Japan, South Korea, the U.S. and China. A Sino-Russian gas pipeline, the Power of Siberia, will be completed in 2019.

Chinese analysts have suggested that Sino-Russian pipelines could form the core of a Northeast Asian energy regime, but there is no regional response to these suggestions. The Sino-Russian oil and gas pipelines never appeared to have the capacity to form the basis for a Northeast Asian multilateral regional energy regime.<sup>4</sup> The bilateral Sino-Russian energy relationship is deepening mutual interdependence,<sup>5</sup> but it is often plagued by price disputes. Chinese analysts have also suggested that a proposed BRI China-Russia-Mongolia economic corridor could form the core of a regional energy regime. BRI is now the focus of planning.

The idea for a Russian-Korean gas pipeline was proposed in 1991 as the Vostok Plan, a gas pipeline from Vladivostok to South Korea transiting North Korea.<sup>6</sup> In 2003, the U.S. had considered a Russia-Korean gas pipeline as an incentive to end North Korea's nuclear program, using gas from ExxonMobil in Sakhalin I,<sup>7</sup> but this initiative was not pursued. A Korean analyst suggested that South Korea had been too dependent on China, Japan, and Russia to initiate construction of regional infrastructure, and would need to take a leadership role itself.<sup>8</sup> South Korea has, thus, systematically pursued an institutional framework for Northeast Asia energy cooperation, beginning with a symposium as early as 2001.

At first, Seoul called upon an international organization, the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), to support institutionalization. At one point, UNESCAP functioned as the secretariat, hosting in November 2005 an Ulaanbaatar meeting of the Korean initiative adopted the Intergovernmental Collaborative Mechanism on Energy Cooperation in North-East Asia, with a project for Energy Cooperation in North-East Asia (ECNEA). The work plan would be coordinated by KEEI with partner research institutes in each country. China's response was to propose very limited functions for the organization, and it suggested countries should simply strengthen bilateral energy cooperation. Russia and Mongolia joined, but China and Japan did not.

Russia's membership in the Intergovernmental Collaborative Mechanism on Energy Cooperation in Northeast Asia was attractive to Moscow due to the fact that the South Korean initiative had created a producer-consumer dialogue, Russia's main goal, as shown in analysis from the Energy Research Institute of the Russian Academy of Sciences. The project would give Russia a pathway into the Asia Pacific that was not dependent on China or Japan. This would open up a new market for Russian energy exports and, thus, spur economic development of the Russian Far East. Russians hoped for technological expertise, investment from major oil corporations in production and transportation, giving Russian companies greater access to Northeast Asian markets. Moscow sought the "integration of Northeast Asian countries into a unified Eurasian energy system," integrating Northeast Asia with Central Asia, which would give Russia a larger leadership role.<sup>9</sup>

The November 2009 "Energy Strategy of Russia for the period up to 2030" had authorized exploration and development of East Siberian and Russian Far East hydrocarbon resources. The strategy mentions exports to Northeast Asian countries, but energy cooperation is mentioned only within a unified Eurasian energy area that included the Commonwealth of Independent States (CIS) and the SCO, primarily a Eurasian energy area with Russia at the center, rather than a Northeast Asian energy regime. Agreement was reached on the Russian-Korean project in September 2008, during a bilateral summit in Moscow, in a memorandum of understanding signed between the state-run Korea Gas Corporation (Kogas) and Russia's Gazprom. But the project was stalled due to North-South Korean tensions. The third round of the Russian-Korean Strategic Dialogue on November 23, 2011 in Seoul, discussed tripartite projects: the gas pipeline from Russia through North Korea to South Korea, a power transmission line on the same route, and a railway network between Russia and the two Koreas. Gazprom and Kogas introduced a joint roadmap for cooperation in September 2011.

North Korean leader Kim Jong-il had given his support, and after his death in December 2011, the new leader, Kim Jong-un, continued to support the project. North Korea was a regime-taker in this initiative as it was in all Northeast Asian energy initiatives. However, frequently it demonstrated its ability to cause a delay or obstruct initiatives, primarily by provoking Western sanctions with its nuclear program and missile testing.<sup>10</sup>

In March 2012, South Korean president Lee Myung-bak claimed that the Russian-Korean pipeline would be his legacy. He had originally conceived of the pipeline two decades before when he was CEO of Hyundai Construction and it was called the Vostok Plan.<sup>11</sup> China had discouraged the Russian-Korean pipeline, however, promoting an alternative route. On February 16, 2012, China National Petroleum Corporation (CNPC) proposed to Korea National Oil Corporation to build an undersea gas pipeline from Weihai, Shandong Province to South Korea, bypassing North Korea. The South Korean government and Kogas considered the viability of the proposal. The natural gas supply Beijing was offering would come from Russia. Beijing hoped the extension to South Korea would give it greater bargaining power with Moscow over natural gas prices.<sup>12</sup> This proposal appeared to be a revival of the late 1990s' Kovykta gas pipeline project from Russia that would transit China into South Korea. Beijing's pipeline proposal appeared to undermine Moscow's Trans-Korean pipeline and would be compatible with the BRI, which had not yet been announced. The Chinese route would prevent Russian influence from expanding in North and South Korea, displacing Chinese influence. By the end of 2012, South Koreans were divided over the alternative routes, and LNG imports from North American shale gas had become still another, more stable option for South Korea.

UNESCAP organized a Track 1½ "North-East Asia Sub-regional Consultation Meeting," in November 2012 in Incheon, South Korea as preparation for its first Asian and Pacific Energy Forum (APEF), an official energy ministers meeting hosted by Vladivostok in May 2013. Not surprisingly, at the November 2012 UNESCAP meeting, Chinese participants spoke on China's bilateral energy relations although at that time the BRI had not yet been introduced. Korean participants spoke on the need to manage Northeast Asia's organizational deficit, arguing that the region needed a "more effective institutional design" by either building on an existing institutional framework or creating a new one.<sup>13</sup> The meeting report, submitted to the 2013 APEF, noted that the benefits of cooperation were not clearly visualized by the region despite the large number of initiatives for Northeast Asian energy cooperation. A resolution included regional cooperation in connectivity of physical infrastructure for cross-border energy trade in oil and gas pipelines and power grids.<sup>14</sup> The 2018 2nd APEF meeting supported the same goals.

In October 2013, South Korean president Park Geun-hye announced Korea's Eurasia Initiative, which included development of international energy networks and was primarily focused on the Russian Far East and Central Asia. China was included in the concept of Eurasia, but it was not at the center. The Eurasian Initiative proposed trilateral cooperation among North Korea-South Korea-Russia and trilateral cooperation among North Korea-South Korea-China, placing Seoul at the center.

In 2016, Russia indicated interest in what it called the Russia-Japan energy bridge, meaning the Asia Super Grid. The Russian expectation was to make Siberia and the Russian Far East the hub of a regional energy network.<sup>15</sup> The Russian vision lacked details. In 2018, Moscow appeared to be more of a regime-taker with participation in the Asian Super Grid.

The NNP continued the Eurasia Initiative. After his election, Moon created the Presidential Committee on Northern Economic Cooperation (PCNEC) and in August 2017 appointed Song Young-gil to lead it. In September 2017, Moon proposed the NNP at the third Eastern Economic Forum held in Vladivostok. It included the economic and energy integration of the Russian Far East, North Korea, and South Korea. Moon's "nine bridges of the NNP" included a natural gas pipeline. Moon proposed starting construction of a Northeast Asian super grid for the purpose of creating a Northeast Asian energy community.

Putin has used the Eastern Economic Forum each year to introduce his New Eastern Policy for Russian Far East economic development. Seoul and Moscow agreed to conduct a joint study to check the feasibility of cross-border energy, railway, and natural gas projects. The NNP expands South Korean-Russian bilateral cooperation into a region-wide formation.

In December 2017, Moon visited Beijing to repair relations made tense the previous year by Seoul's deployment of Terminal High Altitude Area Defense (THAAD), a U.S. missile defense system. Beijing had responded with an undeclared economic boycott, which Xi had apparently partially lifted prior to Moon's visit. The meeting was not totally a success. Xi pressed Moon on the THAAD issue. Two South Korean reporters were beaten thuggishly by Chinese security agents. North Korean denuclearization was discussed, but without resolution. Korean media thought Moon was not treated respectfully by Xi. During the visit, Moon proposed cooperation between his NNP and New Southern Policy and BRI, but with so many pressing issues, this was given scant attention.

A Russian economist, Pavel Minakir, was not very optimistic on Russian-Korean trilateral cooperation. He identified many impediments: international sanctions on Russia and North Korea would block financial assistance from international organizations and companies; Russia and South Korea have different goals in trilateral cooperation; Russian companies want access to the South Korean market; and South Korea's goal is economic integration with North Korea. Minakir felt Russia and the Koreans would have to coordinate their actions with China,<sup>16</sup> in effect, giving China veto power over Russian-Korean trilateral projects.

In fact, Western sanctions on Russian-Japanese and Russian-South Korean energy cooperation are not a primary factor. Japan and South Korea have not imposed energy sanctions on Russia. Their companies have ways to utilize the sanctions' loopholes.<sup>17</sup> Yet, Russian energy analysts are generally not inclined to offer designs for Northeast Asian regional institutions. Russian energy experts have traditionally tended to be engineers and, more recently, energy economists. There has not been a large number of Russian publications on energy cooperation that reflect an understanding of energy regime building or institutional design. Russia has been considered a regime-taker in Northeast Asian energy dialogues. However, Russian suggestions have been incorporated into Korean initiatives,

such as the Eurasian Initiative, which adopted the Russian idea of linking the Russian Far East, Central Asia, and Northeast Asia. The Asian Super Grid initiative proposes linking Mongolia, Siberia, the Russian Far East, China, Japan, and North and South Korea. Russia's interest in a producer-consumer dialogue is realized in regional projects, and it has chosen to work through UNESCAP, participating in its APEF meetings and other consultations on regional energy cooperation. Putin has also used the Eastern Economic Forum meetings to discuss regional energy infrastructure projects.

## Asian Super Grid

Japan has cooperated with Russia in oil and gas since the 1970s. More recently, in May 2016, the Abe government introduced an eight-point economic cooperation plan with Russia that included energy and infrastructure. The Japan Bank for International Cooperation (JBIC) signed a memorandum of understanding (MOU) with Novatek, Russia's Yamal LNG operator. Many Japanese corporations have investments in Russia's oil and gas sector. During the 2018 Eastern Economic Forum, additional MOUs were signed with Novatek and Gazprom. However, in the Asian Super Grid, a Japanese company (not the government) has joined with Mongolia and South Korea in a Northeast Asian electricity grid based on renewable energy, the Gobitech Initiative. The concept of the Asian Super Grid was announced in 2012 by Softbank CEO Son Masayoshi, a project of his Japan Renewable Energy Foundation (renamed as Renewable Energy Institute), in the post-Fukushima shift in Japan toward renewable energy.

The Gobitech Initiative was introduced in 2009, published in the *Korea Herald*, by Bernhard Seliger and Gi-Eun Kim. Mongolia's Gobi Desert would be the site of a giant wind farm that would feed a regional grid linking Mongolia with high voltage direct current (HVDC) transmission lines to Japan, South Korea, China, and Russia. SB Renewables formed a joint venture with Mongolia's Newcom. It would be a smart grid using IT to manage fluctuating power supply with fluctuating demand, promoting free trade in clean electric power.

In 2012 the Mongolian Energy Commission partnered with the Hanns Seidel Foundation, Korea to hold a Gobitech conference. Japan's Renewable Energy Institute became a partner. In 2014, Mongolia hosted a Gobitech forum and issued a report on forming a regional grid, the "International Symposium: Roadmap to Asia Super Grid." The partners in Gobitech are Energy Charter Secretariat (ECS), Energy Economics Institute of the Republic of Korea (KEEI), Energy Systems Institute of the Russian Federation (ESI), Ministry of Energy of Mongolia (MOE), and Japan Renewable Energy Foundation (JREF). Mongolia has numerous Soviet-era power plants, coal-fired and inefficient. Gobitech promotes clean energy production, solar and wind, in the Gobi Desert for transmission on a regional grid. Russia's Irkutsk would supply hydropower from the North. Gobitech's vision is Mongolia and Russia exporting clean energy power to Shanghai, Seoul, and Tokyo.<sup>18</sup>

KEEI was a partner in the 2014 report. Korea Electric Power Corporation (KEPCO), which dominates South Korea's electricity industry, supported regional cooperation. KEPCO had presented its vision of a regional super grid in 2014. In 2016, the Asia International Grid Connection Study Group formed and KEPCO joined.

Gobitech promotes a legal framework, Energy Charter Treaty (ECT), in order to protect intellectual property rights, attract investment, and maintain a reliable transit regime. Because of cross-border energy infrastructure, cooperation was needed from international organizations and financial institutions—APEC, ESCAP, International Renewable Energy Agency (IRENA), the EC, and ADB. Gobitech recommends forming a Northeast Asian communications platform for consultations, leading to a multilateral energy regime, and has suggested utilizing South Korea's Intergovernmental Collaborative Mechanism on Cooperation in Northeast Asia (ECNEA).<sup>19</sup> Mongolia has been a member of ECNEA since it was formed in 2005.

In August 2017, the Renewable Energy Institute issued the Asia International Grid Connection Study Group Interim Report, reporting on the economic feasibility of a regional grid. The report seemed to be asking the Japanese government for a firm commitment of its support for the regional grid.<sup>20</sup> In June 2018, REI issued a second interim report, considering alternative routes between Japan and Russia, Japan and South Korea, and their costs, business models, and legal frameworks.<sup>21</sup>

In November 2017, Cho Hwan-ik, president of KEPCO, stated that the company, after doing a feasibility study, thought that a Northeast Asian super grid was feasible, working with Japan, Russia, and China.<sup>22</sup> KEPCO had promoted creating a grid that included Japan. In 2016 KEPCO and Softbank had issued their plans for an Asian super grid linking South Korea, China, Japan, and Mongolia but did not mention Russia.<sup>23</sup>

After participating in Gobitech for several years, in March 2016 China formed an international non-profit organization Global Energy Interconnection Development and Cooperation Organization (GEIDCO), headquartered in Beijing. GEIDCO claimed to be dedicated to promoting clean and green sustainable energy development worldwide. GEIDCO's chairman was Liu Zhenya, chair of the State Grid Corporation of China. Its vice chairman was Son Masayoshi from Japan's Renewable Energy Institute, and also, former U.S. Secretary of Energy Steven Chu was a vice chairman. GEIDCO adopted the Asian Super Grid idea as its own, promoting "Global Energy Interconnection" (GEI) as the global version of the Asia Super Grid. Although GEIDCO appeared to be a Chinese organization for participation in the Asian Super Grid, it was a project for the BRI. On June 28, 2018, GEIDCO held the "Forum on Energy Interconnection & Belt and Road Development in Arab States" in Beijing. Liu wanted to expand BRI into a global network with the GEI initiative. China claimed to be launching a global clean energy electricity grid although most electricity produced domestically is from coal-fired plants.

With regard to the Asian Super Grid, Chinese researchers have argued that the energy channels and infrastructure proposed by the BRI can resolve the problem of Northeast Asian regional energy cooperation. Northeast Asian countries need oil and gas pipeline networks and power grids. BRI could supply investment through the Silk Road Fund and the Asian Infrastructure Investment Bank. BRI can be implemented bilaterally and does not initially require a multilateral framework but, rather, could evolve into one as Japan and South Korea join the Sino-Russian economic corridor of oil and gas pipelines and the China-Mongolia-Russia economic corridor. Chinese implied that in the absence of political trust and with Northeast Asia having an organizational deficit, BRI could solve this situation.<sup>24</sup>

Some analysts have argued that currently there is greater political will and vision that will enable a Northeast Asian energy regime. They state that it is possible to combine China's BRI, Mongolia's Gobitech Project, South Korea's NNP, and Russia's New Eastern Policy. All these initiatives propose cross-border energy infrastructure. However, they recognize that there is still an organizational deficit. There is no Northeast Asia multilateral mechanism for combining all these initiatives.

Chinese have written of a regional energy organization as an alternative to regional energy markets. Chinese argue that Northeast Asia has failed to form regional mechanisms that could restrict commercial competition and failed to form non-market relations fixed to energy infrastructure and institutionalized into a system where there would be no bargaining. They present Northeast Asia as being in an unnatural, "uncooperative" condition lacking political trust necessary for a more natural state of an institutionalized political framework for multilateral energy relations. Trust would allow for the formation of an Energy Community between China and its neighbors. This Energy Community could be used to promote the BRI.<sup>25</sup>

Many of the cross-border energy projects recently proposed by Japan and South Korea are bottom-up approaches to create a regional project on a commercial basis, involving detailed economic feasibility studies, which would eventually promote increased Northeast Asian institutionalization. The Chinese approach contrasts with the Japanese and South Korean approach in that Chinese perceive regional infrastructure projects as a means to avoid market competition, and there is less emphasis on commercial viability. There is no evidence of Chinese economic feasibility studies prior to project implementation.

On October 31-November 1, 2018, in Ulaan Baator, UNESCAP, China Electricity Council (CEC), Ministry of Energy of Mongolia, and Asian Development Bank (ADB) organized the "Northeast Asia Regional Power Interconnection and Cooperation Forum 2018." The author was able to participate. Many proposals for energy cross-border cooperation and results of feasibility studies were presented. The GEIDCO presentation suggested Northeast Asian energy cooperation should be under GEIDCO's Global Energy Interconnection (GEI) but had not mentioned that GEI was part of BRI. During Q & A, the author asked the GEIDCO representative if China was trying to incorporate the Asian Super Grid into BRI. He responded that GEIDCO was not part of BRI. The Ulaan Baator meeting sought to address the lack of an intergovernmental framework on multilateral energy cooperation that could bring all the Northeast Asian countries and stakeholders together, the Northeast Asian organizational deficit. The need to create a framework was discussed, but it is unclear if an agreement was finalized.

During 2018, China and South Korea jointly researched connecting their power grids bilaterally as the first stage of a Northeast Asian super grid that would eventually include Mongolia and Japan. In 2018, Beijing promoted incorporating the Asian Super Grid into the BRI, but it did not elicit enthusiastic regional responses.

## The BRI and the NNP

Because BRI does not have a political framework of its own, Beijing searched for regional political frameworks to absorb into it and strengthened efforts to absorb ASEAN, the SCO, and BRICS into the BRI. In 2018 Beijing focused on absorbing competing regional cross-border infrastructural projects into the BRI. BRI does not have its own multilateral political framework other than organizations China has created and the BRI Forum. Consequently, Beijing has promoted coopting other regional projects and placing them under BRI in order to acquire greater political control over BRI partner countries.

China has promoted a Free Trade Area for the SCO faced resistance from Russia. In December 2017, Russian prime minister Medvedev had stated that a free trade zone was not part of the SCO vision. Central Asian states were concerned that China would dominate the organization and the region.<sup>26</sup> Three think tanks—the Chongyang Institute for Financial Studies at Renmin University, the Institute for Central Asian Studies at China's Lanzhou University, and the Global Governance Research Center at Renmin University—had issued a report prior to the 2018 SCO summit arguing that China could use the SCO to give itself a larger role in Central Asian affairs, provide an important platform for China to implement BRI in the region, increase trust with Moscow and New Delhi, and help maintain security in northwest China.<sup>27</sup> At the June 2018 SCO summit in Qingdao, Xi Jinping tried to pull the SCO into the BRI but met opposition from India. Skeptical of BRI and resistant to becoming a BRI member, India vetoed incorporation of the SCO into the BRI, depriving Xi of a consensus. The October 12, 2018 *SCO Joint Communiqué* listed the six countries who did affirm their support for BRI, but it could not state that the SCO would be incorporated into the BRI. The communiqué indicated support for cooperation on renewable energy projects and construction of energy infrastructure facilities.

Docking [对接] is an elusive term which has proven difficult to define or concretely implement. Beijing and Moscow agreed to the docking of the EEU and BRI in May 2015 after much debate between Russians and Chinese as to what that meant, but in 2018 it had not progressed and was still under discussion. In the context of energy infrastructure, docking is more concrete—it is connecting oil and natural gas pipelines and power grids across borders.

The possibility of incorporating South Korean initiatives into the BRI began in 2016 with Chinese discussion of docking Korea's Eurasia Initiative and the BRI using the China-Korea FTA as the institutional framework.<sup>28</sup> When Seoul shifted to the NNP, Chinese discussed docking BRI with it. In 2017, a Chinese specialist enumerated the benefits of linking BRI and NNP: it would pull South Korea into the BRI, would provide external stimuli for economic growth of China's three Northeast provinces, would push North Korea's reforms, and when it linked with Russia's EEU, would alleviate Russia's concerns regarding BRI.<sup>29</sup>

A Korean researcher who obtained his PhD at Fudan University, Lee Chang-ju, advocated docking NNP with BRI, with economic policy and financial coordination, and management mechanisms which accords with Xi Jinping's "Five Links"—physical connectivity, institutional connectivity, people-to-people connectivity, infrastructure connectivity and communication connectivity. Lee proposed incorporating China's Northeast provinces and the Russian Far East into the BRI-NNP docking.<sup>30</sup>

In the Chinese understanding of docking, it is the means by which the NNP could be incorporated into the BRI. Chinese analysts considered BRI a larger, stronger, more enduring initiative with a greater capacity for implementation than NNP. Xue Li, comparing BRI and NNP, expected that NNP would only last as long as Moon's five-year term while BRI would continue to exist long after. Xue argued South Korea's NNP should be incorporated into the Sino-Mongolian-Russian economic corridor of BRI and focus on Korean economic integration with China's Northeast provinces.<sup>31</sup> Because of economic sanctions Beijing had imposed on Seoul after deployment of THAAD, Xue Li claimed Beijing was not ready for a high-level docking mechanism despite Chinese writings on docking. This was demonstrated in April 2018 when Moon's representative Song Young-gil traveled to Beijing to meet with research institutes but had minimal contact with the Chinese government. Song discussed Korea's NNP and China's BRI at the institutes and gave an interview on NNP with CGTN.<sup>32</sup>

According to Chinese authors, the Beijing government has monopolized and controlled the BRI narrative domestically. Before the May 2017 Belt & Road Summit in Beijing, the government imposed a moratorium on BRI-related conferences. Academic writing on BRI has been controlled by Beijing to stay within governmental guidelines.<sup>33</sup> Thus, what Chinese have written on BRI and NNP can be understood to reflect official thinking. When Song met with Chinese specialists it was more of a Track 1½ than a Track 2 meeting. When both sides were ready for a docking mechanism, Xue proposed holding a Chinese-Russian-Korean dialogue and consultation channel at the bureau level. Xue Li suggested that if Beijing-Seoul official political relations remained tense, implementation of this docking should be at the local government level. Local level cooperation already is thriving between Korean local governments and 33 Chinese local governments.<sup>34</sup>

In China's Northeast, local governments have intense interest in BRI and NNP. At the beginning of the economic reforms, Beijing had paired border provinces with neighboring countries, e.g., Heilongjiang with the Russian Far East, Liaoning with Japan, and Jilin with North Korea. According to a Chinese analyst, Shandong lobbied Beijing to be paired with South Korea even before formal normalization of China-ROK relations.<sup>35</sup> However, border areas seek the most profitable cross-border relations. Yanbian businessmen cannot depend on trade only with an unstable North Korea. They have stronger commercial and social ties with South Korea. Yanbian people watch South Korean television and are influenced by South Korean culture.<sup>36</sup> In the early 20th century, Liaoning's Dandong was a transportation hub on the railway between the Korean Peninsula and Manchukuo and a trading port on the Yalu River. Recently, sanctions on North Korea had hurt Dandong's economy. Dandong could anticipate increased border trade and economic growth if it is incorporated into South Korea's regional project NNP and North Korea opens up. Dandong real estate prices are increasing on that expectation.<sup>37</sup>

Heilongjiang has for more than two decades anticipated an economic revival through economic integration with the Russian Far East, and had assumed the province had an exclusive claim. Heilongjiang had expected that the *Program of Cooperation between the Northeast of the People's Republic of China and the Far East and Eastern Siberia of the Russian Federation (2009-2018)* would achieve this. BRI had encouraged this hope with the "China-Russia-Mongolia economic corridor" stretching from the Russian Far East to Mongolia with Heilongjiang at its center. However, the more strident Heilongjiang became

on integration, the more reluctant the Russian Far East became. The 2009-2018 plan's ambitious goals were only partially implemented with Chinese businessmen losing millions of dollars. Nevertheless, Beijing and Moscow designated 2018 and 2019 as the "Bilateral Years of Russian-Chinese Interregional Cooperation."

At the September 2018 Eastern Economic Forum, China and Russia signed a new, less ambitious *Program for development of Russian-Chinese cooperation in trade, economic and investment spheres in the Far East of the Russian Federation (2018-2024)*. This new plan did not imply economic integration between China's Northeast and Russia's Far East.<sup>38</sup> The 2018-2024 plan mentioned Heilongjiang only four times, primarily in the context of developing international transport corridors "Primorye-1" (Harbin-Mudanjiang-Suifenhe-Pogranichny-Ussuriysk-Vladivostok/Nakhodka) and "Primorye-2" (Changchun-Jilin-Hunchun-Zarubino port).

China's Ministry of Commerce compiled the 2018-2024 plan with the Ministry for the Development of the Russian Far East (*Minvastokrazvitiya*). The Ministry of Commerce is the Chinese secretariat of the "Intergovernmental Commission for Cooperation of the Northeast China and the Far East and Baikal Region of Russia," and will be closely monitoring the Chinese side and working with the Russian side to implement the new Plan.<sup>39</sup> The commission established a business council, which includes Russian and Chinese entrepreneurs, who are charged with promoting joint investment projects.

In the aftermath of signing the 2018-2024 plan, Harbin economists indicated discontent with Beijing's policies. They claimed Heilongjiang should be able to establish a new cross-border trade zone with the Russian Far East due to its advantageous position on the Russian border. This would give Heilongjiang a more prominent position in China-Russia trade. The state council had issued relevant policies in 2013, but implementation had not taken place. In fact, they argued, the Chinese state had not given strong policy support to Heilongjiang province. Liaoning has several free trade zones, but Heilongjiang has only two bonded zones in Suifenhe and Harbin.<sup>40</sup>

South Korea's NNP would undermine Heilongjiang's exclusive access to the Russian Far East with a competing project, while it would tend to favor Yanbian and Dandong. The New Northern Policy and the BRI are competing for the Russian Far East. Beijing and Seoul tentatively approach the idea of "docking" the two projects as a rational solution. Heilongjiang could be expected to be less supportive. Other researchers recognized the existence of competition between China's BRI and South Korea's NNP, especially in the Arctic, but also felt it possible for there to be Sino-Korean cooperation.<sup>41</sup>

Some South Korean analysts questioned benefits of BRI and critiqued its compatibility with Seoul's strategies. Moon expected BRI would lessen Korean dependence on China, but critics thought dependency would increase because Beijing would use South Korea to develop China's Northeast provinces as a hub of Northeast Asia. Moon expected BRI to connect his NNP and New Southern Policy with Southeast Asia, expanding South Korea's influence there.<sup>42</sup>

By November 2018, Beijing was ready for BRI docking with NNP. At a meeting during APEC, Xi Jinping proposed to Moon that South Korea participate in BRI, intending to incorporate South Korea and its NNP into it. At that time Moon had not decided whether to join. Some

Koreans suspected Xi's proposal was meant to force South Korea to choose between China and the U.S. during the U.S.-China trade war. China is South Korea's largest trade partner but memories of China's economic retaliation for South Korea's installation of THAAD were still strong.<sup>43</sup>

The Korean Presidential Committee on Northern Economic Cooperation took the position that BRI's five links and NNP's nine bridges could be docked.<sup>44</sup> It appears that South Korea understood the term docking to mean cross-border cooperation and connection of infrastructure without incorporation into the Chinese political framework of BRI. During his December 2017 trip to China, Moon had announced that he and Xi would examine ways to cooperate between BRI and NNP. Moon hoped BRI would help connect South and North Korea, promoting more peaceful relations. He also expected that BRI would facilitate South Korea's access to natural gas pipelines through China and Russia, a cheaper alternative to LNG. Moon indicated his intention for South Korea to develop relations with a variety of local governments. U.S. sanctions on North Korea remained an impediment for South Korean companies to invest in North Korea.

The website of the Presidential Committee on Northern Economic Cooperation now includes in its Eastern Region strategy "Pushing ahead with projects in connection with 'One Belt, One Road' and multilateral cooperation projects involving the Three Northeastern Provinces of China." This includes connecting with the BRI's China-Mongolia-Russia Economic Corridor using AIB and the Greater Tumen Initiative, and "Laying the foundation to connect ROK, North Korea, and Russia in the sectors of gas, railway, and electricity."<sup>45</sup>

## Conclusion

Visions of local Sino-Russian-South Korean-North Korean border economic and energy integration, pipelines, and power grids have existed for three decades. In practice, energy infrastructure actually constructed has been bilateral. A multilateral, region-wide energy pipeline would have to identify a center or hub which has eluded Northeast Asia. The puzzle of Northeast Asian energy infrastructure is how to link the three regional energy projects—BRI, Asian Super Grid, and the NNP—without BRI coopting and absorbing the other two projects. BRI's proposed infrastructure projects promise infrastructure connectivity in Northeast Asia. The other infrastructure initiatives are more multilateral, not exporting energy only to China. Beijing's response to these multilateral initiatives has been to try to run all multilaterals through China to keep China at the center of regional infrastructure and to place China's Northeast provinces at the center of Northeast Asia.

Since the end of the Cold War, Northeast Asian regional energy cooperation has been seen as a basis for building a larger regional mechanism that could serve as a peace regime on the Korean Peninsula. Almost every Northeast Asian energy regime proposal has included a proposal to include North Korea to meet its energy needs and to lessen the need for a nuclear energy program. In autumn 2018, Russian officials made a secret proposal to North Korea, offering to build a nuclear power plant in exchange for Pyongyang dismantling its nuclear weapons and ballistic missiles. It is unclear if the offer was accepted.<sup>46</sup> This was a revival of the U.S. proposal to provide two light-water reactors to North Korea under the 1994 Agreed Framework.

China has promoted the BRI as a mechanism which could incorporate the Asian Super Grid and give China a leadership position in Northeast Asian energy. It is not clear whether other Northeast Asian countries would support that effort. Japan and South Korea stress market-based relations, the need for a legal regime and protection of intellectual property. China views a regional political framework as based on non-market energy relations, a way to avoid the world oil market. Chinese stress the need for political trust rather than a legal regime. They propose that the Sino-Russian oil pipeline be the core of a Northeast Asian energy regime and that Japan and South Korea could join, but there have been disputes in the past over oil prices in the Sino-Russian pipeline preventing it from being a peaceful core. Despite discussions of pipelines, Japan and South Korea prefer LNG from Russia rather than entanglements in pipelines. Japan is the largest buyer of Russian LNG.

South Korea's NNP is dependent on removal of DPRK sanctions for its implementation, which has not yet happened. The Asian Super Grid is a multilateral energy project promoted by Russia, South Korea, Japan, Mongolia, and China. Currently, serious consultations are supported by UNESCAP and ADB. The Asian Super Grid will make progress if Northeast Asian countries can agree on the framework of a multilateral mechanism.

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**SHARP POWER VERSUS VALUES  
DIPLOMACY IN THE INDO-PACIFIC**

In the Trump era, there has been a surge of interest in the upsurge of sharp power as a disruptive force in international relations and the precipitous decline in the role of diplomacy based on values as an ennobling factor in bilateral and multilateral relations. Geostrategic fears and trade protectionism have taken center stage as strains are exacerbated by interference in internal affairs on an unparalleled scale and are rarely ameliorated by reassuring affirmation of shared values. The two principal actors in the Indo-Pacific battle between sharp power and values diplomacy are China and the United States. The first chapter in Part II deals directly with the standoff between the two, principal antagonists. In the following chapters, U.S. allies on the frontlines are covered: South Korea, which was battered by Chinese vilification over the Terminal High Altitude Area Defense (THAAD) deployment; Japan, a target of China only recently treated less harshly as Xi Jinping agreed to an official state visit by Abe Shinzo; and Australia, the most conspicuous example of China's use of sharp power. A final case covered in the chapters to follow is: North Korea, which in 2018 found new ways of using sharp power against South Korea. While authors vary in how they interpret the new concept of "sharp power" and in which country's value diplomacy they emphasize, this collection of five cases offers a foundation for generalizing about this struggle.

## Gilbert Rozman, "Chinese Sharp Power and U.S. Values Diplomacy: How Do They Intersect?"

An intensifying backlash against Xi Jinping's makeover of China and Donald Trump's makeover of the United States has muddied thinking about the national identity struggle recently building between the world's top two powers. What was heralded as the "China Dream," benefiting from earlier touting of "harmonious" themes, became tarnished as the "China nightmare" of stooping to any means to steal secrets and undermine democracies. The long-admired "beacon on the hill" had become sullied as the valueless and selfish "America First" not able to champion democracy or even truth, which was dismissed as "fake news." China has forsaken an ideal opportunity for cultivating an appealing, soft power image as the custodian of the legacy of Confucian values (champion of education, meritocracy, family values, and hard work—ideals which had earlier underscored the rise of "Confucian capitalism" across East Asia) for an ideological agenda based on "pervasive, long-term initiatives against both government critics at home and businesses and academic institutions abroad." If the State Department had called Confucius Institutes "China's most powerful soft power platforms," they were increasingly being seen as agents of censorship or propaganda taking advantage of open academic environments somehow contributing to moves to steal sensitive research as well as to create an atmosphere conducive to the exercise of sharp power. At the same time, Trump has proved himself utterly uninterested in and incapable of standing for U.S. values at home or abroad. If we look beyond the situation today, how should we expect the Sino-U.S. clash of ideas to proceed? This is the question driving Rozman's opening chapter.

Sharp power is interference in internal affairs by stealth, planting agents of subversion, stirring anxieties with misinformation and stolen e-mails, and targeting elections and public opinion by means of deception. It has acquired entirely new dimensions by virtue of social media and the use of foreign agents and their money to convey messages in new ways.

While the objective of Putin has been to weaken the current order to gain relative strength, China's interference activities tend to be subtler and more methodical with a longer time frame, focusing on steadily cultivating relationships that can be exploited opportunistically in accordance with clear strategic objectives—an incremental process of eroding existing discursive and political structures and steadily building new CCP-centric ones to take their place. Given the priority on forging support for China's policies and, even more, disrupting any criticism of China, United Front targets are both opportunistic and strategic. The Chinese diaspora is viewed as most amenable to doing China's bidding; the business community is scrutinized for promising partners; a third target is the academic and think tank community, expected to be critical in democratic societies, but subject to divisive actions, given growing dependence on Chinese students abroad and visa approval for widely desired travel to China; the media world too offers a chance for manipulation in what is seen as a wide-ranging and enduring infiltration strategy.

Values diplomacy, by contrast, is the spread of accurate or idealized information about the positive values of one's country. If done without overkill or a lot of hypocrisy, this can be referred to as "smart power." Failure to sustain a wave of democratic change in the 1980-90s led to rethinking values diplomacy to make it more convincing through smart power. If sharp power has gained ground while smart power is abeyant, a counterattack against the former is gathering momentum along with revulsion against how the latter has been allowed to lapse; a new balance can be anticipated should a backlash follow Trump's values vacuum. For the United States to project values effectively it should stand as a paragon of the ideals long associated with it: democracy at full flowering, rule of law, checks and balances, equality of opportunity, multi-culturalism and respect for diversity, etc. Trump has trashed every one of the long-cherished ideals of his country, and he has done so on the backs of a Congress inclined to repudiate these same principles. Meanwhile, he has embraced world leaders who hold these principles in disrepute, while failing to reinforce the identity bonds with allies and partners who endorse them.

The global community is anticipating a deepening struggle between Washington and Beijing. Xi Jinping prioritizes an ideologically indoctrinated society over any manifestation of civil society. Document No. 9 made cultural work the principal political task, requiring "intense struggle" rather than past passivity on matters of national identity. With this increased pressure for conformity at home came intensified United Front demands abroad. China at times has conveyed an upbeat, soft power message. It minds its own business, never interfering in the internal affairs of other countries. It relies on economic ties, promising a win-win outcome. It prioritizes cooperation over competition in great power relations and as a good neighbor. As the champion of developing countries, China provides generous loans to build infrastructure and accelerate economic growth. It does not impose its values or export any sort of ideology, abiding by a live and let live philosophy. Relationships naturally are harmonious attitudes. Yet, Xi put the struggle over ideas in the forefront, initially putting stress on controlling thought at home but soon extending this approach to other states. China is not now renewing its soft power appeal.

In the case of Chinese sharp power, a strategy to bring it fully into the open and to work with others in a coalition of democracies and like-minded states is important. At all costs, U.S. leaders should avoid unilateralism that alienates its allies, xenophobia that makes

Chinese in the United States and in diasporas abroad racist targets, and hypocrisy exposing its own shortcomings to comparisons that allow China to succeed in countering criticisms. How Chinese officials respond to the recent backlash against the Confucian Institutes will test whether revival of soft power is sought.

Both Trump and Xi are a throwback to more exclusive notions of national identity with a clearer ideology, a prouder history, a more closed civilizational outlook, and a simplistic view of international relations. Each is intolerant of dissent with elements of paranoia, while at the same time disregarding soft power in an age of globalization. Because Trump mostly excludes values from his confrontation with China and Xi has until recently preferred to keep values in the background in foreign relations, some might assume that the rising Sino-U.S. clash is almost exclusively about both trade and the balance of power in Asia, when increasingly it exposes a deepening national identity gap. Post-Trump we can anticipate this coming fully into the open.

## Kim Taehwan, “China’s Sharp Power and South Korea’s Peace Initiative”

Kim Taehwan describes a war of discourse on worldviews, reconstructing geographical spaces in a country’s own interest. Sharp power is gaining ground in a geopolitical competition combined with the battle for values and ideas, and China is at center stage in this geopolitics-cum-discourse game in the Indo-Pacific region. Yet, Kim notes, it is hard to distinguish sharp power from soft power; both utilize similar assets. The differences between the two are revealed only by looking into how those assets are mobilized in the real world. When actually put to use, sharp power is often mingled with soft and hard power, easily stretching into the realm of conventional security. Putting a focus on Beijing’s strategic moves made against the backdrop of the U.S. deployment of the THAAD system to South Korea, Kim examines the way China combines its sharp and hard power in tackling security issues that it considers as serving “core national interests.” He also addresses Seoul’s response to China’s sharp power offensive through the lens of inclusionary identity politics, which underscores the need for constructing a shared identity based on neutral, common values.

Beijing has been innovative in leveraging a combination of types of power to rewrite the terms of trade, diplomacy, and security, challenging the liberal international order. Realizing its soft-power deficit, however, Chinese leadership has underlined in the last decade the need for enhancing public diplomacy, which has been moving away from assuaging “China threat” perceptions in the West and neighboring countries toward the Chinese developmental model, the Chinese Communist Party (CCP)-ruled political system, and theories and values that support Chinese governance. Strategic narratives, particularly in the Xi Jinping era, appear to be composed of two elements: the vision of the “China Dream” and traditional Chinese values focused on Confucianism. Overcoming the historical injustice of the “century of humiliation” caused by Western imperialism and Japanese militarism, while Mao attained independence from colonialism and Deng realized economic prosperity, Xi would make China strong again in a new era. The CCP considers the restoration of traditional values integral to the “core socialist values” keeping Chinese people from being contaminated by a corrupt Western liberal ideology. China’s global domination is justified

with the traditional notion of *tianxia*, “all under heaven,” in which the world is ruled by the Chinese emperor, around which all else revolves, and from where China spreads harmony through its culture, language, and values—a Sinocentric empire that values order over freedom, ethics over law, and elite governance over democracy and human rights, according to Kim Taehwan’s views.

Sharp power refers to the ability to affect others to obtain desired outcomes not through attraction, as in the case of soft power, but through distraction and manipulation of information. Often involved in the exertion of sharp power are attempts by the government to guide, buy, or coerce political influence, and control discussion of sensitive topics globally, typically through nontransparent and questionable, if not outright illegal, means. Beijing is employing sharp power particularly in justifying the CCP’s uncontested grip on power and controlling discussions of sensitive issues abroad, while showcasing the China model of party-centered and state-led development and governance as an alternative to liberalism. Now that the country is exporting its political values and norms, China’s governance model is front and center in its foreign policy making and implementation. Sensitive issues are nothing but grave challenges to the CCP authorities and to Chinese sovereign integrity, which should be contained at any cost both at home and abroad. Beijing relentlessly seeks to face down every effort, both domestic and international, that is opposing the CCP, argues Kim Taehwan.

China’s sharp power poses grave challenges to the liberal international order, but what makes Beijing’s value-based offensive sharp-edged is not the discourse per se, but the methods it employs in propagating its narrative, Kim argues. He also sees the rise of far-right nationalist populism posing a grave challenge from within the liberalist group, fundamentally attached to ethno- or racial nationalism, and pan-European civilizational identities, demonizing everything foreign including individuals as well as political and economic establishments. The weakening, or voluntary abdication, of American liberal international leadership under the Trump administration accelerates the cleavages within the liberalist bloc itself. At the same time, the recent rapprochement between Beijing and Moscow, founded on normative affinity anti-liberalist discourse, has considerable persuasive power and attraction, i.e. soft power, for some developing countries and non-democratic regimes. This is the environment Kim sees for Seoul.

“Blocization” of values, unlike in the Cold War era, essentially builds on deleterious identity politics, which is revealing exclusionary collective resentments based on national, ethnic, religious, sectarian, and other primal identities and trumpeting anti-liberalist values. Value “blocization,” thus, takes place in the form of scattered confrontations between different national and primal identities, in contrast to the two clashing ideological blocs consolidated in the Cold War era.

Seoul’s expectations for Beijing’s positive role in resolving the North Korean nuclear issue were heightened by “unprecedentedly good relations” with China in the Park Geun-hye administration. North Korea’s fourth nuclear test in January 2016 turned the atmosphere sour, however. Park vainly tried to reach Xi Jinping on the phone. Frustrated, she tightened pressure on North Korea by enhancing Seoul-Washington security cooperation. Concerned about the enhancement of trilateral security cooperation, China imposed unofficial economic sanctions—a veiled maneuver difficult to prove—as a retaliatory measure against what it

perceives as an infringement on its “core interests. In the THAAD case, Chinese authorities denied any official measures against South Korean products. China tried to exploit divided views on the THAAD deployment within South Korea to its advantage, for both reversing the decision and driving a wedge between South Korea and the U.S. A binary approach was evident in Korean public discourse, labeling THAAD supporters “pro-American,” and those who oppose it “pro-Chinese.” Beijing methodically and deliberately stoked Chinese nationalism as a means of strengthening social cohesion in pressuring South Korea. This led to circular effects mutually reinforcing between unofficial sanctions, the media’s negative and aggressive coverage, and Chinese public opinion. This is the kind of sharp power Kim Taehwan observed.

Kim assesses South Korea’s value diplomacy along three dimensions—values embedded in the country’s national identity, its cognitive frame to construct social reality from material reality, and its role to fulfill the values. Kim sees progressives and conservatives competitively constructing contending views on North Korea as a crucial element—the significant other—of South Korean national identity, which have been reproduced and amplified by experts, policymakers, and media. The respective continuity in North Korean policy of progressive administrations and conservative administrations demonstrates the enduring effect of South Korea’s identity politics on its North Korea policy choice in particular, and value diplomacy in general.

Kim Taehwan notes South Korea’s role in three areas: balanced diplomacy between the U.S. and China, inter-Korean reconciliation, and mediation between North Korea and the U.S. The resolution of the THAAD dispute between Seoul and Beijing, however incomplete it may be, could be viewed as South Korea’s effort to take a balanced position between the U.S. and China. It agreed to at least symbolically distance itself from a U.S.-led strategy of containing China’s presence in the region, in an effort to assure Beijing of its strategic position. The agreement stirred up fierce domestic disputes; conservatives said it was humiliating, low-posture diplomacy damaging security sovereignty, progressives valuing it as peace momentum. Seen in this perspective of a geopolitical trap, improvement of inter-Korean relations and the establishment of a lasting peace on the Korean Peninsula would be a crucial, fundamental requisite to effectively navigate through the coming wave of China’s sharp power offensive. The role of an inclusive peace facilitator, once successfully performed and recognized by the international community, would provide Seoul with diplomatic leverage punching over its hard power weight, concludes Kim.

## John Fitzgerald, “Just a Dash? China’s Sharp Power and Australia’s Value Diplomacy”

The actions of Xi Jinping’s government have triggered a major rethink on the place of values in Australia foreign policy and diplomacy, compelling the people and government to recalibrate their relationship with China. Comparing the place of values across an historical series of foreign policy statements can provide a crude but useful measure of changes in Australian foreign policy thinking and of the factors that trigger and shape these changes, Fitzgerald says. A definition of the national interest that focused on jobs and security all but excluded values diplomacy from the Australian foreign policy toolbox, leaving values only a

supporting role, chiefly bearing on the ways and means through which national interests are pursued, rather than touching on fundamental interests themselves, or being factored into assessments of the risks and opportunities facing the country. Then, Beijing's occupation and militarization of disputed territories in the South China Sea, its disregard for the arbitral ruling on the Philippines case, and its attempts to influence Australian public opinion and political judgments on these and related matters through sharp power—covert, coercive, and possibly corrupt interference operations—together prompted a major reassessment of Australian foreign, trade, and security policy. The process of strategic reassessment culminated in the passage of new legislation on foreign interference and espionage, and the publication of a new Foreign Policy White Paper in November 2017, which signaled a departure from earlier practice in elevating values to a position of preeminence in Australian strategic thinking and foreign policy planning.

While values were clearly articulated in the first and second White Papers, they were framed in terms that insulated them from public diplomacy and were subordinated to an ideal of the national interest that centered on trade and security. The 2017 White Paper reflects growing concerns about China's role and intentions in the region and its use of sharp power in Australia. Following this reformulation, values can no longer be dismissed as a dash of garnish sprinkled on the hard-headed pursuit of national interests. Upholding values was declared a core national interest. From 2017 values began to matter in Australia's relations with China, Fitzgerald notes.

Values diplomacy has rarely played a role in Australian foreign policy comparable to the place it occupies in American diplomacy despite a public debate on the "Asianization" of Australia that merged into a wider series of discursive battles that came to be known as the culture wars and the history wars. Conservatives who favored the idea that values were rooted in cultural traditions—whether Anglophone or "Judeo-Christian"—swore they would never surrender Australia's identity or values to the imperatives of Asian engagement. Progressives who favored a culturally-agnostic mix of identity and values saw little risk to Australian identity or values in closer engagement with Asia. Finally, the 2017 Foreign Policy White paper marked a significant break, challenging assertions found in earlier White Papers that Australian identity and values were grounded in a particular ethnic heritage, first by emphatically dissociating national identity from race and religion ("Australia does not define its national identity by race or religion"), and then by omitting the terms "Western heritage" and "European heritage." It shifted the locus of national identity from one based on heritage to one grounded in values.

By elevating values to the core of national identity and reframing them in commonly-understood terms, the 2017 White Paper signaled that Australia's values had salience beyond Australia's borders. Australian values are now understood as universal values that Australians shared with one another and with like-minded partners abroad. Securing Australian values now requires international values advocacy on such issues as threats to the "rules-based order," signs of growing racial and national intolerance, and evidence that countries such as China were acting to undermine the postwar security regime. Australia as a middle power was particularly susceptible to threats to the international order from which it had benefited historically.

For the government of China, the folksy ethnocentric tone of the 1997 and 2003 White Paper statements on identity and values was reassuring. Australia had little intention of promoting values beyond its borders and believed values were based on national cultures and traditions, rather than on universal principles, in effect endorsing the authoritarian values. Yet, the new White Paper triggered concern over a lack of gratitude toward the Chinese government for lifting Australia's economy out of the doldrums, but motivated at a deeper level by the attempt to "essentialize" national identity in terms of values that contrasted starkly with those professed by China's Communist Party government.

Current concerns in the Australian community and government are not over the rise of China but about the growing reach and authoritarian aspirations of a powerful Leninist state that seeks to set the ground rules for others in the region to follow, and to interfere where it can to ensure that they do, argues Fitzgerald. Australia does not see China as an enemy or as a hostile power. But neither does it regard a country practicing and espousing Leninist values abroad as a benign or neutral player. Placing the fundamental principles which Australians value and share onto the national foreign policy agenda, and promoting them through public diplomacy, brings greater clarity to the differences separating Australia from China that are patently in need of protection.

## Aram Hur, "North Korea's Sharp Power and the Divide Over Korean Identities"

Unlike China or Russia, to secure long-term survival, North Korea ultimately needs cooperation from the rival democracy it seeks to undermine, argues Hur, finding that this produces a brand of "trojan horse" sharp power: the hijacking of South Korea's value diplomacy apparatus to disseminate a dual narrative. Externally, North Korea aims to project soft power hand-in-hand with South Korea to the international community, while internally, it exploits South Korea's nationalist divisions. She argues that authoritarian states resort to sharp power for political ends that cannot otherwise be achieved through soft or hard power alone, exploiting pressures that are internal to the target state to force its hand. Sometimes, those are about exacerbating internal divisions, but other times—as in the case of North Korea's strategy—they are about stoking internal unity in the target state to bind the leader. North Korea hijacks South Korea's value diplomacy efforts to promote a dual narrative. To survive against pressures from the United States and the international community at large, it ultimately needs cooperation from the rival democracy that it seeks to undermine in the long run.

Authoritarian states are not very good at soft power, especially toward democracies, and hard power increasingly comes with high political costs. Sharp power, on the other hand, has become exponentially cheaper with communications technology and comes with less threat of retribution. Authoritarian states enjoy a comparative advantage in the sharp realm: whereas the information environment is porous and decentralized in many democracies, authoritarian states tend to have tight and centralized control. The gap between the capability of the authoritarian state and the vulnerability of the target state is the main explanation for the recent rise in sharp power usage. The primary way that sharp power differs from hard or soft power is that the leverage point for pressure is internal.

It exploits narrative forces within the target state itself to constrain it. Unlike soft power, which aims to move a target state through attraction and shared values, these efforts are sharp in the sense that they pierce, penetrate, or perforate the information environments in the targeted countries. Hur understands sharp power in the context of specific states and political conflicts, rather than as a monolithic or unilateral strategy, as soft power is often portrayed.

The growing identity divide toward North Korea among key constituencies in South Korea can serve as points of leverage for North Korea. Hur illustrates North Korea's most prominent sharp efforts from 2018: the Pyeongchang Olympics and the third inter-Korean summit. These events were deliberately leveraged to target internal cleavages—sometimes by dividing, other times by uniting—to push South Korea toward desired ends. The basis of this is that both Koreas claim legitimacy over the entire peninsula based on the ethno-national principle. The progressive-conservative divide in South Korea has less to do with the economic agenda that defines the left-right political spectrum in most Western democracies, and more to do with national narrative, specifically vis-a-vis the North. Neither group defines or claims North Korea as a national “other.” The “us” versus “them” divide is of a much subtler sort: whether they see co-nationality with North Korea as an asset or threat to democratic stability in the South.

South Korea can be an invaluable shield for North Korea, as it constrains the U.S. from taking any actions against North Korea that would hurt or jeopardize security in the South. In the wake of a thinning alliance with China, North Korea finds itself in need of cooperation from a rival democracy that it ultimately seeks to defeat. Unlike a military or political alliance, an identity alliance would be a shared sense of purpose in facing pressures from the outside world. Yet, for North Korea, a troubling trend is that the importance of ethnicity as the basis for Korean identity is fading. Externally, it needs to project a “soft” identity alliance with South Korea to an international—and specifically U.S.—audience. Internally, it needs to gain narrative leverage over South Korea's domestic forces to balance its contradictory short-term versus long-term goals toward South Korea. In the short term, it needs to secure an identity alliance, while in the long term, it wants to undermine South Korea's legitimacy. Unilateral soft power toward South Korea would undermine Kim's own legitimacy in the North. Trying to coerce South Korea into an identity alliance would risk further alienating the North from the international community.

When perceived commitment from South Korea to an identity alliance is strong, North Korea uses sharp power to stoke divisions within South Korea to undermine its legitimacy, even while on the surface working toward such an alliance. When perceived commitment is weak, however, North Korea uses sharp power to manipulate opposition forces within South Korea to build internal popular support for an identity alliance. Hur argues that North Korea does this by hijacking South Korea's most prominent soft power efforts. North Korea proactively supports them, but in the process of participation, it exploits direct access to the South Korean public to inject performances or narrative nuggets that grant it leverage over South Korea's identity cleavages. It then wields that leverage—sometimes by dividing and other times by uniting the South Korean public—to put internal pressure on the Moon administration to cooperate.

Not only did it partake in the Olympics, but it walked in joint procession with the South under a “one Korea” banner and sent a 400-person cultural troupe, including the famed cheerleaders along with athletes. To do so on South Korea’s turf held novel symbolic value and elevated the North’s status to essentially a co-host, even as it deliberately provoked divisive cleavages within South Korea to undermine internal legitimacy. After demanding a joint North-South hockey team, during the match in which the team competed, North Koreans raised a prop of a young man’s face, Kim Il-sung’s, which aroused older viewers, presumably conservatives, able to recognize it, thus, exacerbating internal discord within South Korea.

What worries North Korea most is a U.S.-South Korea identity alliance on the foundation of an actual alliance that is stronger than an inter-Korean identity alliance. To keep the former at bay, it needs a South Korea that prioritizes the latter and tries to achieve this by building pressure on South Korea from within to prioritize an inter-Korean alliance. The strategy began with framing the summit as a “historic” turning point of revival and rebirth for the peninsula. It succeeded in increasing perceptions of trustworthiness toward North Korea. Hur also claims that Kim’s repertoire at the inter-Korean summit was a prime example of Trojan Horse sharp power: hijack what appears to an international audience to be a high-profile “soft” event to seed narrative nuggets that put internal pressure on South Korea’s option set. With the U.S. now exerting its own pressure on Moon’s commitment, North Korea’s strategy was to gain leverage from within: to rally pro-North support in Moon’s key, and formerly apathetic to negative, constituency—youth—to force his prioritization of an inter-Korean alliance. Any anti-North Korea opposition efforts by conservatives are characterized as “not being able to read the *minjung’s will*” and “anti-nationalist,” effectively framing any hesitance on the part of Moon as not responding to the public’s preference. Hur suggests that Kim Jong-un’s strategy has been working well.





Chinese Sharp Power and  
U.S. Values Diplomacy:  
How Do They Intersect?

**Gilbert Rozman**

On February 27, 2019 a three-way juxtaposition cast a spotlight on China's mix of soft power and sharp power and President Donald Trump's conduct of U.S. values diplomacy or lack thereof. The Senate Permanent Subcommittee on Investigations issued its report on China's Confucius Institutes (more than 100) and Confucius Classrooms (more than 500) in American universities and schools; Michael Cohen testified before the House Oversight Committee on the character and potential crimes of Trump; and Trump began what was to be an abortive two-day summit with North Korean chairman Kim Jong-un in Hanoi with strong backing from China's president Xi Jinping. Unmistakable images were left with observers. China had forsaken an opportunity for cultivating an appealing, soft power image as the custodian of the legacy of Confucian values (champion of education, meritocracy, family values, and hard work—ideals that had underscored the rise of "Confucian capitalism" across East Asia), for an ideological agenda that gave rise to "pervasive, long-term initiatives against both government critics at home and businesses and academic institutions abroad," criticism of which Chinese media blamed only on "either fear or ignorance of other cultures."<sup>1</sup> If the State Department had called them "China's most powerful soft power platforms,"<sup>2</sup> they were increasingly being seen as agents of censorship or propaganda as part of taking advantage of open academic environments to steal sensitive research as well as to create an atmosphere conducive to the exercise of sharp power. Meanwhile, Trump's image, in Cohen's widely watched testimony and in his exoneration of Kim Jong-un from knowledge of the unexplained murder of Otto Warmbier in North Korean custody, reinforced the view of a "racist, con-man, and cheat" utterly uninterested in and incapable of standing for U.S. values at home or abroad. Trump left Hanoi expressing his appreciation for Xi Jinping's important help in this diplomatic endeavor as his pursuit of redemption for this debacle turned to an expected visit of Xi to Trump's home at Mar-a-Lago for the mother of all trade deals bereft of American values. In May, the situation grew gloomier as a Sino-U.S. tariff war intensified against the background of North Korean missile launches and U.S. seizure of a North Korean sanctions-busting ship.

An intensifying backlash against Xi Jinping's makeover of China and Donald Trump's makeover of the United States has muddied thinking about the national identity struggle recently building between the world's top two powers. What was heralded as the "China Dream," benefitting from earlier touting of "harmonious" themes, became tarnished as the "China nightmare" of stooping to any means to steal secrets and undermine other states. The long-admired "beacon on the hill" had become sullied as the valueless and selfish "America First" unable to champion democracy or even truth, which was dismissed as "fake news." The clash in national identities between the two dominant powers on opposite sides of the Pacific is now taking an idiosyncratic form, which challenges us to separate the essence of the struggle likely to be unavoidable for decades ahead from its specific manifestations under the exceptional circumstances of today. Whereas Trump is seen as *sui generis*, an anomaly that is unlikely to put U.S. values diplomacy at long-run risk, Xi Jinping's shift from soft power to sharp power appears more sustainable even if there is reason to assume that another effort will be made to raise the profile of Chinese soft power at some point.

When the Cold War intensified in the 1950s, the ideological battle lines were visible to all, and over four decades they barely changed. As we prepare to enter the 2020s, however, there still is confusion, given that differences over the Chinese and U.S. attitudes toward free

markets have been blurred, that China insists it is not exporting an ideology, and that U.S. clarifications of the meaning of the slogan, a “free and open Indo-Pacific” are still awaited. Recently, however, the rhetoric of the Xi Jinping leadership has become more explicit, and the competition between the United States and China has intensified in all arenas, including over national identity themes. On the one side, sharp power is perceived to be far overshadowing soft power as a foreign policy approach. On the other, values diplomacy draws attention for its surprising absence. Today’s realities deserve close attention but should not obscure the indications of what may lie ahead.

If 2017 was the year of mounting obsession with Russian sharp power, 2018 proved to be the year of increasing attention to Chinese sharp power. As the focus expanded from Russia to China, a similar set of questions was being asked: 1) how was sharp power manifested? 2) what are the comparisons between Chinese and Russian sharp power? and 3) what was the United States, cognizant of the experiences of other targets of sharp power, doing in response? The suggested answers have pointed not only to developments in Sino-U.S. relations, but also to some wider implications for the Indo-Pacific region of an ever-deepening values confrontation. As many anticipate a prolonged struggle ahead between the United States and China, steeped in different and clashing national identities, the prospects for Chinese usage of sharp power and of U.S. effectiveness in the advance of values diplomacy should be on people’s minds, but there has been a shift of attention as Trump refused to acknowledge the blatant use of Russian sharp power on the minds of many Americans, let alone to make Chinese sharp power his concern. In the absence of such concern, others have raised alarm about China’s sharp power and warned that Trump’s indifference to advancing U.S. values diplomacy is resulting in a dangerous vacuum.

In this chapter, I first define and review thinking about sharp power and values diplomacy, then I discuss the impact of Xi Jinping and Donald Trump, and later I focus on how the competition is likely to ensue after a backlash against their recent approaches gains momentum. Adding more specificity about dimensions of national identity in contention, I depict an ongoing struggle with parallels to the U.S.-Soviet struggle during the Cold War, as well as some significant differences.

## Sharp Power and Values Diplomacy

Sharp power is interference in internal affairs by stealth, planting agents of subversion, stirring anxieties with misinformation and stolen emails, and targeting elections and public opinion by means of deception. It has acquired entirely new dimensions by virtue of social media and the use of foreign agents and their money to convey messages in new ways. Christopher Walker and Jessica Ludwig contrast it to the benign attraction of soft power, describing it as “malign and aggressive” and enabling “authoritarians to cut into the fabric of a society, stoking and amplifying existing divisions.”<sup>3</sup> While both Moscow and Beijing utilize sharp power to interfere in the politics and undermine the institutions of democracies, they have what Laura Rosenberger and John Garnaut describe as different long-term goals, strategic positions, methodologies, and capabilities, but shared interests in weakening the liberal order.<sup>4</sup> Eroding the legitimacy of liberal democratic governments as a means of internally bolstering their own illiberal systems of government, each seeks to weaken U.S.-anchored alliances and security partnerships, which limit their reach in each’s

purported sphere of influence. Each has an interest also in preventing foreign individuals, organizations, and governments from criticizing and organizing against them. Defining themselves as being under siege from a hostile world, with “Western liberalism” posing the greatest threat, both work to repel foreign influence at home while engaging in interference abroad.

Australians identify sharp power as means deemed “covert, corrupting, or coercive.” John Fitzgerald explains, “The party’s influence operations in Australia have come to mimic, on a modest scale, the propaganda echo chamber that party propaganda experts have constructed for themselves in China... party functionaries have come to assume in foreign jurisdictions many of the powers and privileges they take for granted under authoritarian rule at home. In the case of Australia, they silence bad stories, doctor texts, and entice institutions...to do the same.”<sup>5</sup> I drew on Fitzgerald’s article and three others to assert that “[t]here was a shift in the intrusiveness of Chinese interference: on a limited scale from the late 1990s, more actively from the late 2000s, and with unquestioned intensity since Xi Jinping took the helm in 2012. This evolution reflects more clarity on an expansive interpretation of how security is defined, encompassing anything that might diminish the communist party’s ability to stay in power at home and abroad. It is marked by reorganizing of the United Front activities, establishing talking points to boost core consciousness, and mobilizing various layers of advocates to convey these points directly and indirectly. Also important are organizational mechanisms to ensure strong support through the ministries of education, culture, foreign affairs, and so on, to give rewards such as access for conformity and active support. Along with boosters in China and among those sent out to represent China, we find common patterns of identifying targets susceptible to being compromised, even if that is a gradual process. Cultivating local and lower-level officials for their long-term promise occurs alongside offering blandishments to retired politicians and high officials who are vulnerable without their former staff.”<sup>6</sup>

Conscious that Russia has become the standard bearer in depictions of sharp power, Rosenberger and Garnaut contrast China’s approach to Russian interference operations aimed at causing chaos and destruction with scant concern for long-term global stability. Putin’s objective is to weaken the current order to gain relative strength. In contrast, China’s interference activities tend to be subtler and more methodical, with a longer time frame, focusing on steadily cultivating relationships that can be exploited opportunistically in accordance with clear strategic objectives. The two authors add that only China is working to shape the future international system, drawing on a much more elaborate network of proxies and front organizations engaged in United Front work for both undermining opponents and supporting allies through manipulation, deception, and reward. Less obtrusive than how Russia uses sharp power, China’s use leaves more room for the cultivation of soft power.

In the United States, Peter Mattis writes that the Chinese interference efforts can be categorized as “shaping the context, controlling the Chinese diaspora, and targeting the political core.” In the use of both Confucius Institutes and “dark” United Front funding channels, the CCP plays a long-term game. It works hard to find common interests and to cultivate relationships of dependency with mainstream partners, which can be leveraged opportunistically. Drawing a comparison to Russia, Mattis concludes: “The best way to

describe the differences between the two approaches is that the Chinese are human- or relationship-centric.” He writes too that “use of overt propaganda, quasi-covert channels, and covert activities to shape language, perceptions, and actions is remarkably coherent and consistent over time. It involves an incremental process of eroding existing discursive and political structures and steadily building new CCP-centric ones to take their place. For China covers more ground than Russia, systematically cultivating the public discussion in universities, in business communities, in ethnic Chinese communities, in media and entertainment, as well in as politics and government. It operates by co-opting previously independent media houses, establishing new ones, and using Chinese language social media platforms such as WeChat to dominate digital distribution channels.”<sup>7</sup>

“Crossing boundaries established by law and disrupting the normal flow of political or social activity” is premised on making sure there is an absence of threats, not on the ability to manage them by preempting threats and preventing their emergence. Security issues extend to the domain of ideas—what people think could be potentially dangerous. Preemption in the world of ideas creates an imperative for the party to alter the world in which it operates—to shape how China and its current party-state are understood in the minds of foreign elites. In December 2017, the 2014 counter-espionage law was clarified by defining activities threatening national security apart from espionage as including “fabricating or distorting facts, publishing or disseminating words or information that endanger state security.” This is the message conveyed by Mattis in *The Asan Forum*.<sup>8</sup>

Given the priority on forging support for China’s policies and, even more, disrupting any criticism of China, United Front targets are both opportunistic and strategic. The Chinese diaspora is viewed as most amenable to doing China’s bidding. The business community is scrutinized for other promising partners. A third target is the academic and think tank community, expected to be critical in democratic societies, but subject to divisive actions splitting it, given growing dependence on Chinese students abroad, and on visa approval for widely desired travel to China. The media world, too, offers a chance to combat accusers of Chinese shortcomings. The goals are not only negative, resisting sources of criticism, but also positive, shaping a favorable image of China, and sometimes threatening, obtaining intellectual property illicitly, engaging in espionage, and coopting strategic industries. One prize sought when circumstances are favorable is to gain a political foothold in elections and reshape policies in a desired direction such as stopping resistance to China’s actions in the South China Sea. Former political leaders with continued clout are prime candidates for lucrative positions likely to swing their voices in China’s favor and affect popular opinion. United Front interventions accelerated under Xi.

Rosenberger and Garnaut observe that Beijing has begun to undertake Russian-style information operations outside its borders—particularly in Taiwan, a testing ground for its tactics. Weaknesses in democracies are exploited. A global retreat in democracy and an erosion of support for democracy as the best form of government open vulnerabilities and make populations less resistant to China’s tactics. In the United States, this includes hyper-partisanship and growing polarization, racial tensions, wide economic disparities, and lax regulations on foreign lobbying and political advertising. The implication in such analyses is that such shortcomings domestically make the democracies more vulnerable, and, at the same time, they undermine values diplomacy toward other states.<sup>9</sup>

Democratic countries have proven to be vulnerable because their electoral and communications processes can be hijacked by a determined adversary. Values diplomacy, by contrast, is the spread of accurate or idealized information about the positive values of one's country. If done without overkill or a lot of hypocrisy, this can be referred to as "smart power." Failure to sustain a wave of democratic change after the 1990s led to rethinking values diplomacy to make it more convincing through smart power. The backlash against the Bush administration's loss of global prestige and counterproductive use of values diplomacy led Hillary Clinton to seek improvement in conveying the U.S. image; thus, soft power was repackaged as smart power.<sup>10</sup> In great power relations, values diplomacy long faced authoritarian barriers from the Iron Curtain and the Bamboo Curtain. Recently, the flow of information has accelerated, but new countermeasures have complicated the dissemination and effectiveness of even smart power in authoritarian states. Sharp power has gained ground while smart power is abeyant, but a counterattack against the former is gathering momentum along with revulsion against how the latter has been allowed to lapse; a new balance can be anticipated should a backlash follow Trump's values vacuum.

For the United States to project values effectively it should stand as a paragon of the ideals long associated with it: democracy at full flowering, rule of law, checks and balances, equality of opportunity, multi-culturalism and respect for diversity, etc. Trump has trashed every one of the long-cherished ideals of his country, and he has done so on the backs of a Congress increasingly inclined to repudiate these same principles. Meanwhile, he has embraced world leaders who hold these principles in disrepute, while failing to reinforce the identity bonds with allies and partners who endorse them. Rebuilding values diplomacy starts with the presidency and Congress, leads to reaffirmation of the deepest bilateral and multilateral bonds, and demands a values strategy.

China is increasingly accused of breaking the norms of international behavior to interfere in the internal affairs of other countries for foreign policy objectives. It seeks to influence their politics and to shape the flow of information about itself. In the shadow of intense U.S. preoccupation with Russia's use of sharp power, scrutiny of China's use of it has intensified. At the same time, concern has mounted that U.S. values diplomacy has lost direction under Donald Trump. Instead of Washington vigorously presenting itself as a defender of democracy and human rights, it has lost its luster because of both failure of leadership, and failure to set an ennobling example. To the extent that the global community is anticipating a deepening struggle between Washington and Beijing, it contrasts with the Cold War era, when the U.S. stood firmly behind its principles and the Soviet Union had few mechanisms to spread sharp power or anything like it. A contrast can be drawn with the intense Soviet-U.S. clash of ideas in the 1950s-1980s and the still imminent Sino-U.S. clash, even as we anticipate moving beyond Trump's impact while Xi Jinping remains in power.

## The Evolution of Xi Jinping's Sharp Power

The roots of Xi Jinping's approach to intellectual conformity at home and sharp power abroad can be traced to: 1) the obsession with "rectification of names" in Confucian thinking distorted by imperial defensiveness, 2) "thought reform" in communist thinking exacerbated by Stalin's paranoia and purge mentality and Mao's preoccupation with cultural cleansing, and 3) blame placed on Western "cultural imperialism" and Soviet ideological vulnerability for Gorbachev's wrecking of the communist movement and his country. That

Deng's reform and opening did not signify full-scale questioning of such premises could be discerned in 1986-1987 with resumption of attacks on Khrushchev's "thaw" in Soviet literature, the ouster of Hu Yaobang accompanied by a crackdown on writings sympathetic to "Asian values" that could pave the way to democracy, and the antipathy shown toward Gorbachev's "new thinking" well before it fueled the collapse of first the communist bloc and then the Soviet Union.<sup>11</sup> The lessons for China of Gorbachev's "treason" were often drummed into its citizens over the following two decades before Xi Jinping began his tenure as party secretary in December 2012 by castigating the neglect of ideology in Moscow for the disaster, warning that the same could occur in China. Equating these two exemplars of communism and appealing to the legacy of Lenin and Stalin as well as Mao, Xi Jinping prioritized an ideologically indoctrinated society over any manifestation of civil society.

The April 2013 set of instructions disseminated to party organizations, known as Document No. 9, made cultural work the principal political task, requiring "intense struggle," rather than past passivity on matters of national identity in an effort to eradicate "false trends," a notion that predates Trump's broadsides against "fake news." The targets were strikingly similar, although Xi's agenda was more forthright. The norms of constitutional democracy were attacked as bad because they undermined the will of the people as reflected in their leadership. Any appeals to universal values or human rights were deemed to be an assault on the leadership's pursuit of national interests. The notion that political leadership should defer to civil society is anathema, no more than a tool of the opposition to counter the mobilization of supporters who convey the will of society directly without such intermediaries, who in China are labeled "Western" and "anti-Chinese." "Freedom of the press" is likewise assumed to be a smokescreen for ideological indoctrination contrary to relaying the official line beneficial to moving society forward. Apart from ideology, the struggle is manifest in the treatment of history, in which the entire past is seen as prelude to today's unqualified success, denial of which is proof of erroneous thinking about the past, or historical nihilism. The invisible hand of the market is damned as well, either as neoliberalism aimed at undermining China's economic system and social order or as moves by vested interests who fail to defer to the leadership's pursuit of the public good.<sup>12</sup> Whether Xi is breaking with Deng's "reform and opening" and denying its legacy or Trump is discarding the Republican orthodoxy of Ronald Reagan's attitudes toward domestic and foreign policy, focus is put on one figure not beholden to his predecessors and worthy of unchecked, prolonged rule.

Whereas the assumption behind much of Western thinking about China, even after the harsh crackdown on demonstrators and dissidents in 1989, was that a rapidly modernizing society is bound to relax its controls at home and lean toward integration with international society—a reminder of the minority outlook on Soviet society under Khrushchev—Chinese leaders had a different take on modernization theory and peaceful coexistence.<sup>13</sup> They were persuaded that they would find ways, following the precedent set by Mao in the Yanan rectification campaign, to socialize the Chinese people and condition them to submit to Communist Party guidance. Xi, in October 2014, commemorated the Yanan model in a forum on literature and art, which preceded increasingly draconian measures to quash dissent and create a utopian mix of what John Garnaut calls "unity of language, knowledge, thought and behavior."<sup>14</sup> At the 19th Party Congress in 2017, Xi intensified his demands for ideological purity and resistance to ideological subversion, refusing to permit political apathy to become the springboard for "peaceful evolution." Whether the danger was Western

incitement, loss of will to resist as perceived in the Soviet Union, or decay associated with the dynastic cycle, Xi found the answer in top-down struggle to maintain unity and resist heterodox ideas. Domestic controls tightened, as external interventions spread. Garnaut writes, “Xi has shown that the subversive promise of the internet can be inverted...It has been packaged to travel with Chinese students, tourists, migrants and especially money. It flows through the channels of the Chinese language internet, pushes into all the world’s major media and cultural spaces and generally keeps pace with and even anticipates China’s increasingly global interests.”<sup>15</sup>

Xi not only attacks constituencies he deems insufficiently loyal—ethnic minorities, religious groups, journalists, human rights lawyers—he puts a heightened premium on identity cohesion, launching campaigns against ideological themes such as democracy and constitutional rule, historical themes associated with pre-communist and communist eras, and vertical dimension themes such as civil society and foreign influence in China. With this increased pressure for conformity at home came intensified United Front demands abroad. Noteworthy targets have been Australia, New Zealand, and Canada—all democracies open to outside penetration, all relatively vulnerable to economic pressure and lacking a large population with corresponding international clout, and all with substantial Chinese diasporas subject to mobilization by the United Front strategies available to China. Elements of sharp power are amenable to usage in other types of countries, but the overall package has been most clearly applied in these cases.

## Prospects for the Renewal of Chinese Soft Power and U.S. Values Diplomacy

Signs of how the soft power competition between the United States and China could readily be distorted came from the Trump administration as well as from China. Karen Skinner, director of policy planning at the State Department, argued that the Sino-U.S. competition, is not like the Soviet-U.S. “fight within the Western family,” but is with a “non-Caucasian power,” making it impervious to human rights principles. Max Boot warned that this is a foreign policy extension of Trump’s nativism.<sup>16</sup> As for the Chinese side, Xi Jinping on May 14, 2019 hosted the first conference on Dialogue of Asian Civilizations, indirectly attacking the United States for “replacing other civilizations,” while positioning China as the champion of cultural affinity.<sup>17</sup>

China, at times, however, has conveyed an upbeat, soft power message. It minds its own business, never interfering in the internal affairs of other countries. It relies on economic ties, promising a win-win outcome. It prioritizes cooperation over competition in great power relations and as a good neighbor. As the champion of developing countries, China provides generous loans to build infrastructure and accelerate economic growth. It does not impose its values or export any sort of ideology, abiding by a live and let live philosophy. Relationships naturally are harmonious in light of these attitudes. Opportunities abound for bilateral diplomacy with showcase projects funded and built by China, for financial ties through the AIIB (Asian Infrastructure Investment Bank) founded and led by China, and for becoming part of the mammoth infrastructure initiative known as the BRI (Belt and Road Initiative). This imagery is juxtaposed with clashing images of the ongoing U.S. foreign policy approach: equality versus hegemony, quiet economic-centered cooperation versus brash,

ideological and military-centered intrusiveness, and getting along with all others versus divisive alliance-building to contain rivals or challengers and support hegemony.

Chinese sources took satisfaction in the 1990s and 2000s in differentiating China's absence of interference in the internal affairs of other countries, from U.S. interference not only militarily but also through ideological pressure under the banners of democratization and human rights. This message conveniently served China's soft power, particularly at the time of George W. Bush's aggressive military behavior and intense advocacy of democratization. Yet, bolder behavior could be discerned in the 2008 Olympic torch parades abroad, in encouragement of the internet outrage toward South Korea in 2008-2009, and in demonization of Japan from 2011 along with newfound assertiveness on regional hotspots from the East China Sea to North Korea. The tone of Chinese writings was changing well before Xi Jinping took command, undermining the soft power that had been accumulated.<sup>18</sup> Xi not only broadened China's foreign profile with his economic and military initiatives, he also put the struggle over ideas in the forefront, initially putting stress on controlling thought at home but soon extending this approach to other states.

There is a strain of Chinese publications that prioritizes cooperation over competition with the United States, that differentiates China's support for the international community from Russia's antipathy to it, and that in 2018-2019 seeks agreements that calm tensions with foreign countries. If it is doubtful in the censored atmosphere authors face that they can call attention to the wounds self-inflicted by Xi's administration due to internal oppression and abuse of sharp power abroad, there is, at least, a starting point for refocusing on soft power through international agreements.<sup>19</sup> In these circumstances, we would not anticipate the end of the ideological struggle with the U.S. and its allies, but a rechanneling of that with clearer ground rules and more Chinese restraint. In insisting that it would not engage in what it calls an ideological struggle reminiscent of the Cold War, China appears to show a preference for soft power competition through national identities.

The ideological struggle during the Cold War was out in the open with Soviets open about their communist ideals, however much they dissembled about the realities that contradicted them, and with the U.S. side showcasing its values, which it came closer to realizing from the 1960s even if the Nixon era witnessed a serious setback. Disinformation was present, especially from highly censored Soviet sources, but it did little to undermine the U.S. political system, while the values diplomacy of the U.S. was largely blocked by the Iron Curtain. Eventually, information filtered into the Soviet Union, helping to create an atmosphere favorable to acknowledgment of false information corrosive of the existing system. While ineffectual Soviet disinformation had little impact on the U.S. system, U.S. values diplomacy played a role in the transformation of its rival.

Yet, even before Trump took office, values diplomacy was failing to have the intended effect in China or Russia. The explanation can be found both in the way each had reconstructed national identity to make it more impervious and control contradictory information, and in the self-inflicted damage to national identity taking place in the United States over an extended period.

Defending the sanctity of democratic institutions and combatting China's sharp power are challenges on multiple fronts. Values diplomacy is bound to be precarious without a solid foundation at home in defense of those very values. The United States has lost much

of its soft power, as seen in international public opinion polls. The Bush war in Iraq on a faulty pretext, the Republican decision to abandon bipartisanship in Congress in order to damage the Obama administration, and the Trump election and reversal of U.S. policies welcomed abroad, have all undercut U.S. soft power. Malfunctioning democratic elections with unrestricted campaign contributions from unknown sources, voter suppression, and other “dirty tricks,” have soiled the U.S. reputation too. For values diplomacy to be more effective, the U.S. should tend to its own democracy, and it needs a president who appeals to less base and self-serving impulses than is the case in 2019. Yet, a foundation remains to do much better. A backlash can be discerned, much in contrast to the doubling down on sharp power that continues in a more monolithic, censored state.

A second factor in values diplomacy is how the United States manages bilateral relations with China since there is a strong dosage of triangularity in relations across East Asia. The U.S. needs to be viewed as fair and seeking a positive outcome even when it is tough and insistent on behavioral changes and reciprocity, shifting responsibility to China for failing to find common ground matters in relations with Asian states prone to hedging and fearful of the breakdown of stability that has enabled them to boost economic growth. This means holding open the door for agreeing on shared values, but values diplomacy does not demand going easy on exposing China’s misbehavior and disturbing values. In the case of Chinese sharp power, a strategy to bring it fully into the open and to work with others in a coalition of democracies and like-minded states is important. U.S. leaders should avoid unilateralism that alienates its allies, xenophobia that makes Chinese in the United States and in diasporas abroad racist targets, and hypocrisy exposing its own shortcomings to comparisons that allow China to win in countering criticisms.

Trump demonized political opponents, the mainstream media, and individuals prominent in opposing his power-grabbing agenda. He, too, had a vision of national identity inimical to ethnic minorities and of historical changes leading to diversity and multiculturalism, thus polarizing American society. His worldview extended to leaders abroad, especially of allied countries, who did not fall in line with his demands, while excusing autocrats who committed egregious human rights violations. Unlike Xi, he lacked control of many instruments of bureaucracy while facing a robust civil society. Trump lacked any strategy to reach out to other nations apart from tearing down multilateral institutions and encouraging those abroad, especially in allied countries, to join in such deconstruction and anarchy. Curiously, the very countries he targets are those with robust liberal institutions, heavily overlapping with the targets of China or Russia’s sharp power.

## Will There Be an Ideological Cold War between China and the United States in the 2020s?

Three distinct approaches to interference in democratic countries can be distinguished. In the Cold War era, communist propaganda and operations insisted that democratic ideals were not being met, appealing for support for radical measures to establish a more perfect union. Pointing to contradictions between the ideal and the actual, they could arouse anger. Of course, there were more insidious measures too, such as disinformation campaigns. In the case of recent Russian sharp power another approach can be detected: sowing chaos to undermine trust in democracy itself. In between these two extremes, sharp power applied

by China seeks to use democracy, where laws are weak and flaws in the system permit, to infiltrate in order to realize some specific foreign policy and regime promotion aims. This is not an attack on the democratic model per se, or a plan to press for changes in that model, but an effort to use the flaws in that system in order to serve CCP long-term objectives. The principal means used is not ideology to win over the disaffected, but diaspora ties to appeal to national loyalties as well as money to capitalize on financial self-interest. Both coopting the diaspora and enticing possible enablers, United Front work proceeds covertly and often corruptly with elements of coercion sometimes present, such as in warnings about relatives back in China. The tactics applied to Western companies can threaten their operations in China or corrupt some of their officials in order to get them to enable Chinese policies and even United Front operations in countries where they also are influential. Yet, these tactics fall short of an ideological struggle since China has only recently shifted in the direction of exporting its model of governance as the preferred alternative to the liberal model.

Confucian Institutes and classrooms are a form of soft power, spreading Chinese influence in an overt manner. They promote a positive image of China, as expected. However, if they are ensconced in an academic setting and play a role in undermining freedom of speech, then they cross a line separating influence from interference. There are grey areas between the two that create some fuzziness for observers. If laws and rules are left unclear, actions may not be viewed as illegal or in violation of academic regulations. Corrupting and covert behavior may not be illegal even if it is concerning. In some countries weak laws allowed for such behavior, while in others weak enforcement vitiated the law's intent. How Chinese officials respond to the recent backlash against the Confucian Institutes will test if revival of soft power is sought. There is a different image of Chinese history that could be invoked as well as a more conciliatory image of working with the international community, not attacking its values, that could win adherents.

On the U.S. side there are also reasons to avoid an ideological struggle. The content of values diplomacy should be measured and not prone to extremism. During the Cold War some critics of the Soviet Union lost sight in demonizing it and calling for the most drastic types of response to the need to appeal to public opinion abroad, and to keep dialogue going with those in the Soviet Union who were inclined, however secretly, to both reform at home and better ties with the West. Similarly, the objective should not be to cut all ties with the targets of criticism, but to find a path toward greater cooperation deemed constructive. The U.S. should never be viewed as the country provoking a new cold war, even if it may interpret China's actions, at times, as leading in that direction and seek to deter them and impose a price for them. Idealistic pursuit of peace and harmony when the conditions do not warrant them is not the answer, but neither is rushing to confrontation. Strategic thinking incorporating values should no longer be neglected.

Whereas since 2001 and especially with the rise of ISIS after the failure of the "Arab Spring" and the U.S. obsession with Islamic terrorism, attention has centered on southwestern Asia, some are saying that the number one long-term challenge to human rights is now China. Given recent willingness in China to propagate the "China model," this leads to calls to expose the dark side of that supposed model, concentrating on its recent seamy record as well as the underside of CCP history, which Chinese censorship is intent on concealing. Such transparency is required, rather than silence in the face of the inevitable values clash, aggravated by China's use of sharp power.

Three moves in late 2017 and 2018 contributed to a sharp deterioration in China's image abroad apart from the gathering response to its use of sharp power. First, Xi Jinping's cult of personality and decision to remove term limits as president aroused a backlash to growing authoritarianism. Some refer to "digital totalitarianism" in light of controls such as facial recognition spreading rapidly across China. Second, draconian controls have been imposed in media and academic circles, removing even the semblance of freedom that had survived earlier crackdowns. There is talk of a return to the "bamboo curtain," parallel to the "iron curtain" shielding the Soviet Union in Cold War times and symbolized by what is called the "Great Firewall." Finally, massive incarceration of Uyghurs and other Muslims in "reeducation camps" are proving reminiscent of concentration camps as well as "brainwashing" once associated with Maoist political campaigns and incarceration. Such self-inflicted loss of soft power cannot be ignored by serious U.S. values diplomacy, exposing these abuses more widely. Some are calling for a strong public information strategy to showcase Chinese violations of basic human rights, not unlike the U.S. campaigns of the 1970s-1980s targeting Soviet outrages. This seems inevitable in the current atmosphere.

Methods used to tighten control over thinking inside China are being transferred for use abroad. Red lines are drawn, putting countries on notice of where they must not go if they are to avoid bringing down China's wrath. Efforts are made to manage news, blocking negative coverage of China, and building positive stories. Whereas the most blatant example of Russian use of sharp power was in the 2016 U.S. elections, for China it was in the 2017 Taiwan elections. Each state sought to enflame "us versus them" internal divisions, to capitalize on grievances and biases, and to play on confused identities in order to weaken national unity. Fake news spread on social media sought to undercut some identities while cultivating others. Pretending to be part of one's in-group, writers, who are paid for each posting, take advantage of open media as well as divisions in a democratic society, with digital disinformation. This is the Chinese challenge, which warrants a response.

## Conclusion

The immediate challenge is not an ideological struggle between two antagonists, but the threat of Chinese interference operations abroad—not soft power but sharp power. The driver in sharp power operations is overseas United Front work, which is not confined to just one specialized organization, but has become a far-reaching agenda for operatives, for officials of many stripes, and for a far-flung apparatus of persons mobilized for select activities. Distinct from influence activities that are familiar forms of public diplomacy, interference is said to occur when activities are covert, corrupt, or coercive. They are not new—after all in the Cold War era they occurred—but the tools for perpetrating them have exponentially expanded, exploited in an unprecedented manner by China as well as Russia. Confronting sharp power is necessary, but so too is boosting values diplomacy with an eye to a long-term competition centered on soft power and hard power.

Xi Jinping, in line with communist tradition, has reinvigorated ideology, and, despite insisting that his approach is transactional, Donald Trump is driven by ideology, steeped in right-wing, U.S. tradition. Xi's drive for control over thought traces back to imperial China and the Cultural Revolution, while Trump's nativist appeal is heir to pre-WWII America and the South on the eve of the Civil Rights era. Both are a throwback to more exclusive notions of national identity with a clearer ideology, a prouder history, a more closed civilizational outlook, and

a simplistic view of international relations. Each is intolerant of dissent, with elements of paranoia, while at the same time, disregarding soft power in an age of globalization. Clearly, the resistance to Trump, at home and abroad, is intense, as many anticipate his ouster if not by impeachment then by the electorate voting in 2020. Xi is secure in power, but he is now facing challenges and could tilt back toward soft power abroad even if refusing to relax draconian controls at home rather than doubling down on sharp power. But many doubt that he would be so inclined, given China's growing hard power and the insistence of such unchallenged domestic control.

Whereas Russian sharp power has become associated with election interference and many types of covert support for far-right political parties and others helpful in sowing chaos, Chinese sharp power targets a much wider range of actors with longer term goals. In both cases democracies are viewed as vulnerable, owing to weak rules or non-transparent implementation of them. Lax enforcement and low awareness open the door to undercover penetration. Each relies on disinformation, deliberately misleading news about both their country and the object being targeted. Russia seeks to weaken other states, leaving a vacuum and making it difficult to take firm state action on matters blocking Russian ambitions. China concentrates on how to strengthen itself and to shape the world for its further unfettered rise. China envisions partner states boosting economic ties and then accepting CCP legitimacy and state policies, in this way coopting the political mainstream. This will prove difficult if responses are vigorous, but it could proceed in tandem with new emphasis on Chinese soft power opposed to values diplomacy.

Xi Jinping and Donald Trump have raised the profile of cultural confrontation well beyond anything their predecessors attempted. Mostly maintaining Deng Xiaoping's "lying low" dictum, Hu Jintao showcased striving for a "harmonious world." In contrast, Xi has demonized Western values diplomacy while proclaiming the "China Dream" as a pathway to national rejuvenation in opposition to the longstanding liberal international order. Trump both denies George W. Bush's obsession with exporting democracy and repudiates Barack Obama's stress on multilateralism. Instead, his "America First" agenda serves as an attack against that same liberal international order, with culture as well as trade standing in the forefront. Because Trump mostly excludes values from his confrontation with China and Xi has until recently preferred to keep values in the background in foreign relations, some might assume that the rising Sino-U.S. clash is almost exclusively about both trade and the balance of power in Asia, when increasingly it exposes a deepening national identity gap. Post-Trump we can anticipate this coming fully into the open.

## Endnotes

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<sup>2</sup> Reuters, February 28, 2019.

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- <sup>13</sup> Gilbert Rozman, "Theories of Modernization and Theories of Revolution: China and Russia," in Zhongyang yanjiuyuan jindaishi yanjiusuo, ed., *Zhongguo Xiandaihua Luanwenji* (Taipei, 1991), 633-46.
- <sup>14</sup> "Xi's Arts Speech: Context and Cultural Implications," China Digital Times, October 27, 2015; John Garnaut, "Engineers of the Soul: Ideology on Xi Jinping's China," *Sinocism*, January 16, 2019.
- <sup>15</sup> Ibid.
- <sup>16</sup> *Washington Post*, May 15, 2019, A21.
- <sup>17</sup> *Ibid.*, A17.
- <sup>18</sup> Gilbert Rozman, ed., *East Asian National Identities: Common Roots and Chinese Exceptionalism* (Washington, DC and Stanford, CA: Woodrow Wilson Center Press and Stanford University Press, 2012).
- <sup>19</sup> For such coverage, see Gilbert Rozman, "The Sino-Russia-U.S. Strategic Triangle: A View from China," *The Asan Forum* 7, no. 1 (2019).





# China's Sharp Power and South Korea's Peace Initiative

Kim Tae-Hwan

If we understand geopolitics as “representations of space” as well as “spatial practices,” then the Indo-Pacific region can be understood as a newly emerging geopolitical hotspot in which major powers are not only vying for the control of spaces, but also waging a war of discourse on values and worldviews, reconstructing geographical spaces in their own interest.<sup>1</sup> Discourse on a nation’s visions and strategies are increasingly employed as a soft power instrument of foreign policy to persuade the international audience, both state and non-state actors. Sharp power is gaining ground in this peculiar context of geopolitical competition combined with the battle for values and ideas.

China is at center stage in this geopolitics-cum-discourse game in the Indo-Pacific region. “We should increase China’s soft power, give a good Chinese narrative and better communicate China’s messages to the world,” Xi Jinping exhorted his comrades in 2014, underscoring the importance of international discourse as a type of communicative soft power.<sup>2</sup> But it is hard to distinguish sharp power from soft power solely in terms of the assets employed, as both utilize similar assets. The differences between the two are revealed only by looking into how those assets are mobilized in the real world. When actually put to use, sharp power is often mingled with soft and hard power, easily stretching into the realm of conventional security.

This chapter delves into how Beijing has been creatively capitalizing on a hybrid approach, using both hard and sharp power in disseminating its message in narrative form. By putting a special focus on Beijing’s strategic moves made against the backdrop of the U.S. deployment of the Terminal High Altitude Area Defense (THAAD) system to South Korea, I examine the ways China combines its sharp and hard power in tackling security issues that its leadership considers as serving “core national interests.” I also address South Korea’s response to China’s sharp power offensive through the lens of inclusionary identity politics, which underscores the need for constructing a shared identity based upon a common vision, even on such critical issues as security. China’s sharp power certainly poses grave challenges to the liberal international order, but what makes Beijing’s value-based offensive sharp-edged is essentially not the discourse per se, but the methods it employs in propagating its narrative. Amidst the contending blocs of values between liberalism and counter-liberalism, South Korea, resorting to peace diplomacy as a non-great middle power, should play the role of a reconciler to avoid the clash of values and ideas, if not civilizations. Below, I argue that South Korea’s peace diplomacy should be ultimately aimed at designing its diplomatic trajectory of advancing counter-geopolitics in order to mitigate geopolitical competition in the Indo-Pacific region.

## Public Diplomacy with Chinese Characteristics, Seeking Global “Blocization” of Values

After four decades of its remarkable rise, China is now clearly revealing its aspirations for global preeminence by re-elevating itself to what its leaders see as its “historically rightful place.” In an attempt to expand its geopolitical influence and fulfill its aspirations, Beijing has been innovative in leveraging a combination of types of power to rewrite the terms of trade, diplomacy, and security on its own terms, challenging the liberal international order. Realizing its soft-power deficit, however, Chinese leadership has underlined in the

last decade the need for enhancing soft power and public diplomacy. Since soft power was explicitly referenced in national government policy for the first time at the 17th National Congress of the Chinese Communist Party (CCP) in 2007, Beijing's public diplomacy drive has been accelerated under Xi Jinping, revealing some notable characteristics.<sup>3</sup>

First, the foci of public diplomacy have been moving away from assuaging the “China threat” perceptions in the West and neighboring countries towards Chinese developmental model, the CCP-ruled political system, and theories and values that support Chinese governance. Unmistakably noticeable in today's public diplomacy is not simply a representation of a country's national identity in its language, history, and culture, but also the ideas and values for which a nation strives to stand in international society. Ideas and values are often constructed as discourse and “strategic narratives.”<sup>4</sup> China's strategic narratives, particularly in the Xi Jinping era, appear to be composed of two elements: the vision of the “China Dream” and traditional Chinese values focused on Confucianism. Overcoming the historical injustice of the “century of humiliation” caused by Western imperialism and Japanese militarism, by 2050 when China achieves its two centennial goals, China will have attained a great power status as a global leader, thus realizing the dream of the “great rejuvenation of the Chinese nation.” In his work report at the 19<sup>th</sup> National Congress of the CCP held in October 2017 Xi declared that, while Mao attained China's independence from colonialism and Deng realized economic prosperity, he would make China strong again in a new era.<sup>5</sup>

At the same time, the CCP underscores traditional Confucian values. As Xi emphasized in his speech at the international conference celebrating the 2,565<sup>th</sup> birthday of Confucius, Chinese traditional culture represented by Confucianism has provided stable values for enhancing social solidarity and national identity.<sup>6</sup> The CCP considers the restoration of traditional values integral to the “core socialist values” keeping Chinese people from being contaminated by a corrupt Western liberal ideology. China's global domination is justified with the traditional notion of *tianxia*, or “all under heaven,” in which the world is ruled by the Chinese emperor, around which all else revolves, and from where China would spread harmony through its culture, language, and values—a Sinocentric empire that values order over freedom, ethics over law, and elite governance over democracy and human rights.<sup>7</sup>

To propagate these narratives and values, Beijing deftly employs diverse power toolkits that include not only soft, but also hard and sharp power. Sharp power refers to the ability to affect others to obtain desired outcomes not through attraction, as in the case of soft power, but through distraction and manipulation of information.<sup>8</sup> Often involved in the exertion of sharp power are attempts by the government to guide, buy, or coerce political influence, and control discussion of sensitive topics globally, typically through nontransparent and questionable, if not outright illegal, means. Thus defined, however, hard power is often so mingled with soft power in practice that differences between the two are blurred when they are actually put to use. Their differences are revealed only by looking into “how” and “with what intended purpose” sharp or soft power assets are employed and implemented as shown in Table 1.

**Table 1: Sharp power vs. soft power: how and with what intended purposes are power assets implemented?**

		How to implement assets of sharp or soft power	
		Transparent	Non-transparent (covert, coercive, corrupt)
With what intended purposes	Attraction	Soft power	Sharp power
	Distraction (division, manipulation)	Sharp power	Sharp power

Beijing is disseminating its discursive strategic narratives, which contain elements of illiberal values and worldviews, in various areas of soft/sharp power assets, as illustrated in Table 2.<sup>9</sup>

**Table 2: China’s public diplomacy in different areas of soft/sharp power assets**

Areas of Activity	Characteristics
Discourse/Narratives	<ul style="list-style-type: none"> <li>• “China Dream”</li> <li>• Traditional Confucian values</li> <li>• Sinocentric worldview</li> </ul>
Media	<ul style="list-style-type: none"> <li>• Media offensive</li> <li>• Utilizing local media companies through buying-up and “borrowed boat” strategy</li> </ul>
Diaspora	<ul style="list-style-type: none"> <li>• Utilizing diaspora organizations/Chinese-language media and Chinese student and scholar associations as both agent and target</li> </ul>
Culture	<ul style="list-style-type: none"> <li>• Confucius Institutes disseminating official views</li> <li>• Self-censorship</li> </ul>
Political pressures/cooptation	<ul style="list-style-type: none"> <li>• Direct &amp; indirect political pressure</li> <li>• Economic incentives</li> <li>• Self-censorship</li> <li>• Encouraging Chinese compatriots’ political participation</li> </ul>

In contrast to Russia, whose sharp power offensive focuses on undercutting the credibility of the target country’s political and economic institutions and amplifying internal tensions and discord in local communities, China’s sharp power is more concerned with justifying the CCP’s uncontested grip on power and controlling discussions of sensitive issues abroad, but its proposed alternative is more egocentric.<sup>10</sup> When Xi Jinping contended at the 19<sup>th</sup> National Party Congress that a “socialist system with Chinese characteristics” would be a new choice for those developing countries that are seeking economic development and independence simultaneously, he was effectively proposing the China model of party-centered and state-led development and governance as an alternative to liberalism. The tightening authoritarian grip at home, and particularly a phenomenal concentration of power in the hands of the CCP and Xi Jinping, radiates outward into the international realm, being expressed as assertiveness of behavior and sharpness of power. Xi has, in fact, eliminated the dividing line between domestic and foreign policy. Now that the country is exporting its political values and norms, China’s governance model is front and center in its foreign policy making and implementation. Sensitive issues are nothing but grave challenges to the CCP authorities and to Chinese sovereign integrity, which should be contained at any cost both at home and abroad. Beijing relentlessly seeks to face down every effort, both domestic and international, that is opposing the CCP.

China recently has taken a comprehensive engagement approach toward developing countries in Southeast Asia, Central Asia, South Asia, Africa, the Middle East, and Latin America, under which political, economic, military and soft powers are combined.<sup>11</sup> Until the early 2000s, China eyed developing countries mostly as a source of raw materials and as markets for Chinese manufactured goods. However, with Xi's ascent to power, Beijing embarked on a comprehensive approach with an emphasis on "major power diplomacy with Chinese characteristics." The approach is characterized by a combination of public diplomacy with political, economic, and military cooperation in traditional diplomacy. Together with summit diplomacy and diplomatic exchanges, for example, the International Department of the Central Committee of the CCP provides education and training programs for political parties of the developing countries. In the economic realm, the Belt and Road Initiative (BRI) seeks to create a new Sinocentric era of globalization using traditional tools of Chinese statecraft as well as new types of economic incentives and debt-financing arrangements, while in the military field, joint exercises, personnel exchanges, and Chinese naval port visits are conducted together with public diplomacy.

China's recent pattern of exercising power and influence upheld by its strategic narratives and values, particularly when combined with Russia's behavior, drives growing "blocization" of values in the global arena. Since the end of World War II, American value diplomacy has been taking a major role in shaping the postwar international order, which is now facing challenges from both within and outside liberal democracies. The rise of far-right nationalist populism poses a grave challenge from within the liberalist group. Populism mushrooming across the Atlantic is fundamentally attached to ethnic or racial nationalism, and even pan-European civilizational identities are based on the differentiation between the Judeo-Christian West and Islam identity, demonizing everything foreign including individuals as well as political and economic establishments.<sup>12</sup> In the U.S., the alt-right, proponents of racist beliefs and policies, are fanning the flames of white supremacy and nationalism. A right-wing populist wave sweeping through Eastern Europe started as a countervailing response triggered by grievances about the liberalist transition that dominated their political landscape since the 1990s. In Hungary and Poland, in particular, democracy is morphing into an instrument of exclusion by denying the minority's rights. The weakening, or voluntary abdication, of American liberal international leadership under the Trump administration accelerates the cleavages within the liberalist bloc itself.

Beijing and Moscow, in contrast, sharing statism and anti-liberalism, view the world order shaped and dominated by the U.S. and its allies as unfair and unjust, and thus, see the promotion of liberal democracy, such as a series of "color revolutions," as a grave threat to regime survival. Anti-hegemonism, anti-Americanism, and anti-liberalism provide common goals for the two countries to forge a counter-liberalist coalition. They ardently advocate democratization of international relations and the multipolar world order, in which the views and interests of non-Western countries are "duly" taken care of. Seen in this viewpoint, the recent rapprochement between Beijing and Moscow is more a "partnership of consequence" founded on normative affinity of the two countries than a "partnership of convenience" for pragmatic interests.<sup>13</sup>

Counter-liberalist values shared by Beijing and Moscow have positive repercussions in some non-Western countries. The BRICS countries—Brazil, India, and South Africa—are concurring with Beijing and Moscow's advocacy of anti-hegemony, a multipolar system,

multilateralism, and the core Westphalian principles of state sovereignty and non-interference in internal affairs. Their anti-liberalist discourse has considerable persuasive power and attraction, i.e. soft power, for some developing countries and non-democratic regimes. In this context, Vladimir Putin proposed, at the St. Petersburg Economic Forum in June 2016, a comprehensive Eurasian Partnership that would include the Eurasian Economic Union (EEU), China, India, Pakistan, Iran, Commonwealth of Independent States (CIS) member states, and other interested countries and organizations. Moscow, in its advocacy of the core traditional conservative values of family, nation, and Christianity (in the form of the Russian Orthodox Church), also finds “natural allies” in the far-left and far-right political parties and conservative forces that include think tanks, scholars and academic institutions, fringe media, and the Catholic churches and NGOs in many European countries where nationalist populism is making a striking advancement.

“Blocization” of values, unlike in the Cold War era, essentially builds on deleterious identity politics, which is revealing exclusionary collective resentments based on national, ethnic, religious, sectarian, and other primal identities and trumpeting anti-liberalist values. Value “blocization” of today thus takes place in the form of scattered confrontations between different national and primal identities, in contrast to the two clashing ideological blocs consolidated in the Cold War era.

## The THAAD Dispute: China’s Sharp Power Manifested

Given the recent way China has been exercising power, its charm offensive could turn into outright threat and pressure, combining hard, soft, and sharp power, whenever the national interests the leadership considers to be “core” are at stake. The Seoul-Beijing dispute on the deployment of the THAAD battery in South Korea demonstrates this pattern of China’s foreign behavior toward neighboring countries, the relationship with which is fundamentally asymmetrical in terms of hard power.

During the Park Geun-hye administration, the deployment of the THAAD battery pushed the bilateral relationship of the two countries from their “unprecedented” nadir to the bottomless pit. After Park took office in 2013, the year 2015 was among the highest points in the South Korea-China relationship since diplomatic normalization in 1992: In March South Korea joined the Asia Infrastructure Investment Bank (AIIB) initiated by China to finance the BRI, and in September Park attended the Victory Day Parade in Beijing to celebrate the 70<sup>th</sup> anniversary of victory over Japan in World War II, despite suspicious eyes in the West. In December the South Korea-China Free Trade Agreement was ratified. The intimate relationship between the two countries even aroused in policy circles in Japan and the U.S. concern that Seoul was leaning toward Beijing and away from Washington. Seoul’s expectations for Beijing’s positive role in resolving the North Korean nuclear issue were heightened by the “unprecedentedly good relations” with China.

North Korea’s fourth nuclear test in January 2016 turned the atmosphere sour, however. Park vainly tried to reach Xi Jinping on the phone. Beijing, to the disappointment of Seoul’s wishful expectations, called for Seoul and Washington to calm down, asking for “cold-hearted responses” to North Korean provocations and reiterating its three principles on Korean issues (no nuclear weapons on the Korean Peninsula, peace and stability, and peaceful resolution

of the North Korean nuclear issue). On February 7, a day after Pyongyang again conducted a long-range ballistic missile test, the Ministry of National Defense of South Korea announced that it would start official talks with the U.S. Department of Defense on the issue of the THAAD deployment to South Korea, reversing the so-called “Three No’s” principle—no request from, no consultation with the U.S., and, therefore, no decision on deployment. Disappointed with China’s tepid attitude, South Korea announced jointly with the U.S., on July 8, 2016, the decision to deploy the THAAD battery. In February 2017, Seongju in North Gyeongsang Province, approximately 300 kilometers southeast of Seoul, was announced as the site of deployment after North Korea launched four ballistic missiles that landed off the Japanese coast. After the U.S. military began deploying the THAAD system to South Korea on March 2017, the first THAAD launchers were declared operational in May. In September all six launchers were deployed after North Korea’s sixth nuclear test.

Frustrated with Beijing’s reticence in the face of North Korea’s provocations, the Park Geun-hye administration tightened pressure on North Korea by enhancing Seoul-Washington security cooperation. Beijing expressed its concerns about the enhancement of trilateral security cooperation between South Korea, the U.S., and Japan against North Korea as “a small NATO in the Asia-Pacific.” The THAAD issue came to the surface, among the toughest conflictual issues since the normalization of diplomatic relations. From 2016, China started sanctioning South Korean entities on its soil in response to the deployment decision. There are at least four notable points of attention revealed in China’s way of exerting pressure in the THAAD case.

First, China imposed unofficial economic sanctions as a retaliatory measure against what it perceives as an infringement on its “core interests.” South Korea was vulnerable because of its economic dependence on China. Economic retaliation was partial and selective, however, targeting South Korean companies and sectors which are active in Chinese markets or susceptible to Chinese consumers, but not sectors such as semiconductors, punishment of which could inflict pain on Chinese firms as well.

Lotte Goup, a South Korean family-run conglomerate that operates retail stores across the region, was among the first to be bludgeoned by China’s retaliation for its supply of the land for the THAAD installation in Seongju. Chinese regulators temporarily closed Lotte stores in China for fire code and safety violations. Lotte eventually withdrew from China’s distribution sector, suffering a loss of over 1 trillion won. But China’s punitive measures were not confined to Lotte, spreading to other South Korean companies which have active business in Chinese markets. There were also scattered efforts to implement a pop-culture blockade, with South Korean television programs pulled from Chinese websites. Events and concerts in China featuring South Korean music and TV stars were abruptly canceled. In particular, China’s ban on group tourism to South Korea drastically cut the number of Chinese tourists to South Korea almost in half by 2017.<sup>14</sup> (Chinese tourists accounted for 8 million of the roughly 17 million people who visited South Korea in 2016.) China’s National Tourism Administration was reported to have ordered travel agencies to stop all tour groups and cruise ships by March 15, 2017, which was sporadically confirmed by some Chinese travel agencies.<sup>15</sup> In a little more than a decade, China has gone from a minor player to the most important country of origin for tourists across the Asia-Pacific region, with 129 million making overseas trips in 2017. Due to its unique ability to control outbound tourists, China can use tourism as a tool of pressure with few effective countermeasures.<sup>16</sup>

Although there are no official statistics on South Korea's overall economic loss caused by Chinese economic sanctions, one study estimates it to reach 8.5 trillion won, or 0.5% of South Korea's GDP in 2017 alone—7.1 trillion for the tourist sector, 1.4 trillion for exports, and 8.7 billion won for cultural losses.<sup>17</sup> It is quite obvious, though tricky to prove, that economic retaliation is now Beijing's oft-used political modus operandi, adopted to put it in a stronger position in diplomatic relations, as evidenced by the way Beijing addressed troubles with Japan, Norway, the Philippines, Mongolia, and Taiwan in the past. China's use of economic clout to bash its counterparts politically is an effective tactic partly because it is such a veiled maneuver difficult to prove. In the THAAD case as well, the Chinese authorities denied any official measures against South Korean products.

Second, China tried to exploit divided views on the THAAD deployment within South Korea to its advantage. South Koreans have been divided over the issue since the announcement of the deployment. According to a series of surveys by the Asan Institute for Policy Studies, support for THAAD was highest in the immediate aftermath of North Korea's fourth nuclear test in February 2016, when 73.9% supported the American missile defense system.<sup>18</sup> However, the numbers continued to decline as the issue became politicized in the country. Disapproval has increased from the lowest 20.7% in February 2016 to the highest 50.6% in March 2017.

Conservative forces led by the then-ruling *Saenuri* Party argued that the THAAD deployment was the right decision because it was an unavoidable self-defense measure to cope with the North Korean nuclear and missile threats and a concrete sign of Washington's unwavering commitment to the South Korea-U.S. alliance. Meanwhile, progressive forces led by opposition parties took a contrasting stance, calling for immediate reversal of the decision. They argued that the THAAD system is of limited military utility and believed its deployment would not only harm relations with China, South Korea's vital economic partner, but also pit China and Russia against South Korea while strengthening their ties with North Korea. Opposition groups see the deployment of the THAAD system as a prelude to Seoul joining a U.S.-led missile defense system, which could in turn revive a new Cold War structure in Northeast Asia. This binary approach was evident in Korean public discourse, which labels those who support THAAD as "pro-American," and those who oppose it as "pro-Chinese."<sup>19</sup>

As the domestic division intensified and the THAAD issue became politicized in the midst of the early presidential elections due to the impeachment of Park Geun-hye, China tried to seize this opportunity to press South Korea to reverse the deployment decision. An editorial of *Global Times* wrote, "Chinese Foreign Minister Wang Yi met with seven Korean lawmakers from an opposition party over THAAD, and they have since been criticized back in their country as 'serving a big power' and 'selling out the national interest.'"<sup>20</sup> China's retaliation appeared to target the intensifying division in South Korea, which eventually would lead to reversal of the decision and drive a wedge between South Korea and the U.S.

Third, Beijing methodically and deliberately stoked Chinese nationalism as a means of strengthening social cohesion in pressuring South Korea. The Chinese media heavily covered the THAAD issue, contributing to the deterioration of public opinion against South Korea, which in turn led to boycotts of South Korean products. There were circular effects mutually reinforcing between unofficial sanctions, the media's negative and aggressive coverage, and Chinese public opinion. *Global Times* argued:

“The South Korean government has seriously underestimated China’s public opinion against THAAD. Department stores in Seoul may be popular among Chinese tourists. However, these tourists haven’t forgotten their identity. Chinese people have a clear mind about the situation on the Korean Peninsula and will not sacrifice national interest for Korean cosmetics if Seoul chooses to side with the U.S.”<sup>21</sup>

Xinhua News Agency wrote, “The right decision would be for Lotte to defer or reject the deal...Lotte stands to lose Chinese customers and the Chinese market. That would be a very large slice out of their business pie.”<sup>22</sup> Even Chinese school children have reportedly joined boycotts of Korean goods, chanting along with a teacher, “Lotte, leave China! Boycott Korean goods! Protest THAAD! Love China!”<sup>23</sup> According to over twenty opinion polls conducted by *Huanqiu* Online between February 2016 and November 2017, an absolute majority of Chinese respondents approved China’s retaliatory measures for South Korea.<sup>24</sup> In a February 2017 poll, 95% supported boycotts of not only Lotte goods, but also all South Korean products. After the conclusion of the land swipe between Lotte and the government, boycotts of South Korean products began to intermittently take place across the country.

Fourth, although the deployment decision was made jointly by South Korea and the U.S., China’s retaliation was exclusively targeted at South Korea. By doing so, China tried to widen any divide between South Korea and the U.S. There is a fundamental difference in the views on the deployment of THAAD between South Korea and China. Seoul, together with Washington, insisted that the decision to deploy the THAAD battery was solely to meet the defensive need against North Korean nuclear and missile threats, while China sees the deployment from a strategic viewpoint in the competition with the U.S. What concerns China is not a direct military threat from the THAAD battery in South Korea, but the expansion of American containment of China through the enhancement of the South Korea-U.S. alliance and trilateral security cooperation between the U.S., South Korea, and Japan.<sup>25</sup> China’s foreign minister Wang Yi stated, “The THAAD system has far exceeded the need for defense in the Korean Peninsula and will undermine the security interests of China and Russia, shatter the regional strategic balance and trigger an arms race.”<sup>26</sup> China sees South Korea as the weakest point in the trilateral security relationship and may have hoped that it could drive a wedge by creating an issue that would stir up anti-American sentiment in South Korea or, optimally, that would produce an apparent defeat for the U.S. if China could persuade South Korea not to deploy the system.<sup>27</sup> If South Korea rolled back its decision to deploy the THAAD system, it would likely shake the foundation of the alliance, eventually weakening the military role of South Korea in U.S.-led containment efforts against China.

China’s pressure failed to attain its goal—the withdrawal of the THAAD battery from South Korea—with mutual perceptions of South Koreans and Chinese only deteriorating. A March 2017 public opinion survey shows that the favorability of China among South Koreans dropped precipitously to a level (3.21 on a 1 to 10 scale) even below that of Japan (3.33). South Koreans’ favorable stance toward China has declined sharply from its high of 5.46 in September 2015 when Park Geun-hye attended the military parade in Tiananmen Square.<sup>28</sup> The THAAD dispute revealed a discrepancy between Beijing’s rhetorical values and its deeds, in which case, values stop functioning as soft power.<sup>29</sup> Despite China’s lofty description of itself as a different kind of great power with noble intentions, China failed to live up to its own standards. It utilized hard and sharp power, from economic leverage to

political and public pressure, to try to influence the policy choices of South Korea. Beijing's often touted "principle of amity, sincerity, mutual benefit and inclusiveness" in its relations with neighboring countries, as well as its emphasis on a "community of common destiny," turns out to be hollow when what its leadership considers "core interests" are at stake.

Beijing's sharp diplomacy throughout the THAAD dispute indeed played a crucial role in disillusioning South Korean people at large, and its intellectuals in particular, who, regardless of their political inclination, had nourished an image of benign power from a rising China. The Seoul-Beijing relationship has had unstable moments for the past three decades since the normalization, particularly whenever historical and territorial disputes broke out between the two that appealed to nationalist sentiments, such as China's Northeast Asia Project and its territorial claim to leodo, a reef located 149 kilometers from the southernmost South Korean island Marado. The THAAD dispute, however, revealed Beijing's geopolitical intention that goes far beyond parochial, nostalgic nationalism. Many South Koreans have now come to recognize that Beijing's expansive nationalism is combined with assertive geopolitical aspirations to make China more threatening with its sharp-edged power.

## Geopolitics, Divided National Identity, and South Korea's Peace Diplomacy

No doubt, a country's foreign policy reflects its historical experience, culture, norms, and values that constitute its national identity. Constructivists believe that self-defining identity becomes a basis for choosing foreign policy goals and strategies, thereby shaping national interest.<sup>30</sup> National identity consists of diverse components that include a group of essentialist elements such as ethnicity, language, and shared culture and history, and ideational ones such as norms, values, and ideals. When values as an ideational component of identity refer to abstract standards or principles of what is right and desirable, value diplomacy can be defined as a country's foreign policy to advocate, promote, and realize specific values embedded in its national identity. Value diplomacy thus defined has multiple dimensions, as shown in Table 3.

<b>National identity</b>	Foreign policy reflecting values ingrained in national identity.
<b>Cognitive frame</b>	Values in foreign policy serving as a cognitive frame, through which actors construct social reality from material reality.
<b>National role conception</b>	Value diplomacy should go in parallel with concrete roles and practice.
<b>Soft power</b>	When value diplomacy gains recognition and acknowledgement in the international realm, it could be a source of soft power.
<b>Norm entrepreneur</b>	Values could create norms in the international society, around which coalesce like-minded countries.

South Korea's value diplomacy can be assessed along these multiple dimensions. Its values embedded in national identity, and reflected in foreign policy, have vacillated in the post-World War II era as the Northeast Asian geopolitical structure has been shaping South Korea's identity politics. While geopolitics is generally conceptualized as the struggle between states for control and influence over space and place, it is also, seen through the lens of critical geopolitics, about a geographically-grounded approach of spatializing the world that "provides the geographical framing within which political elites and mass publics act in the world in pursuit of their own identities and interests."<sup>31</sup> This critical view focuses on how certain geopolitical representations, or imaginations, underpin specific policies and practices that are then interpreted in terms of them. Actors respond to the geopolitical environment, but they do so by "framing" their policies largely in terms of bigger geopolitical pictures.

The manifestation of Cold War geopolitics helped to secure and reinforce a set of geographical identities in South Korea, while serving to discipline differences within the country. Thus, throughout authoritarian administrations under presidents Syngman Rhee, Park Chung-hee, and Chun Doo-hwan, South Korea's national identity construction had long been suppressed and imposed from above with such widely exalted national aims as anti-communism and promotion of national security, and as a corollary, a great emphasis was on the importance of the South Korea-U.S. alliance. Competitive identity construction only began with democratization in the late 1980s and intensified especially since the 2000 inter-Korean summit between Kim Dae-jung and Kim Jong-il. Progressives and conservatives have competitively constructed contending views on North Korea as a crucial element—the significant other—of national identity, which have been reproduced and amplified by experts, policymakers, and media. The deepening polarization in South Korean identity politics has played a crucial role in shaping South Korea's policy toward the North. The South-South divide, or *nam-nam kalteung*, firmly founded on Korean identity politics, has had a deep, enduring influence on the way successive administrations craft and implement their foreign policy. Different administrations have taken different approaches to North Korea, appealing to their respective political constituency. The ideological divide, in combination with the regional divide, has become a crucial electoral platform for garnering South Koreans' votes.

The progressive administrations, led by presidents Kim Dae-jung and Roh Moo-hyun, endeavored to set and attain their national aims of inter-Korean reconciliation and peaceful coexistence of the two Koreas. In contrast, the conservative administrations, under presidents Lee Myung-bak and Park Geun-hye, placed their policy priority on consolidating the South Korea-U.S. alliance even at the expense of inter-Korean reconciliation. They clearly show differences in their commitment to inter-Korean reconciliation and the South Korea-U.S. alliance, and their policy choices were a function of their own policy preferences premised on particular political dispositions. The respective continuity in North Korea policy of progressive administrations and conservative administrations demonstrates the enduring effect of South Korea's identity politics on its North Korea policy choice in particular, and value diplomacy in general.

In the tradition of progressive administrations, the Moon Jae-in administration embraces peace as the utmost value to pursue through its foreign policy making and implementation. This is manifested not simply in a series of Moon's speeches and major government documents, but also in South Korea's role in making a lasting peace on the Korean Peninsula. Soon after its inauguration in May 2017 amid a grave security environment, the Moon administration declared the resolution of the security crisis and the establishment of peace on the Korean Peninsula top priorities, proclaiming three policy goals: the peaceful resolution of the North Korean nuclear issue, the establishment of a lasting peace on the Korean Peninsula, and the development of sustainable inter-Korean relations and realization of a new economic community on the Korean Peninsula.<sup>32</sup> A clearer element of Moon's peace initiative was disclosed in his speech at the Körber Foundation in Germany on July 6, 2017.<sup>33</sup> Under the vision of "peaceful coexistence" and "co-prosperity," the so-called Berlin Initiative consists of five pillars aimed at establishing peace on the Korean Peninsula: pursuit of peace which neither involves North Korea's collapse nor a forced unification, denuclearization that guarantees security of the North Korean regime, enactment of the inter-Korean agreements into law and conclusion of a peace agreement with the participation of relevant countries, work toward drawing a new economic map on the Korean Peninsula, and consistent pursuit of nonpolitical exchanges and cooperation projects.

The value of peace does not simply reflect the elements embedded in South Korea's national identity politics. It is also serving as a cognitive frame for the Moon administration to perceive North Korea and Korean reunification in inclusionary, not exclusionary, terms. Moon sees Korean unification not as an outcome as did his predecessors, but as an enduring inclusionary process "where both [North and South Korea] sides seek coexistence and co-prosperity and restore its national community."<sup>34</sup> Moon states, "What we are pursuing is only peace. A peaceful Korean Peninsula...is a peninsula where the South and the North recognize and respect each other and live well together."<sup>35</sup> If peace between the two Koreas is institutionalized to allow all Koreans to live without threat, North and South Korea will be able to recover national homogeneity and a sense of community, and, ultimately, achieve peaceful unification.<sup>36</sup>

This inclusionary view is in contrast with Lee Myung-bak's "Denuclearization and Opening 3000" and Park Geun-hye's "Unification as Bonanza," which underscore the preconditions for South Korean economic assistance to the North and the benefits to be gained by unification. Lee Myung-bak promised to provide comprehensive economic support to raise North Korean per capita GDP to \$3,000 per year in exchange for the North's denuclearization and integration with the international community. Park's strategy, based on a strong alliance with the U.S., adopted essentially the same template that had been used by the Lee administration. North Korea's denuclearization was considered a prerequisite for the achievement of a trust-based inter-Korean relationship, while the administration continued to view the security alliance with the U.S. as the foundation for its security by building on Lee's pro-alliance policy.<sup>37</sup>

The Moon administration's peace value is now being upheld by South Korea's specific role in the Korean Peninsula peace process. National role conceptions refer to domestically held political self-views or self-understandings regarding the proper role and purpose of one's site in the international arena.<sup>38</sup> Providing long-standing guidelines or standards for

behavior, a role conception conveys the image of what policy-makers regard as appropriate orientations of their state toward the external environment. South Korea's role in three areas is particularly notable: balanced diplomacy between the U.S. and China, inter-Korean reconciliation, and mediation between the U.S. and North Korea.

The resolution of the THAAD dispute between Seoul and Beijing, however incomplete it may be, could be viewed as South Korea's effort to take a balanced position between the U.S. and China. Soon after his inauguration in 2017, Moon exerted considerable effort to restore the relationship with China through multiple diplomatic channels. Beijing responded with positive signals such as high-level contacts and the renewal of the bilateral currency swap deal. On October 31, after a series of close consultations through diplomatic channels, the two countries finally agreed that the difficulties in bilateral relations due to the THAAD issue were not in accordance with the mutual interests of the two countries.<sup>39</sup>

In a joint statement, Beijing reiterated its opposition to the deployment of the THAAD system to South Korea and its concerns about the U.S.-led regional missile defense program, the deployment of additional THAAD batteries, and U.S.-South Korean-Japanese military cooperation. Although Seoul did not explicitly present its position on these issues in the statement, Foreign Minister Kang Kyung-wha stated Seoul's "Three No's" policy in a National Assembly hearing a day before the agreement, saying that Seoul had no intention to install additional THAAD batteries, participate in a regional missile defense system, and form a trilateral alliance with the U.S. and Japan.<sup>40</sup>

Having held bilateral meetings with Xi on the occasion of the Asia-Pacific Economic Cooperation (APEC) summit in Da Nang on November 11 and Prime Minister Li Keqiang on the occasion of the Association of Southeast Asian Nations (ASEAN) +3 summit (with +3 referring to China, Japan, and South Korea) in Manila two days later, Moon made a state visit to China in December, which came at the 25<sup>th</sup> anniversary of the establishment of diplomatic relations. During the Moon-Xi summit on December 14, the two leaders concurred on the restoration of bilateral exchanges and cooperation, as well as four principles to secure peace and stability on the Korean Peninsula.<sup>41</sup> Moon's state visit gave momentum to restoring relations. Consequently, Chinese group travel to South Korea partly resumed and various activities to strengthen relations once again also began to resume, including cultural exchanges organized by local governments and private institutions, thereby promoting people-to-people exchanges between the two countries.

In essence, South Korea agreed to at least symbolically distance itself from a U.S.-led strategy of containing China's presence in the region, in an effort to assure Beijing of its strategic position in the region. Although the agreement stirred up fierce domestic disputes in South Korea, with conservatives saying it was humiliating, low-posture diplomacy damaging security sovereignty while progressives valued it as peace momentum, the gist of the resolution of the issue was to strike a balance between Washington and Beijing to further pursue a neutral, peace diplomacy. While valuing an alliance with the U.S., Moon vowed to step up diplomatic efforts with China to peacefully resolve the North Korean problem through dialogue. Moon made this position clear by stating in an interview with *Channel News Asia* that he would pursue "a balanced diplomacy by honoring relations with the U.S. and having a closer relationship with China at the same time" as "the relationship with China has become more important not only in terms of economic cooperation, but also for strategic cooperation for the peaceful resolution of the North Korean nuclear issue."<sup>42</sup>

Moon's move to mend relations with Beijing while maintaining the deployment of the THAAD system represents Seoul's ongoing tightrope balance between its two most important bilateral relationships. With the top priority given to promoting peace and diplomatic resolution of the North Korean nuclear issue, the Moon administration is not eager to take sides between the two competing powers. This position was also demonstrated in Seoul's cautious approach to the U.S.-initiated Indo-Pacific strategy. When Trump during his visit to South Korea in November 2017 highlighted the U.S.-South Korea alliance as "a linchpin for security, stability and prosperity in the Indo-Pacific," Seoul was slow to embrace the concept, or its role as a linchpin, especially when the most clearly defined characteristic is its military and defense-orientation.<sup>43</sup>

Another notable role of South Korea is that of peacemaking on the Korean Peninsula through inter-Korean reconciliation. Following Kim Jong-un's 2018 New Year's speech, Moon had launched his peace initiative, which eventually led to North Korea's participation in the PyeongChang Winter Olympic Games. Since then, Moon and Kim have met three times in less than a year. The inter-Korean summits on April 27 at Panmunjom and on September 19 in Pyongyang, while supportive of North Korean denuclearization, put great emphasis on an "epochal advancement of the North-South Korean relations," military tension reduction through confidence-building measures (CBMs), and eventually the establishment of a peace regime on the Korean Peninsula. While at Panmunjom, the two leaders declared the opening of a "new era of peace" on the peninsula, the Pyongyang Joint Declaration recommitted both sides to activities already agreed in the Panmunjom Declaration, and produced a longer annex on military CBMs signed by the two sides' defense ministers. The "Agreement on the Implementation of the Historic Panmunjom Declaration in the Military Domain" prescribes a range of confidence-building and practical steps to reduce tensions at the border.<sup>44</sup> These include the demolition of guard posts within the DMZ, joint demining and search for missing-in-action (MIA) remains in two areas within the zone, and the establishment from November 1, 2018 of specified no-fly limits on either side of the Military Demarcation Line (MDL). From that date all military exercises along the MDL aimed at the other side are also proscribed.

Since the three inter-Korean summits, inter-Korean relations have continued to forge ahead. In the months after the Pyongyang summit, the two Koreas continued to meet at lower levels to discuss creative and effective ways to implement its provisions. Although it remains the case that almost all economic dealings with North Korea risk breaching sanctions and, thus, progress in economic cooperation was slower since UN and other sanctions continued to block most inter-Korean economic dealings, a series of dialogues, exchanges, and cooperation in culture, arts, and athletics have been taking place.

No less important is Moon's adroit mediating role between Washington and Pyongyang. The Moon administration has sought a virtuous cycle of a conciliatory inter-Korean relationship and friendly relationship between North Korea and the U.S. based on mutual efforts at advancing the confidence-building process. In the past, when inter-Korean relations were completely broken, third party interventions were needed to foster inter-Korean dialogue and understanding, all the more so because the North had refused to have any meaningful dialogue with the South while attempting to improve communications with the U.S., a stance called *tongmi bongnam* (communicate with America, while blocking the South). Since the latest rapprochement, however, Seoul has emerged as a means to improve communications with Washington.<sup>45</sup>

The historic Singapore summit in June followed two critical moments. The first was when Trump accepted Kim Jong-un's invitation to meet immediately upon hearing about it from the South Korean delegation in the aftermath of the April Panmunjom summit. The second was when Trump abruptly canceled, on May 24, the scheduled U.S.-North Korea summit in Singapore. The two heads of states, Moon and Kim, met unexpectedly on the North Korean side of Panmunjom on May 26 at Kim's request to put their heads together to discuss ways to salvage the canceled summit meeting. Having met with Trump in Washington on May 22, Moon played the role of mediator between the two by tactfully delivering each side's messages to the other. He delivered Kim's expression of his "firm commitment to a complete denuclearization of the Korean Peninsula," while briefing Kim on his meeting with Trump in Washington, telling him that the U.S. was willing to end hostile relations and provide economic cooperation with North Korea should it completely denuclearize. "Since both Chairman Kim and President Trump want a successful summit, I stressed that the two sides need to communicate directly to remove their misunderstandings and to hold sufficient working-level talks on the agenda for the summit meeting," Moon said in a press briefing after the second summit with Kim.<sup>46</sup>

On February 19, 2019, one week ahead of the second Kim-Trump summit, Moon told Trump in a telephone call that South Korea was determined to take up the role of opening economic engagement with North Korea as a "concession" if it would hasten Pyongyang's denuclearization.<sup>47</sup> Moon appeared to suggest that if Washington could not immediately ease the current UN or bilateral sanctions, it should consider letting South Korea press ahead with inter-Korean collaborative projects, such as reconnecting rail and road links between the two Koreas and other economic cooperation, as an alternative incentive for the North. Moon pinned his hopes on encouraging the North to denuclearize by incentivizing its actions.

The second U.S.-North Korean summit in Hanoi in February 2018 ended with no agreement whatsoever, only revealing the gap between Washington and Pyongyang in their approaches to North Korean denuclearization: Washington demanded the final, fully verified denuclearization (FFVD) of North Korea ahead of the full lifting of sanctions against it, while Pyongyang, according to Foreign Minister Ri Yong Ho's midnight press conference after the summit was over, offered to dismantle the nuclear facilities in Yongbyon under the observation and verification of the U.S. in exchange for partial lifting of five UN Security Council sanctions resolutions imposed since 2016. The failure of the Hanoi summit, however, does not spell the end of South Korea's peace initiative. Despite the Hanoi setback, Seoul remains optimistic about the peace process because the negotiation track is still open, and Pyongyang and Washington can be brought back to the table. South Korea has a pivotal, albeit very daunting, role to play in the process's coming phase, drawing Washington and Pyongyang closer to each other by narrowing the gap between the two approaches. Moon's peace initiative, and his constructive role between Washington and Pyongyang in particular, would be a critical foundation, once successful, on which to build South Korea's peace diplomacy beyond the Korean Peninsula in a longer time horizon.

## Conclusion

Over the course of its history, South Korea's political landscape has long been dominated and entrapped by the tumultuous geopolitical dynamics of Northeast Asia. The divided Korean Peninsula with the two confronting Koreas created an environment conducive to the penetration and manifestation of the post-World War II geopolitical environment on the peninsula, with the two nations falling victim to regional geopolitical dynamics for decades. Since rifts between the South and the North have continued and often been amplified by such regional dynamics, the end of the Cold War did not bring an end to, or at least roll back, the influence of ideological geopolitics on the Korean Peninsula.

Ideological geopolitics has now morphed into classical geopolitics marked by great power rivalry, particularly between the U.S. and China, whose scope is not necessarily delineated by ideological contentions. Inter-Korean confrontation has been spawned and unfolded in a way that entraps South Korea in this newly forged geopolitical rivalry in the region, making its dependence on the alliance with the U.S. necessary since the end of the Korean War. Added to this security dependence on the U.S. is South Korea's growing economic dependence on China, attributable to its export-driven economy and China's rapid rise. China, when combined with Hong Kong, now accounts for nearly one third of South Korea's exports. Almost half of total foreign visitors to South Korea are Chinese, who spend, on average, five times more than an ordinary foreign tourist. Moreover, Chinese investors hold almost 18 trillion won in South Korea's government bonds and publicly traded securities. Thus, the current picture of South Korean politics and diplomacy is complicated by Seoul's dual dependence, meaning the intertwining of security dependence on the U.S. on the one hand and economic dependence on China on the other. This dual dependence makes South Korea vulnerable to great power competition, and China's sharp power offensive in particular. Seen in this perspective of a geopolitical trap, improvement of inter-Korean relations and the establishment of a lasting peace on the Korean Peninsula would be a crucial, fundamental requisite to effectively navigate through the coming wave of China's sharp power offensive.

In today's global context of value "blocization" driven by great powers, it is crucial for non-great powers to espouse impartial and inclusionary values and roles to prevent "blocization" from erupting into violent confrontations. In converting the current exclusionary identity politics into inclusionary politics, it would be critical not to join either of the blocs hurriedly, but to uphold neutral, inclusive values such as peace, coexistence, and reconciliation, bolstered by concrete roles to fulfill the ideals of such values. Central to inclusionary identity politics is to admit and acknowledge differences between the "Self" and "Other," and to endeavor to peacefully coexist with the different others. The "Self" and "Other" should not necessarily be pitted against each other in order to foster peaceful, constructive coexistence. It would be possible for South Korea to unlock the potential for launching a well-grounded platform for its peace diplomacy in the years ahead based on the ongoing peace process between North and South Korea. Moreover, the role of an inclusive peace facilitator, once successfully performed and recognized by the international community, would also provide South Korea with invaluable diplomatic leverage punching over its hard power weight.

## Endnotes

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- <sup>24</sup> So-ryung Choi, "China's Domestic Factors in the THAAD Dispute," *Sungkyun China Brief*, No. 47 (April 2018). [in Korean]
- <sup>25</sup> Ankit Panda, "THAAD and China's Nuclear Second-Strike Capability," *The Diplomat*, March 8, 2017.
- <sup>26</sup> Quoted in Jane Perlez, "For China, a Missile Defense System in South Korea Spells a Failed Courtship," *New York Times*, July 8, 2016.
- <sup>27</sup> Mark Tokola, "Why Is China So Upset about THAAD?" <http://keia.org/why-china-so-upset-about-thaad>.
- <sup>28</sup> Kiyoon Kim, John J. Lee, and Chungku Kang, "Changing Tides."
- <sup>29</sup> Joseph S. Nye, Jr., *Soft Power: The Means to Success in World Politics* (New York: Public Affairs, 2004), 11.
- <sup>30</sup> See, for example, Alexander Wendt, *Social Theory of International Politics* (New York: Cambridge University Press, 1999).
- <sup>31</sup> John A. Agnew, *Geopolitics: Re-Visioning World Politics*, 2nd ed. (New York: Routledge, 2003), 3.
- <sup>32</sup> Early in 2017, North Korea tested a series of ballistic missiles including Pukkuksong-2(SLBM) on February 12 and Hwasong-12(IRBM) on May 14. North Korea launched a total of 20 ballistic missiles in 2017 alone, and proclaimed to have "finally realized the great historic cause of completing the state nuclear force." Due to Pyongyang's repeated acts of provocation and threatening rhetoric, the situation on the Korean Peninsula grew more unstable, and some within the U.S. began to raise the possible use of military force. This led to an unprecedentedly heightened sense of crisis.
- <sup>33</sup> "President Moon Jae-in's Address at the Körber Foundation, Germany on July 6, 2017." <https://english1.president.go.kr/BriefingSpeeches/Speeches/65>.
- <sup>34</sup> *Ibid.*
- <sup>35</sup> *Ibid.*

- <sup>36</sup> The ROK Ministry of Unification, *Moon Jae-in's Policy on the Korean Peninsula: A Peninsula of Peace and Prosperity* (2017).
- <sup>37</sup> Scott A. Snyder, *South Korea at the Crossroads: Autonomy and Alliance in an Era of Rival Powers* (New York: Columbia University Press, 2017), 168.
- <sup>38</sup> Mathilde Chatin, "Brazil: Analysis of a Rising Soft Power," in Chatin and Giulio M. Gallarotti, eds., *Emerging Powers in International Politics: The BRICS and Soft Power* (New York: Routledge, 2018), 36-37.
- <sup>39</sup> For a full text of the October agreement, see Press Release of the ROK Ministry of Foreign Affairs, October 31, 2017, [http://www.mofa.go.kr/www/brd/m\\_4080/view.do?seq=367200](http://www.mofa.go.kr/www/brd/m_4080/view.do?seq=367200).
- <sup>40</sup> *Chosun Ilbo*, October 30, 2017.
- <sup>41</sup> These four principles are: war on the Korean Peninsula can never be tolerated; denuclearization of the Korean Peninsula will be firmly maintained; all issues, including the denuclearization of North Korea, will be peacefully resolved through dialogue and negotiations; and an improvement in inter-Korean relations will ultimately be helpful in resolving issues involving the Korean Peninsula.
- <sup>42</sup> Moon's interview with Channel News Asia, November 3, 2017, <https://www.channelnewsasia.com/news/asia/cooperation-with-the-us-japan-important-to-deal-with-tension-9373348>
- <sup>43</sup> The Presidential Office stated in its official press release, "Though the concept of the Indo-Pacific region recently proposed by the U.S. does have some similarities with our policy of diversifying our foreign relations, we believed it required additional consultations to see if it was an appropriate concept while pursuing our mutual strategic goals." Yonhap News, November 10, 2017, <https://en.yna.co.kr/view/AEN20171110004000315>
- <sup>44</sup> The full text is available at <https://www.ncnk.org/resources/publications/agreement-implementation-historic-panmunjom-declaration-military-domain.pdf>.
- <sup>45</sup> Interview with Chung-in Moon, *The National Interest*, February 12, 2019, <https://nationalinterest.org/feature/chung-moon-there-are-no-viable-options-except-engagement-dealing-north-korea-44327?page=0%2C1>
- <sup>46</sup> "Outcome of Second Inter-Korean Summit," The ROK Ministry of Foreign Affairs News, [http://www.mofa.go.kr/eng/brd/m\\_5674/view.do?seq=319696](http://www.mofa.go.kr/eng/brd/m_5674/view.do?seq=319696)
- <sup>47</sup> Choe Sang-Hun, "South Korea Proposes Joint Economic Projects to Prod North to Denuclearize," *New York Times*, February 19, 2019.



# Just a Dash? China's Sharp Power and Australia's Value Diplomacy

**John Fitzgerald**

When supporters of China's President Xi Jinping point to his many accomplishments they highlight his impressive anti-corruption drive, the end of the one-child family policy, the intensive monitoring of social organizations and citizens, his reorganization of the party and its armed forces, the unilateral occupation and militarization of contested territories in the South China Sea, and the massive Belt and Road Initiative advanced under his administration. Among these larger accomplishments, one that is easily overlooked is his role in compelling the people and government of Australia to recalibrate their relationship with China. In particular, the actions of his government have triggered a major rethink on the place of values in Australian foreign policy and diplomacy. One measure of this recalibration is the Australian government's 2017 Foreign Policy White Paper, *In the National Interest*.

To be sure, strategic statements on foreign policy issued by Australian governments in recent decades have all paid deference to the values that underpin foreign policy. Statements about values in high-level strategic statements are not in themselves reliable indicators of whether values inform everyday foreign policy operations and diplomacy, or if they do, then how and to what degree they do so. Nevertheless, strategic foreign policy statements do signal significant shifts in government thinking and intentions to interested parties. Comparing the place of values across a historical series of foreign policy statements can provide a crude but useful measure of changes in Australian foreign policy thinking and of the factors that trigger and shape these changes, at the same time providing insights into the responses of governments likely to be affected by them.

In years past, statements on Australian foreign policy seeking to advance the national interest have generally taken the national interest to mean promoting national prosperity and security. Prime Minister John Howard (PM 1996-2007), who presided over the first two white papers, was inclined to speak highly of national values only to subordinate them to concern over jobs and security in his strategic thinking. Hence his first white paper focused on:

the hard-headed pursuit of the interests which lie at the core of foreign and trade policy: the security of the Australian nation and the jobs and standard of living of the Australian people. In all that it does in the field of foreign and trade policy, the government will apply this basic test of national interest.<sup>1</sup>

A definition of the national interest that focused on jobs and security all but excluded values diplomacy from the Australian foreign policy tool box. In light of this experience, Allan Gyngell and Michael Wesley describe the historical balance between national interests and values in Australian foreign policy in a way that many Australians would find familiar: "For Australia, as for most states, the national interest has invariably been defined as a combination of national security plus national prosperity, with the occasional dash of national values."<sup>2</sup>

The throwaway line on values in this textbook quotation is a fair indication of how values have historically been approached and perceived by Australian foreign policy practitioners and experts. In Australia, pragmatism has long been elevated to a second-order value in foreign affairs and diplomacy on the understanding that achieving a desired outcome is preferable to promoting a perfect moral framework that achieves little in the actual world.

Accordingly, values are customarily assigned an instrumental or supporting role in Australian foreign policy and diplomacy, chiefly bearing on the ways and means through which national interests are pursued, rather than touching on fundamental interests themselves, or being factored into assessments of the risks and opportunities facing the country.

Beijing's occupation and militarization of disputed territories in the South China Sea, its disregard for the arbitral ruling on the Philippines case, and its attempts to influence Australian public opinion and political judgments on these and related matters through sharp power—covert, coercive, and possibly corrupt interference operations—together prompted a major reassessment of Australian foreign, trade, and security policy under the administrations of prime ministers Tony Abbott (PM 2013-2015) and Malcolm Turnbull (PM 2015-2018). The process of strategic reassessment culminated in the passage of new legislation on foreign interference and espionage, and the publication of a new Foreign Policy White Paper in November 2017, which signalled a departure from earlier practice in elevating values to a position of pre-eminence in Australian strategic thinking and foreign policy planning.<sup>3</sup>

The 2017 statement is only the third Foreign Policy White Paper issued by an Australian government. *In the National Interest* appeared in 1997, and the second, *Advancing the National Interest*, in 2003. All three were initiated and published by conservative Liberal-National Party coalition governments.<sup>4</sup>

Although they did not produce any Foreign Policy White Papers, Labor governments did produce two Defence White Papers over this period, in 2009 and 2013. The 2009 Defence White Paper prepared under the direction of Prime Minister Kevin Rudd (PM 2007-2010, 2013) was the first statement by an Australian government of any persuasion to take account the impact of China's growing wealth and power on Australia's shifting strategic environment (for which it earned a stern rebuke from Beijing.)<sup>5</sup> Labor also produced an all-encompassing statement on Australia's place in the region, the *Australia in the Asian Century White Paper* (2012), which bore comparison with earlier foreign policy statements in its stress on trade and diplomacy but otherwise ignored the changing strategic environment attendant on the rise of China which had informed the same government's Defence White Paper.<sup>6</sup> Under Labor, little effort was made to reconcile security concerns with trade issues within the framework of a single strategy document such as a Foreign Policy White Paper. This was the burden of the Turnbull government's 2017 White Paper.

In their evolving positions on values in foreign affairs and diplomacy, their definitions of the national interest, and their assumptions around national identity, the three Foreign Policy White Papers provide a window onto the shifting spectrum of Australian foreign policy thinking across a range of issues, chiefly arising from Beijing's foreign interference activities in Australia and its disregard for commonly-agreed rules for handling territorial disputes in the South China Sea. In all three white papers the values of a secular liberal democracy were said to be the core values that shaped Australia's approach. Although these values were clearly articulated in the first and second White Papers, they were subordinated to an ideal of the national interest that centered on trade and security and were overwritten with claims about cultural identity, which effectively divorced them from public diplomacy. The 2017 White Paper was no less concerned with trade and security and reflected growing

concern about China's role and intentions in the region and its use of sharp power in Australia. In the face of these concerns, however, values were no longer conflated with cultural identity or sprinkled like garnish on the hard-headed pursuit of national interests. Upholding values was declared a core national interest. From 2017 values began to matter in Australia's relations with China.<sup>7</sup>

## Contrasting Canberra and Washington's Foreign Policy "Idealism"

For those unfamiliar with Australia, it may be helpful to point out that values diplomacy has rarely played a role in Australian foreign policy comparable to the place it occupies in American diplomacy. Neither the unapologetic realism of the Richard Nixon administration nor the bold idealism of Ronald Reagan found many adherents in Australian foreign policy circles. Australia has generally come down on the realist side of the spectrum and characterized its conduct as a down-to-earth or "practical" approach to foreign affairs.

Under President Nixon and National Security Adviser Henry Kissinger, the American national interest was defined with little regard to ideological or moral content. Ideology and regime type were largely overlooked in favor of assessing strategic risks and opportunities in light of an unending contest for international power and position. The idealist position associated with Reagan is remembered for repudiating amoral realism and giving prominence to ideology and regime type (along with good and evil) in assessing the risks and opportunities facing America. For Reagan, communism was evil along with the Soviet Union that embraced it. Liberal capitalism was good and America its global champion. Serving the national interest entailed denouncing communism as morally evil and promoting freedom and democracy in American diplomacy.

These two poles of realism and idealism did not mark out the extremes of foreign policy debates in Canberra as they did in Washington in the aftermath of the Vietnam War. This was partly a question of geography and scale. As a rule, Australian foreign policy has been less concerned with shaping the world to its liking than molding the immediate strategic environment to its advantage, whether this be defined as Asia, the Asia-Pacific, or, more recently, the Indo-Pacific.<sup>8</sup> In practice this has generally meant supplementing a heavy dose of realism at the bilateral level with a measure of idealism at the multilateral level, with neither taken to extremes and each more or less complementing the other.

This is not to say that global perspectives have been neglected in Australian foreign policy thinking. As a middling liberal democracy, Australia has long recognized that it has a fundamental stake in the maintenance of a global, rules-based order capable of ensuring regional security, facilitating international trade and investment, and encouraging diplomatic initiatives to resolve matters of possible contention. This is recognized as one of the three foreign policy imperatives that governments of every persuasion confront on assuming responsibility for the conduct of Australia's international relations: sustaining and developing an international, rules-based order; allying with a strong global partner; and finding a place for Australia in its immediate neighborhood.<sup>9</sup>

Questions of scale and geography aside, Australian positions on the place of values in foreign policy have also been shaped by Australia's history as a parliamentary democracy, and by the parliamentarians who have risen to the top of the system from one year to the next. Prime Minister Bob Hawke (PM 1983-1991), for example, was a skillful negotiator and straight-talking union leader before taking a Lower House seat in 1980 and winning his first federal election for Labor in 1983. A likeable "larrikin," in the local idiom, Hawke made a point of deriding high-sounding moralists in public life. Before winning office, he enjoyed greater public credibility as the country's most senior labor-union leader than many of the elected politicians among his peers. Asked why this was so, Hawke responded "because I don't just exude morality!"<sup>10</sup> As prime minister, Hawke presided over a cabinet that included a number of liberal internationalists including foreign ministers Bill Hayden and later, Gareth Evans. Perhaps the closest pairing between Australian and American foreign policy idealism was that between Jimmy Carter's liberal internationalism and Hawke's foreign minister, Gareth Evans. Even so, Evans' brand of liberal internationalism was tempered by practical considerations in a way that Carter's was not. Where Carter is regarded as having elevated human rights in American foreign policy to the point of treating America's traditional allies more harshly than some of its long-term enemies, Evans never proposed extending his brand of idealism beyond concrete instances, where he felt it could make a difference.<sup>11</sup>

Another source of dissonance is to be found in the asynchronous rhythms of political life in Canberra and Washington. Australian prime ministers have often been out of synch with incumbent American presidents on questions of values and *realpolitik*. Conservative Prime Minister Malcolm Fraser (PM 1975-1983) was a hardened realist in global geopolitics although a high-sounding moralist on other matters, notably apartheid in South Africa. Fraser won election as prime minister while Gerald Ford was president, he remained in office during Jimmy Carter's term, and he lost office during Reagan's inaugural term. On becoming prime minister, Fraser was alarmed by what he considered American naivety regarding the intentions of the Soviet Union and its behavior in regional theaters of interest to Australia, particularly the South Pacific and South China Sea. Soon after the American withdrawal from Vietnam in 1975, Soviet vessels began docking at Cam Ranh Bay in southern Vietnam, and within four years Moscow had secured a long-term lease of the naval base along with neighboring air and communications facilities. In light of these developments Fraser informed Republican Ford and, in turn, Democrat Carter that he felt America's principled policy of détente was dangerous for the U.S. and its allies in the Western Pacific because it freed the Soviet Union to rebuild its fragile economy while extending its already substantial military power.<sup>12</sup> Not surprisingly, he welcomed Reagan's ascent to office.

Fraser was succeeded as prime minister by the charismatic and pragmatic Bob Hawke, who was not at all sympathetic to Reagan's moral politics and was caught unaware, just days after he took office as prime minister in February 1983, when Reagan branded the Soviet Union an "evil empire." Hawke immediately faced pressure from factions within his party to dissociate the Labor government from Reagan's moral crusade and rearmament drive, to press for talks on international disarmament, and to commission a review of the U.S.-Australian joint defense communications facilities at Pine Gap and Nurrungar in central Australia (which he did). Although Hawke was unsympathetic to Reagan's visionary aspirations, he managed, with the help of his ministry, to handle these matters adroitly without risk to the facilities or damage to the alliance.<sup>13</sup>

## How Values Entered Australian Foreign Policy Debates

Values entered Australian foreign policy debates by a roundabout route that detoured through a series of domestic political debates at some remove from American influence and concerns. National values, as they were known at the time, showed up among other contested topics in a wide-ranging public debate in the 1990s on the “Asianization” of Australia.<sup>14</sup> When Paul Keating succeeded Bob Hawke as Labor prime minister in December 1991, he made a series of interventions on the topic. Within months of taking office, Keating gave a keynote address urging Australians to become more closely engaged with the states and societies of Asia while remaining true to their history, culture, and values:

We don't go to Asia cap in hand ...We go as we are. Not with the ghost of empire about us. Not as a vicar of Europe, or as a U.S. deputy. But unambivalently. Sure of who we are and what we stand for. If we are to be taken seriously, believed, trusted, that is the only way to go.<sup>15</sup>

In retrospect, Keating's remarks appear uncontroversial. At the time, however, his assertions appeared to preempt a decision on “who we are and what we stand for,” which his conservative opponents felt was not Labor's prerogative to decide. Keating's interventions accelerated a public debate on the “Asianization” of Australia that merged into a wider series of discursive battles that came to be known as the culture wars and the history wars.<sup>16</sup> As a rule, conservatives who favored the idea that values were rooted in cultural traditions—whether Anglophone or “Judeo-Christian”—swore they would never surrender Australia's identity or values to the imperatives of Asian engagement. Progressives who favored a culturally-agnostic mix of identity and values, including Keating and the Labor side of politics, saw little risk to Australian identity or values in closer engagement with Asia.

These domestic political tensions over national values and identity played out in the two strategic foreign policy statements produced under the direction of Howard's conservative government in the wake of Keating's electoral defeat in 1996. The first of Howard's Foreign Policy White Papers, published in the following year, projected an ethnically-grounded national identity rooted in a distinctively European if not British social and cultural heritage. “The values which Australia brings to its foreign policy,” the paper stated, “have been shaped by national experience, given vigour through cultural diversity, but reflect a predominantly European intellectual and cultural heritage.” European heritage was not to be sundered nor those values surrendered in engagement with the Asian region, the paper continued. “The pursuit of Australia's interests in the Asia Pacific does not require a surrendering of Australia's core values.”<sup>17</sup>

The second White Paper was drafted during a period of intense domestic policy debate surrounding immigration and Islam in the wake of the September 11, 2001, terrorist attacks in the U.S., and the 2002 Bali bombings in Indonesia, when eighty-eight Australian tourists were killed in terrorist bomb attacks along with over 100 victims of other nationalities. The second White Paper went further than the first in articulating the values that conservatives in government considered distinctively Australian:

Our fundamental values and beliefs are clear. Australians value tolerance, perseverance and mateship. These values form our spirit as a nation... This is the essence of our egalitarian society and our identity as Australia and Australians.<sup>18</sup>

The 2003 statement explicitly identified Australia as a cultural outlier with “predominantly European heritage” in an otherwise alien region:

Australia is a Western country located in the Asia-Pacific region with close ties and affinities with North America and Europe and a history of active engagement throughout Asia ... Maintaining a productive interplay between these two things—close engagement with Asia on the one hand, and the basic Western make-up of Australian society and its institutions and our wider international associations on the other—lies at the heart of our foreign policy.<sup>19</sup>

The second White Paper’s choice of “tolerance, perseverance, and mateship” as distinctively Australian values can be traced to domestic policy debates taking place around education, culture, and immigration ahead of these two foreign policy statements. Alongside the culture wars, which revolved around immigration and cultural heritage, a series of history wars unfolded during Howard’s term. These turned on the impact of the British colonial occupation of Australia dating from January 26, 1788 (now commemorated as Australia Day) and the associated dispossession and decimation of indigenous peoples of the continent.<sup>20</sup> Howard would have none of it. In an Australia Day address in 1998, two years into his first term, Howard made a pointed reference to the “values that are particularly important to all of us as Australians,” listing tolerance, perseverance, and mateship among them.<sup>21</sup> On another occasion marking the Centenary of Federation (1901) he identified “four distinct and enduring Australian values,” which he termed “self reliance, a fair go, pulling together, and having a go.”<sup>22</sup>

These domestic values statements later found their way into policy documents of every kind, often with Howard’s direct involvement. In 1999 he inserted reference to mateship in a mooted preamble to the Australian constitution, and in 2006 he ensured that a question on mateship was included in tests for immigrants intending to take out Australian citizenship.<sup>23</sup> Over time, a number of idiomatic expressions emerging out of these partisan domestic policy debates, including “mateship,” “fair go,” “tolerance,” and “perseverance” found their way into foreign policy statements. The idea of a “fair go” appeared in the first Foreign Policy White Paper *In the National Interest* (1997), and the values of mateship, tolerance and perseverance appeared in the Howard government’s statement of values in its second Foreign Policy White Paper, *Advancing the National Interest* (2003).

Although the Howard government acknowledged the place of values in foreign policy, it framed national values in a language that alienated broad sections of the Australian community and at the same time precluded international values advocacy.<sup>24</sup> His administration’s statements of values derived from highly-partisan domestic policy debates from which many key players were excluded, including the opposition Labor Party. Further, they had limited appeal or application beyond Australia. Embedding values in ethnically-

centered national identities and articulating them in a folksy idiomatic style inhibited their translation into effective values diplomacy. Perhaps this was the intention. “We eschew the soap box,” the 2003 White Paper declared, in favor of “effective” diplomatic solutions.<sup>25</sup>

Still, the lack of bipartisan support for the values statements in the two White Papers and the colloquial nationalization of universal values presented problems for managing Australia’s most important relationship in the region: its relationship with China. This called for a new commitment to values diplomacy.

## Values in the 2017 White Paper

The 2017 Foreign Policy White paper marked a significant break from those that came before it in the way it articulated the place of values in Australian foreign policy. Again, Canberra was out of synch with Washington. As “national values” first entered foreign policy debates by way of a domestic political agenda, unrelated to American conduct and concerns, the later elevation of universal values in Australian foreign policy came at a time when liberal values were being subordinated in American diplomacy to the “America First” agenda of Donald Trump.

Allan Gyngell captured the difference between earlier and later white papers succinctly:

Values have taken on a new centrality in this document. They hardly featured in the 1997 White Paper. They were given greater prominence in 2003, but in distinctively Australian terms: “Our fundamental values and beliefs are clear. Australians value tolerance, perseverance and mateship.” In 2017, however, values are expressed emphatically and defined in classic liberal forms.<sup>26</sup>

The 2017 White Paper did more than this. It challenged some of the assertions found in earlier White Papers that Australian identity and values were grounded in a particular ethnic heritage, first by emphatically dissociating national identity from race and religion (“Australia does not define its national identity by race or religion”), and then by omitting the terms “Western heritage” and “European heritage” from statements surrounding values altogether.

Other culturally-loaded terms were also omitted from claims about national identity. Where the 2003 White Paper claimed “Australia’s cultural identity draws heavily on our predominantly European heritage. Nearly 90 percent of Australians have European ancestry,”<sup>27</sup> the 2017 White Paper made the markedly different claim that “one in four Australians were born overseas and almost half of all Australians were either born overseas or have at least one parent born overseas. We come from virtually every culture, race, faith and nation.”<sup>28</sup>

Having dissociated Australian national identity from a particular cultural or ethnic heritage, the 2017 statement shifted the locus of national identity from one based on heritage to one grounded in values: “Australia does not define its national identity by race or religion, but by shared values.”<sup>29</sup> In this way, values were elevated in foreign policy thinking from secondary attributes of a particular ethnic heritage to primary markers of Australian national identity.

Finally, the values that Australians were said to share were described not in the folksy colloquialism of earlier statements but in the universal language of liberal values—specifically, by reference to “shared values including political, economic and religious freedom, liberal democracy, the rule of law, racial and gender equality and mutual respect.” By elevating values to the core of national identity and reframing them in commonly-understood terms, the 2017 White Paper signaled that Australia’s values had salience beyond Australia’s borders. Earlier White Papers nationalized values in the service of a “practical” diplomacy which effectively removed them from public diplomacy. In contrast, the 2017 White Paper affirmed the pragmatic function of values advocacy:

Australia is pragmatic. We do not seek to impose values on others. We are however a determined advocate of liberal institutions, universal values and human rights. The Government believes that our support internationally for these values also serves to advance our national interests.<sup>30</sup>

“Australian values,” now understood as universal values that Australians shared with one another and with like-minded partners abroad, could no longer be secured by confining them to Australia’s national borders. To the contrary, securing Australian values required international values advocacy:

Our adherence to the rule of law extends beyond our borders. We advocate and seek to protect an international order in which relations between states are governed by international law and other rules and norms.<sup>31</sup>

Where values were assigned a secondary instrumental role in earlier Australian foreign policy statements—essentially framing the methods through which the national interest was to be pursued—they were reassigned in the 2017 White Paper to the heart of national identity and to the core of the national interest. Supporting and securing values through international relations and diplomacy was made a legitimate goal of Australian foreign policy, and more so where it helped to sustain an international order based on commonly-accepted rules and norms.

## Response to Sharp Power

The elevation of values in Australian foreign policy was triggered by changes not in Australia but on China’s part in launching a series of interference operations threatening the sovereignty and integrity of Australian institutions and, with respect to the values associated with rule of law, in China’s challenges to the international order in the South China Sea.

In a new section, entitled “Guarding against foreign interference,” the White Paper stated:

The Government is concerned about growing attempts by foreign governments or their proxies to exert inappropriate influence on and to undermine Australia’s sovereign institutions and decision-making. Such attempts at foreign interference are part of a wider global trend that has affected

other democracies. Foreign interference aims to shape the actions of decision-makers and public opinion to achieve an outcome favourable to foreign interests.<sup>32</sup>

The White Paper distinguished legitimate diplomacy by countries seeking to advance their national interests “by persuading others to their point of view” from what it called “foreign interference,” which went beyond persuasion “by using clandestine or deceptive means to affect political, governmental or even commercial processes to cause harm to Australian interests.” Evidence for these claims had been mounting in the serious media on many fronts—including the media itself, business appointments, political donations, community organizations, and educational institutions—reinforcing domestic intelligence reports about undue foreign interference and emboldening the federal government to do something about them.<sup>33</sup>

The 2017 statement warned as well about “new media platforms” that provided foreign states with “opportunities to sow misinformation,” and pointed to growing dangers of espionage and state-sponsored intellectual property theft. It concluded the section on threats to “our security, our freedom and our values” by referring to the need for vigilance around institutional sovereignty, integrity and transparency, and promising to “ensure that national decision-making and institutions remain free from foreign interference. This is one of our most important national interests.”<sup>34</sup>

The paper also indicated grave concern about China’s conduct in the South China Sea, which it described as “a major fault line in the regional order.” Although Australia is not a claimant state and does not take sides among competing claims, it noted, the country retains “a substantial interest in the stability of this crucial international waterway, and in the norms and laws that govern it.” It went on to state that

Australia is particularly concerned by the unprecedented pace and scale of China’s activities. Australia opposes the use of disputed features and artificial structures in the South China Sea for military purposes. We support the resolution of differences through negotiation based on international law.<sup>35</sup>

A third factor contributing to the turnaround in tone and language of the strategic statement was the leadership shown by Malcolm Turnbull, a liberal humanist presiding over a deeply-divided conservative coalition government. The two earlier White Papers were also drafted and published by conservative coalition governments, but where the 1997 and 2003 statements were introduced by the incumbent foreign and trade ministers, Turnbull introduced the 2017 White Paper himself, ahead of the sitting ministers for foreign affairs and trade. The statement was certainly not Turnbull’s work alone—the drafting process involved more extensive public consultations and submissions than any that preceded it—but Turnbull initiated and guided the process, and he set the tone for the document in his opening remarks: “These are the most exciting times, the times of greatest opportunity, but they are also times of uncertainty, of risk, indeed of danger. But in the midst of such change, Australia’s values are enduring.”<sup>36</sup> The White Paper was clearly intended to be an affirmation of those values and of the institutions that upheld them.

## Bipartisan Support

For some decades after Howard first appropriated values for partisan advantage in domestic policy debates, the Labor Party has felt uncomfortable discussing values in relation to Australian foreign policy. Under prime ministers Kevin Rudd and Julia Gillard (PM 2010-2013), Labor leaders and ministers generally ascribed the differences separating China and Australia, in their formal meet-and-greet statements, to the two countries' respective cultures and histories, rather than to their distinctive values. On the Labor side of politics, recourse to values in domestic and foreign policy has long been regarded a conservative ruse.

Certainly, little attention was paid to values in the Labor government's major foreign policy statement of the period, *Australia in the Asian Century White Paper* (2012). This extensive 312-page document carries occasional reference to "values of fairness and tolerance" in touching on Australia's demographic diversity, and it refers to the "shared values" underpinning relations with the U.S. and Japan without stating explicitly what these values happen to be. It treads lightly around values generally.

The reason for Labor's relative silence on the matter can be found in a revealing reference in the *Asian Century White Paper* to the "values" of an earlier generation of Australians who were "oriented mainly towards the British Empire and Europe," and whose conduct and beliefs reflected "the values and attitudes of a time when many Australians defined themselves as distant and separate from Asia."<sup>37</sup> These were the particularistic ethnic values that Labor was seeking to leave behind with its *Asian Century White Paper*, intended as it was to move Australia beyond the values and attitudes of an earlier era into the "Asian Century." Its authors opted to do so, not by updating the values of an earlier time, but by treading lightly on values altogether.

Again, this approach appears to have been grounded in the domestic national values debate, the terms of which had been set by conservative politicians, think-tanks, and like-minded columnists who added a folkloric touch to values they traced to a distinctively British or European cultural heritage. Rather than contest these domestic value claims, Labor leaders and progressives yielded the values question to their opponents, conceding to what one scholar has called the conservatives' "hegemony of values."<sup>38</sup> The authors of the *Asian Century* statement were reluctant to weigh in values on foreign policy for fear it would stoke the embers of a divisive domestic debate. Better in their judgment to ignore values altogether than risk stirring the old beast in the basement.

In 2017, however, Labor's foreign affairs spokesperson Senator Penny Wong broke the mould with a hard-hitting statement on the place of values in Labor foreign policy, which was no less important for the progressive side of politics than the 2017 White Paper for the conservatives. In an address at the Griffith University Asia Institute in Brisbane, in August 2017, Wong shunted aside party members and supporters who feared a values debate could prove divisive. "There are, of course, those who dismiss values as a 'trap' that only encourages contention and conflict," she said.<sup>39</sup> As noted, it was her Labor colleagues who feared being ambushed in a national values debate. John Howard consistently provoked his critics to match his homilies on national values, relishing the contention and conflict that

accompanied the debates on national values that followed. Two decades on, Wong was addressing those on her own side of politics who felt intimidated by the terms of a debate designed to ensnare unwary critics of homegrown values, such as “mateship” and the “fair go,” in a series of traps laid out by their conservative opponents.

In 2017, Wong accepted the values challenge head on. From the tone of her speech, she was emboldened to break the Labor mold for reasons similar to those that compelled Turnbull’s Liberal-National coalition government to break with conservative tradition. These include threats to the “rules based order,” signs of growing racial and national intolerance, and evidence that countries such as China were acting to undermine the postwar security regime.

In a wide-ranging *tour de force*, Wong began with a personal anecdote and ended with a bold affirmation of the place of values in Australian foreign policy, dismissing both the “Asian values” and “Western values” schools of thought along the way, and positing in their place an international order founded on the principle of equal human dignity and secured by the rule of law. “One can be born lucky,” she said:

It was my good fortune to have been born into a family having two “values” traditions—those of China and what we loosely term “the West.” So it will not surprise you that I do not accept the view that some former Asian leaders have propounded that “values” are an artifact of Western imperialism. Values are not some kind of stalking horse behind which “the West”—and many people see that as code for the U.S.—seeks to assert and defend a form of political dominance. Nor are they simply the legacy of what some describe as the Judeo-Christian tradition.

With this personal reflection, Wong challenged two decades of Asian and Australian conservative insistence on the “Western” character of universal values and opened space for a different kind of conversation on values than any which had taken place in Australia to date, a conversation founded on an ideal of equal and indivisible human dignity, and grounded in law and institutions rather than in arguments for a particular cultural or religious heritage.

Turning to foreign policy and diplomacy, Wong highlighted the rule of law as a foundation for democratic societies and for an international rules-based order. The two were related in so far as “the rule of law must inform the extension of law and politics into the international system.” Australia as a middle power was particularly susceptible to threats to an international order from which the country had benefited historically. For countries such as Australia “there is no alternative to a foreign policy that is built on values” because a foreign policy guided by clearly articulated values helped to consolidate an international rules-based order in preference to a “purely power-based foreign policy” from which middle powers such as Australia could only suffer. Senator Wong concluded her discussion of rule of law with the observation that “values, as a core element in the construction of a foreign policy, are not just desirable, but necessary.”

## China's Response and Australia's resolve

One of the many purposes of strategic foreign policy statements is to alert domestic actors and other states to significant shifts in the thinking and concerns of national governments. Recent adjustments in the language surrounding values and interests in Australian foreign policy statements signal changes that are guiding the responses of relevant actors within the country and informing the responses of governments outside it.

For the government of China, the folksy ethnocentric tone of the 1997 and 2003 White Paper statements on identity and values was reassuring on several counts. In the first place, it implied that Australia had little intention of promoting values beyond its borders. Further, it suggested that Australian governments believed values were based on national cultures and traditions, rather than on universal principles, in effect endorsing the authoritarian values of the communist government as authentic expressions of China's national values. And as far as bilateral relations were concerned, Canberra's relativist line on values and its stated commitment to a pragmatic style of diplomacy, which "eschewed the soap box," meant that each side could leave its national values at the door and get on with the hard-headed business of promoting complementary national interests—the pursuit of wealth and power in China's case, the pursuit of jobs and security in Australia's.

The different tone of the 2017 White Paper elicited a cool response from Beijing. A Foreign Ministry spokesperson made a few positive comments on the bilateral relationship but took issue with the paper's understanding of the "rules-based order" that Canberra was keen to preserve and condemned as "irresponsible" those sections of the paper dealing with China's actions in the South China Sea.<sup>40</sup>

A deeper level of disappointment was revealed in an academic paper by Chengxin Pan, an Australian foreign policy analyst with an empathetic understanding of Beijing's position. Pan took issue with the 2017 White Paper for defining Australian identity and interests in terms of liberal values and the international rules-based order rather than in the earlier culturalist style to which China had grown accustomed. China's concern, he noted, was triggered by Australians' apparent lack of gratitude towards the Chinese government for lifting their country's economy out of the doldrums but motivated at a deeper level by the White Paper's attempt to "essentialize" national identity in terms of values that contrasted starkly with those professed by China's Communist Party government.<sup>41</sup>

Pan evoked nostalgia for an earlier style of ethnocentric national identity stretching back to White Australia which was less "essentializing" and problematic for China. "A quick comparison of the 2017 White Paper with its 2003 predecessor helps illustrate this point," he notes:

In the 2003 White Paper, a residual cultural flavour was still palpable in the articulation of the Australian identity, which was defined above all in terms of "tolerance, perseverance, and mateship", as well as "liberal democracy" and "economic freedom." But such emphasis on Australia's "own distinctive culture" is nowhere to be seen in the latest White Paper. Instead, it states

that “We come from virtually every culture, race, faith and nation” (p. 12); therefore, “Australia does not define its national identity by race or religion, but by shared values” (p. 11). Gone, it seems, are ways of defining Australia in terms of race (‘White Australia’), culture (‘Britishness’), power status (‘middle power’), or even ‘geographical’ location (‘Western’ or ‘Asian’).<sup>42</sup>

Although the phrase “White Australia” made its last affirmative appearance in a Commonwealth policy document six decades ago, Pan was correct in spotting White Australia’s ethnographic kinship with the identity markers popularized in the Howard era such as “Britishness,” “Western,” and “European.” Each marked a different phase in the assertion of ethnic and cultural particularity reaching back to White Australia.

In its day, the White Australia policy embodied a driving vision of Australian national identity that no amount of discriminatory legislation could ever capture in full. Hence doing away with discriminatory legislation or deleting the word “White” from policy documents went only part way in dispelling the legacy of White Australia.<sup>43</sup> In this respect, the 2017 White Paper and Penny Wong’s 2017 Griffith Asia Institute presentation each represent long overdue restatements of identity and values expressed in universal rather than particularistic cultural terms harking back to White Australia.

A style of Australian nationalism that echoes White Australia had the additional benefit for Beijing of facilitating its abrasive style of Leninist values diplomacy. To this day, one of the standard rebuffs issued by senior Chinese embassy and consular officials, when responding to unfavorable media treatment of China in Australia, is to attribute such coverage to racism and bigotry. In December 2017, for example, China’s embassy in Canberra attacked Australian media for making “unjustifiable accusations against the Chinese government” and “unscrupulously vilifying Chinese students as well as the Chinese community in Australia with racial prejudice.”<sup>44</sup> In March 2018, the embassy issued a statement claiming that Clive Hamilton’s book *Silent Invasion* was imbued with “racist bigotry.”<sup>45</sup> And Ambassador Cheng Jingye, referring to the passage of legislation to limit foreign government interference in Australian public life, urged Australia to put an end to “bigotry” in its bilateral relations.<sup>46</sup> This style of public diplomacy, familiar to Australians over many years, was applied to Canada and elsewhere by China’s embassies and consulates in 2019.<sup>47</sup>

Within China, experts among China’s small cohort of Australia specialists in universities and think tanks have also pressed claims of anti-China bigotry in Australia and expressed regrets similar to those of Chengxin Pan over the demise of the Howard consensus, which once served the relationship well.<sup>48</sup> Sensitive to nostalgic sentiment of this kind, Foreign Minister Julie Bishop invited former prime minister John Howard to lead the Australian delegation to the fifth Australia-China High Level Dialogue in Beijing, in December 2018, in an effort to breath warmth back into the relationship at an awkward moment.<sup>49</sup>

Welcome as it was, this gesture is unlikely to turn back the clock. Current concerns in the Australian community and government are not over the rise of China but about the growing reach and authoritarian aspirations of a powerful Leninist state that seeks to set the ground rules for others in the region to follow, and to interfere where it can to ensure that they do. Australia does not see China as an enemy or as a hostile power. But neither does it regard a country practicing and espousing Leninist values abroad as a benign or neutral player.

In January 2019, this critical distinction was highlighted by former Foreign Affairs and Trade Department Secretary Peter Varghese, AO, in a major speech presented in Singapore. “For Australia,” he noted, “a democratic China becoming the predominant power in the Indo Pacific is a very different proposition to an authoritarian China occupying this position.”<sup>50</sup> Varghese was influential in framing the connection between values and interests in Australian foreign policy thinking from the inception of the first Foreign Policy White Paper in 1997 to the 2017 White Paper.<sup>51</sup> If an authoritarian China were to become the dominant power in the region, he argues, “that, by definition, would make it the single most important shaper of the region’s strategic culture and norms. So whether it is a democracy or a one-party state matters.”<sup>52</sup> Australia’s differences with China turn, not on China’s rise, but on China’s values.

Australian governments no longer have the luxury of assuming that China will one day conform to the norms of the postwar order or reform itself domestically to conform with the rule of law. Under Xi Jinping, the Communist Party has confirmed that it sits above everything, even the law, and that it has no plans to reform. This was the take-away message of Xi’s keynote address as party general secretary to the 19th party congress, in October 2017, delivered under the title “Remain true to our original intentions and hold firm to our historical mission.”<sup>53</sup> China’s ruling party has told the world that it intends to remain true to the theory of Karl Marx, faithful to the Leninist party model, mindful of the lessons of Maoism in the Chinese revolution, committed to strengthening the hold of proletarian dictatorship over the people of China, and prepared to challenge the position of private capital and liberal democracy in the world at large. Australia has listened and acted accordingly.

There is little point expecting change. “The West is too arrogant and must stop lecturing us and trying to change China,” Fu Ying warned in 2011. “Unless you can accept China as it is, there is no basis for a relationship.”<sup>54</sup> Beyond its borders, China has demonstrated the kind of government that it is by making extensive claims of maritime sovereignty over international waters within its self-described nine-dash line; unilaterally enforcing its claims in the South China Sea; occupying and militarizing contested islands; ignoring the judgement of the arbitral tribunal on its disputed maritime claims with the Philippines; and using a variety of covert, coercive, and possibly corrupt means to win support for these positions from within Australia itself.

Xi Jinping’s reversion to hard-line Leninist values has prompted Australians to reconsider their own. Paul Dibb, an Australian pioneer of strategic and security studies during the Cold War, brought this message home in a widely circulated article in January 2019:

It is true that in relations –between states, national interests generally trump values. But at the centre of why Australia’s values are so different from those of China is the role of the Communist Party and its abuse of basic human rights. These matters are too rarely raised as a critical –impediment in our relationship—yet the main reason we need to be wary of China as an –adversary is because our values are not compatible.<sup>55</sup>

To show the kind of country Australia is, the Turnbull government’s 2017 Foreign Policy White Paper makes a number of bold statements about values and affirms the Australian government’s resolve to confront imminent challenges to the nation’s security, well-being

and values, in challenging and uncertain times. As Turnbull noted in his forward, “our focus is on ensuring that Australia remains an open, inclusive, free and safe society.”<sup>56</sup>

How affirming liberal values translates into foreign policy practice remains an open question.<sup>57</sup> The White Paper signaled an all-of-government effort to build “economic resilience, military weight, an intelligence edge, development assistance, a cohesive multicultural society, democratic institutions free of interference, and the credibility to attract and sustain partnerships with other nations in support of these values.”<sup>58</sup> Whether these efforts can be realized as well is a further question.

Whatever the answers, there can be little doubt that placing the fundamental principles which Australians value and share onto the national foreign policy agenda, and promoting them through public diplomacy, brings greater clarity to the differences separating Australia from China that are patently in need of protection in Xi Jinping’s new era.

## Endotes

<sup>1</sup> *In the National Interest: Australia’s Foreign and Trade Policy White Paper*, Commonwealth of Australia, 1997, iii.

<sup>2</sup> Allan Gyngell and Michael Wesley, *Making Australian Foreign Policy* (Cambridge: Cambridge University Press, 2003), 25-26.

<sup>3</sup> New legislation covering foreign interference, espionage, and political donations include the National Security Legislation Amendment (Espionage and Foreign Interference) Act 2018, which amended the Federal Criminal Code to introduce the new national security offenses; the Foreign Influence Transparency Scheme Act 2018, which created a registration scheme for communications activities undertaken on behalf of or in collaboration with certain categories of foreigners; and the Electoral Legislation Amendment (Electoral Funding and Disclosure Reform) Act 2018, which among other amendments banned foreign political donations.

<sup>4</sup> See Michael Fullilove, “Seeking clarity in Australian foreign policy,” *The Interpreter*, February 15, 2017, <http://www.lowyinterpreter.org/the-interpreter/debate/australia-s-foreign-policy-white-paper-2017>.

<sup>5</sup> On the history of the seven Defence White Papers produced between 1976 and 2016 see Peter Edwards, “Defence White Papers at 40,” Australian Strategic Policy Institute (ASPI), December 2016.

<sup>6</sup> *Australia in the Asian Century White Paper* (Canberra: Commonwealth of Australia, October 2012), discussed below. The paper was produced by the Department of Prime Minister and Cabinet, not Foreign Affairs and Trade, and ventured well beyond foreign affairs into areas of domestic policy.

<sup>7</sup> The argument that values *should* matter in Australia-China relations was made in June 2014 in *The Asan Forum*. See John Fitzgerald, “Why Values Matter in Australia’s Relations with China,” <http://www.theasanforum.org/why-values-matter-in-australias-relations-with-china/>

<sup>8</sup> Rory Medcalf, “The Indo-Pacific: What’s in a name?” *The American Interest*, October 10, 2013, <https://www.the-american-interest.com/2013/10/10/the-indo-pacific-whats-in-a-name/>

<sup>9</sup> Gyngell argues that these have been the three over-riding considerations in Australian foreign policy since WWII. Allan Gyngell, *Fear of Abandonment: Australia in the World since 1942* (Melbourne: La Trobe University Press, 2017), 11.

- <sup>10</sup> First cited in *The Bulletin*, 1977.
- <sup>11</sup> Robert G. Kauffman, "First Principles Series: The First Principles of Ronald Reagan's Foreign Policy," The Heritage Foundation, no. 40 (2011), 5; Gareth Evans, *Incorrigible Optimist: A Political Memoir* (Carlton: Melbourne University Press, 2017).
- <sup>12</sup> Malcolm Fraser, *Dangerous Allies* (Carlton Vic: Melbourne University Press, 2014). Fraser conveyed similar views to Washington on behalf of Beijing. Philip Ayres, *Malcolm Fraser: A Biography* (Richmond, VIC: William Heinemann, 1987), 338-40.
- <sup>13</sup> The Hawke government did however turn down an invitation to participate in Reagan's Strategic Defence (Star Wars) Initiative. Allan Gyngell, *Fear of Abandonment: Australia in the World since 1942* (Melbourne: La Trobe University Press, 2017), 177-8, 182.
- <sup>14</sup> Stephen FitzGerald, *Is Australia an Asian Country?* (Sydney: Allen & Unwin, 1997).
- <sup>15</sup> Paul Keating, "Australia and Asia: Knowing who we are," April 7, 1992, <http://www.keating.org.au/shop/item/australia-and-asia-knowing-who-we-are---7-april-1992>
- <sup>16</sup> Jim George and Kim Huynh, eds., *The Culture Wars: Australian and American Politics in the 21st Century* (Melbourne: Palgrave Macmillan, 2009); Stuart Macintyre and Anna Clark, *The History Wars* (Carlton, VIC: Melbourne University Press, 2003); Anna Clark, *Private Lives, Public History* (Carlton VIC: Melbourne University Press, 2016).
- <sup>17</sup> *In the National Interest*, 1997, 11.
- <sup>18</sup> *Advancing the National Interest: Australia's Foreign and Trade Policy White Paper*, Commonwealth of Australia, 2003, vii.
- <sup>19</sup> *Advancing the National Interest*, 2003, 99.
- <sup>20</sup> Stuart Macintyre and Anna Clark, *History Wars*; Anna Clark, *Private Lives*.
- <sup>21</sup> Howard also listed "optimism" as "one of those values." "Transcript of the Prime Minister the Hon. John Howard MP speech at the 1998 Australian of the year award Government House," Perth, January 25, 2018, <http://pmtranscripts.pmc.gov.au/release/transcript-10942>
- <sup>22</sup> John Howard, "Four Distinct and Enduring Australian Values," text of a speech by Prime Minister John Howard to the Melbourne Press Club, November 22, 2000, <http://australianpolitics.com/2000/11/22/john-howard-distinct-enduring-australian-values.html>
- <sup>23</sup> Mark McKenna, "First Words: A Brief History of Public Debate on a New Preamble to the Australian Constitution 1991-99," Parliamentary Library Research Paper 16, 1999-2000. Canberra: Parliament of Australia, April 4, 2000, [https://www.aph.gov.au/About\\_Parliament/Parliamentary\\_Departments/Parliamentary\\_Library/pubs/rp/rp9900/2000RP16](https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/rp9900/2000RP16); "Migrants need to learn mateship: PM," *Sydney Morning Herald*, December 13, 2006, <https://www.smh.com.au/national/migrants-need-to-learn-mateship-pm-20061213-gdp18m.html>
- <sup>24</sup> Use of the word "mateship" was so widely condemned that Howard dropped it in the final text of the proposed constitutional preamble which went to the vote in 1999. He retained the term in the subsequent Foreign Policy White Paper for international application. See Nick Nick Dyrenfurth, "Mateship: Secular Australia's religion and how John Howard hijacked it," *Sydney Morning Herald*, December 17, 2014, <https://www.smh.com.au/national/mateship-secular-australias-religion-and-how-john-howard-hijacked-it-20141217-129c7t.html>
- <sup>25</sup> *Advancing the National Interest*, 2003, xviii.
- <sup>26</sup> Allan Gyngell, "The Uncertainty Principle: The 2017 Australian Foreign Policy White Paper in Historical Context," *Security Challenges* 14, no. 1 (2018): 6-12.

- <sup>27</sup> *Advancing the National Interest*, 2003, 99.
- <sup>28</sup> *Opportunity, Security, Strength: 2017 Foreign Policy White Paper*, Australian Government, 2017, 12.
- <sup>29</sup> *2017 Foreign Policy White Paper*, 11.
- <sup>30</sup> *2017 Foreign Policy White Paper*, 11.
- <sup>31</sup> *2017 Foreign Policy White Paper*, 11.
- <sup>32</sup> *2017 Foreign Policy White Paper*, 75.
- <sup>33</sup> See John Garnaut, "How China Interferes in Australia," *Foreign Affairs*, March 9, 2018; Clive Hamilton, *Silent Invasion* (Melbourne: Hardie Grant, 2018); John Fitzgerald, "Overstepping Down Under," *Journal of Democracy* 29, no. 2 (April 2018): 59-67.
- <sup>34</sup> *2017 Foreign Policy White Paper*, 76.
- <sup>35</sup> *2017 Foreign Policy White Paper*, 47.
- <sup>36</sup> "Prime Minister's Introduction," *2017 Foreign Policy White Paper*.
- <sup>37</sup> *Australia in the Asian Century*, 78.
- <sup>38</sup> Nick Dyrenfurth, "John Howard's Hegemony of Values: The Politics of 'Mateship' in the Howard Decade," *Australian Journal of Political Science* 42, no. 2 (2007): 211-230.
- <sup>39</sup> Penny Wong, "Australian values in a time of disruption," Griffith Asia Institute "Perspectives: Asia" Lecture, Griffith University, August 3, 2017, <https://www.pennywong.com.au/speeches/australian-values-in-a-time-of-disruption-griffith-asia-institutes-perspectives-asia-lecture-griffith-university-brisbane/>
- <sup>40</sup> "Foreign Ministry Spokesperson Lu Kang's Remarks on the Reports of Australian Foreign Policy White Paper," November 23, 2017. [au.chinaembassy.org/eng/sgjs/sghd/t1513635.htm](http://au.chinaembassy.org/eng/sgjs/sghd/t1513635.htm)
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- <sup>42</sup> Chengxin Pan, "Identity Politics and the Poverty of Diplomacy."
- <sup>43</sup> John Fitzgerald, *Big White Lie: Chinese Australians in White Australia* (Kensington: UNSW Press 2007), Ch. 1.
- <sup>44</sup> 中国驻澳使馆发言人谈话, December 6, 2017.
- <sup>45</sup> Chinese Embassy Spokesperson's Remarks, March 1, 2018, <http://au.china-embassy.org/eng/gdxw/t1538617.htm>
- <sup>46</sup> Channel Nine News, June 19, 2018, <https://www.9news.com.au/national/2018/06/19/11/09/what-china-really-thinks>
- <sup>47</sup> "China's Ambassador to Canada Blames 'White Supremacy' for Feud Over Arrests," *New York Times*, January 10, 2019, <https://www.nytimes.com/2019/01/10/world/asia/china-ambassador-canada-white-supremacy.html>

- <sup>48</sup> See, for example, Australia studies specialist Chen Hong's quoted comments on "anti-China hysteria" and "anti-China hatred" in Australia, in Michael Smith, "Banned billionaire Huang Xiangmo calls Australia a 'giant baby' for cancelling visa," *Australian Financial Review*, February 12, 2012, <https://www.afr.com/news/world/asia/banned-billionaire-huang-xiangmo-calls-australia-a-giant-baby-for-cancelling-visa-20190212-h1b5wu>. Also Chen Hong, 'Australia smearing China with spying brush,' *Global Times*, February 11, 2019, <http://www.globaltimes.cn/content/1138476.shtml>
- <sup>49</sup> John Howard, "Ties with China testify to Australia's deft handling of foreign policy," *The Australian*, December 15, 2018, <https://www.theaustralian.com.au/news/inquirer/ties-with-china-testify-to-australias-deft-handling-of-foreign-policy/news-story/9d3dadd84c6ab64bc0ff6d813739a126>
- <sup>50</sup> Peter Varghese AO, "The Indo Pacific and its strategic challenges: An Australian Perspective," Speech to the Institute of South East Asian Studies, Singapore, January 8, 2019.
- <sup>51</sup> Caitlin Byrne, "Charting Australia's Diplomatic Future," Australian Institute of International Affairs, November 27, 2017, <http://www.internationalaffairs.org.au/australianoutlook/australias-diplomatic-future/>
- <sup>52</sup> Peter Varghese, "The Indo Pacific and its strategic challenges."
- <sup>53</sup> "大会的主题是：不忘初心，牢记使命，高举中国特色社会主义伟大旗帜，决胜全面建成小康社会，夺取新时代中国特色社会主义伟大胜利，为实现中华民族伟大复兴的中国梦不懈奋斗。" "Xi Jinping, Report to the 19th Congress of the Chinese Communist Party, 18 October 2017." The expression 不忘初心 is drawn from the Avatamsaka or Flower Garland Sutra (华严经 Huayanjing in Chinese) of the Chinese Buddhist canon.
- <sup>54</sup> Cited in David Shambaugh, *China Goes Global: The Partial Power* (New York: Oxford University Press, 2013).
- <sup>55</sup> Paul Dibb, "Trust is in short supply when there are no shared values," *The Australian*, January 23, 2019.
- <sup>56</sup> "Prime Minister's Introduction," *2017 Foreign Policy White Paper*.
- <sup>57</sup> Caitlin Byrne, "Charting Australia's Diplomatic Future."
- <sup>58</sup> Rory Medcalf, "Why China doesn't like the Indo-Pacific and why it matters," *Australian Financial Review*, May 21, 2018, <https://nsc.crawford.anu.edu.au/department-news/12613/why-china-doesnt-indo-pacific-andatters>



# North Korea's Sharp Power and the Divide Over Korean Identities

Aram Hur

This chapter examines the nature and motivations of North Korea's sharp power toward South Korea. Unlike China or Russia, to secure long-term survival, North Korea ultimately needs cooperation from the rival democracy it seeks to undermine. I argue that this produces a particular North Korean brand of "Trojan horse" sharp power: the hijacking of South Korea's value diplomacy apparatus to disseminate a dual narrative. Externally, North Korea aims to project soft power hand in hand with South Korea to the international community, while internally, it exploits South Korea's nationalist divisions to its desired ends. I illustrate this strategy through in-depth case studies of North Korea's most significant sharp efforts in 2018. The analysis contests a simplistic understanding of sharp power and shines a different light on the regime's recent diplomatic efforts.

In the last decade or so, authoritarian states, notably Russia and China, have increasingly resorted to tactics of information manipulation and distortion toward rival democracies. The ongoing investigation on Russia's probable interference in the 2016 U.S. presidential election, through the use of fake social media accounts and campaign narratives, is a prominent example. Such tactics have earned the moniker of "sharp" power; unlike soft power, which aims to win hearts and minds through attraction, and unlike hard power, which aims to coerce through threat or force, these informational strategies aim "to cut, razor-like, into the fabric of a society, stoking and amplifying existing divisions."<sup>1</sup>

Sharp power as a political strategy is not new. What is new is the alarming speed and scale by which such tactics can be implemented with the globalization of communications technology. Yet while the specific strategies of sharp power are better known—information hacking, embedding reporters, disseminating fake media stories—less is known about the deeper political factors that drive it. Why do authoritarian states use sharp power? How do their motivations or constraints shape the particular form and timing of "sharpness"? This chapter examines such questions through an in-depth case study of North Korea's sharp power toward South Korea.

I argue that authoritarian states resort to sharp power for political ends that cannot otherwise be achieved through soft or hard power alone. Both soft and hard power are about applying external carrots or sticks to push the target state to behave in a desired way. What distinguishes sharp power, I argue, is not so much its divisive or informational characteristic, but its *internal* nature: it exploits pressures that are internal to the target state to force its hand. Sometimes, those exploits are about exacerbating internal divisions, but other times—as I will show through the case of North Korea's strategy—they are about stoking internal unity in the target state to bind the leader. This reconceptualization of sharp power not only offers a more useful analytical lens, but in the case of North Korea, I argue that it uncovers an important political logic to the regime's seemingly abrupt and irrational turns in diplomacy.

Based on the framework of sharp power as an internal power strategy, I characterize North Korea's sharp power toward South Korea as a "Trojan horse" tactic. That is, North Korea hijacks South Korea's value diplomacy efforts to promote a dual narrative. Externally, it projects a softer image to the international community by working hand in hand with South Korea, while internally, it leverages performance politics to exploit South Korean public opinion to its benefit. This form of sharp power, I argue, is the result of North Korea's

peculiar political constraint. To survive against pressures from the United States and the international community at large, it ultimately needs cooperation from the rival democracy that it seeks to undermine in the long run.

Insights from the North Korean case contest what is assumed to be a clear and obvious distinction between sharp versus soft power. On the surface, North Korea's recent interactions with South Korea appear to be soft value diplomacy efforts. In fact, I illustrate through the most prominent Trojan horse efforts from 2018 that they are more likely to be sharp tactics in sheep's clothing, casting quite a different light on North Korea's recent turn toward diplomacy.

## Reconceptualizing Sharp Power

Sharp power, as the term is coined by Christopher Walker and Jessica Ludwig in a *National Endowment for Democracy* report, refers to influence efforts by authoritarian regimes that center on manipulation, division, or distraction. The authors argue that recent efforts by Russia or China to seed journalists, cultural centers, and think tanks in various democracies—what seem like “public diplomacy” efforts—are, in fact, tools for information censorship and control that seek to undermine the legitimacy of democracies. Unlike soft power, which aims to move a target state through attraction and shared values, these efforts “are ‘sharp’ in the sense that they pierce, penetrate, or perforate the information environments in the targeted countries.”<sup>2</sup>

For the authors, the key distinction between soft versus sharp power appears to be one of motive: whether the efforts are “benign” and aim to attract versus “malignant” and aim to manipulate. The main problem with this distinction, however, is that it assumes a false dichotomy in the nature of power. Even soft power, in the way that Joseph Nye first conceptualized it with regards to the United States, is far from “benign”:

“This second aspect of power—which occurs when one country gets other countries to want what it wants—might be called co-optive or soft power in contrast with the hard or command power of ordering others to do what it wants.”<sup>3</sup>

In fact, the co-optive nature of soft power can be characterized as the ultimate form of manipulation—the ability to shape the very preferences of target states, or what Steven Lukes calls the “third dimension” of power.<sup>4</sup>

The other problem is that Walker and Ludwig often conflate power motive with regime type, characterizing democracies as benign, and authoritarian regimes as malignant. Such linkage, however, is empirically false. Democracies have certainly engaged in what can be described as “sharp” tactics, such as the United States' efforts to covertly fund anti-communist parties in Italy's 1948 election during the Cold War.<sup>5</sup> And certainly not all of China's estimated \$10 billion a year investment into soft power projects has latent or hidden “sharp” motives.<sup>6</sup> The fact that such efforts have been unsuccessful in improving public opinion towards China in democracies is cited as suggestive of ulterior motives, but such investments could be to improve China's standing among authoritarian regimes instead. Thus, while the motive behind a diplomatic strategy may loosely correlate with regime type, equating the two seriously limits the analytical usefulness of sharp power.

I offer a different theoretical framework for sharp power. Instead of fixating on the motive behind a strategy, I argue that the locus of power should be the primary axis. Hard versus soft power are often juxtaposed as opposites, but they actually share a key aspect: both are strategies to exert power on a target state from the outside. One does this through coercion and the other through attraction, but the source of power that pushes the target state to behave a certain way is external. The primary way that sharp power differs from hard or soft power is that the leverage point for pressure is internal. Sharp power exploits narrative forces *within* the target state itself to constrain it. Sometimes, as in the case of Russia's tactics, this means exacerbating existing sociopolitical divisions in the target state to alter a political outcome. Other times, I argue, it can mean constructing unity of opinion across key stakeholders in the target state in order to bind its leader. This reconceptualization of sharp power as an internal targeting strategy, therefore, encompasses a broader array of efforts than simply information hacking or social media manipulation. As I illustrate through the case of North Korea, it also helps to provide a more nuanced account of the true extent of sharp power by authoritarian regimes.

So why do authoritarian states use sharp power? The most obvious answer is that they are not very good at soft power, especially toward democracies, and hard power increasingly comes with high political costs. Sharp power, on the other hand, has become exponentially cheaper with communications technology and comes with less threat of retribution. Authoritarian states enjoy a comparative advantage in the sharp realm; whereas the information environment is porous and decentralized in many democracies, authoritarian states tend to have tight and centralized control over their information ecosystems. So far, this comparative advantage—conceptualized as the gap between the capability of the authoritarian state and the vulnerability of the target state—is the main explanation for the recent rise in authoritarian sharp power. For instance, a study of Russia's information wars in Georgia versus Ukraine identifies the readiness of the target state to respond as a key determinant in the timing and longevity of a sharp attack.<sup>7</sup>

Comparative advantage certainly matters for strategic calculations, but it alone does not explain why authoritarian states decide to act upon it. I argue that authoritarian states resort to sharp power when they have specific political needs that cannot otherwise be achieved through soft or hard power. It is the nature of those needs—what they are, the barriers they face, and how they change—that dictates the form and timing of sharp power use. Thus, unlike soft power, for which there is no downside to consistent investment aside from poor returns, sharp power moves will tend to be highly contextual depending on the circumstances of the agent state. This agent-driven approach to sharp power, in contrast to structural or resource-based explanations, can better account for why Russian and Chinese sharp power look so different, despite both being high-resource authoritarian states. Conceptually, then, it is more sensible to understand sharp power in the context of specific states and political conflicts, rather than as a monolithic or unilateral strategy, as soft power is often portrayed. The main contention of this article is that sharp power will look different for different states at different times, depending on what their political needs are and how they change.

In the following sections, I substantiate these arguments through the case of North Korea's recent sharp power toward South Korea. I apply the agent-driven approach to sharp power by first analyzing what North Korea's political needs are and how South Korea poses both

benefits and barriers to those goals. In particular, I highlight how internal forces within South Korea—specifically, the growing identity divide toward North Korea among key constituencies—serve as points of leverage for North Korea. Then, based on the framework of sharp power as an internal strategy, I illustrate North Korea's most prominent sharp efforts from 2018: the Pyeongchang Olympics and the third inter-Korean summit. On the surface, these events are not what one expects to see in a study of North Korean sharp power; indeed, they appear to be “benign” soft power efforts compared to North Korea's more infamous provocations. But a closer analysis reveals how North Korea deliberately leveraged these events to target South Korea's internal cleavages—sometimes by dividing, other times by uniting—to push South Korea toward its desired ends.

## Identity Barriers to North Korea's Political Needs

North Korea's primary goal is regime survival. But like most states, it not only wants to survive, but do so in a respected manner. It seeks to be recognized and integrated into the international community of nations—to have normalized relations with superpowers and, most critically, to find alleviation from aggressive economic sanctions. As Victor Cha notes, “the key country that can provide these benefits is the United States.”<sup>8</sup> But as long as North Korea is unwilling to give what the U.S. wants in exchange—complete, verifiable, and irreversible denuclearization—it needs powerful alliances to keep U.S. pressure at bay.

China has been that ally for nearly six decades. Yet, as Kim Jong-un observed through his father and grandfather, it is a fair-weather friend. What began as a communist, ideological kinship developed into a vested economic partnership, but Kim knows that as long as the North Korean economy continues to be crippled by sanctions, his country is a diminishing asset. There are many reasons why North Korea conducted an unprecedented barrage of ballistic missile tests in 2017. One of them was likely to test the upper boundary of the Sino-North Korea alliance. As the missile tests drew international condemnation, China ultimately capitulated. The Foreign Ministry publicly stated “grave concerns and opposition” after the launch of Hwasong-15—said to be capable of reaching U.S. territory—in a rare public denouncement of North Korea.<sup>9</sup>

With that informative signal, what North Korea needs is a more durable alliance against U.S. pressure. It needs an alliance based on something more intrinsic than aligned ideology or shared interests. Ironically, the one state that offers such potential is its rival democracy of South Korea. North and South Korea have radically different governments, but both states espouse the principle of singular nationhood as one Korean *minjok*. This belief was able to endure territorial and political division largely because of the way that Korean identity was “racialized” in the wake of Japanese colonialism. Under Japanese rule, Korean nationalist leaders sought for a way to keep the national community intact, even through the loss of political autonomy. They did so by reimagining Korea as a singular bloodline that could remain pure and continuous despite the imposition of foreign rule, language, or even customs.<sup>10</sup> Thus, even as the Korean War and armistice split the peninsula into *de facto* two states, both Koreas continue to claim legitimacy over the entire peninsula based on this ethno-national principle.

Blood is certainly thicker than water, but South Korea also brings other alliance benefits that North Korea needs. The U.S. has vested interests in South Korea that it is willing to protect. South Korea is a key trading partner in the region, provides geopolitical pressure against China and Japan, and its democracy holds tremendous symbolic value for U.S. involvement in the Korean War—one reason why over 28,000 American soldiers are still stationed there. All of this means that South Korea can be an invaluable shield for North Korea, as it constrains the U.S. from taking any actions against North Korea that would hurt or jeopardize security in the South. But the two Koreas are still in an armistice and technically at war. In the wake of a thinning alliance with China, North Korea, therefore, finds itself in the peculiar predicament of needing cooperation from a rival democracy that it ultimately seeks to defeat.

The principle of co-nationality, however, belies the complexity of securing a South Korean alliance. The domestic identity politics within South Korea are far from simple. To understand why North Korea has recently turned to the kind of sharp power that I discuss below, it is critical to first understand the identity cleavages toward North Korea that exist in the South and how these pose barriers to establishing an inter-Korean alliance.

The post-Korean War identity politics in the two Koreas took very different paths. Whereas the North quickly consolidated into a top-down nationalist regime poised against the U.S. as the primary foreign threat, South Korea's inconsistent turn toward democratization opened up room for nationalist contestation. For the military dictatorships that immediately followed the war, the singular national threat—indeed, what they saw as the very reason for the war—was the spread of communism and its destabilizing potential. Presidents Syngman Rhee, Park Chung-hee, and Chun Doo-hwan, therefore, all took a hardline stance of containment against North Korea. But for the progressive cause, forged out of opposition to the military dictatorships, a different national narrative was needed.<sup>11</sup> This coalition instead turned to the U.S. as complicit in the brutal oppression practiced by those dictatorships, most tragically distilled in the 1980 Kwangju massacre. Liberation from U.S. influence became its slogan of national autonomy, with some extremists even praising North Korea for its staunch anti-Americanism.<sup>12</sup>

Thus, the progressive-conservative divide in South Korea has less to do with the economic agenda that defines the left-right political spectrum in most Western democracies, and more to do with national narrative, specifically vis-à-vis the North. Neither group defines or claims North Korea as a national “other.” The “us” versus “them” divide in South Korea is of a much subtler sort: whether they see co-nationality with North Korea as an asset or threat to democratic stability in the South. The election of Moon Jae-in—and the return of progressive leadership after a decade—opened a window of opportunity for North Korea to strike a much-needed identity alliance. Unlike a military or political alliance, this would be a shared sense of purpose in facing pressures from the outside world. As a competitive democracy, however, South Korea is far from a singular or autonomous actor. North Korea knows that the Moon administration's agenda is still constrained by popular support, as it just watched the grassroots efforts that led to the impeachment of Park Geun-hye. To secure an identity alliance, then, North Korea knows that it must address the barriers that are internal to South Korea, which leads to the need for sharp power.

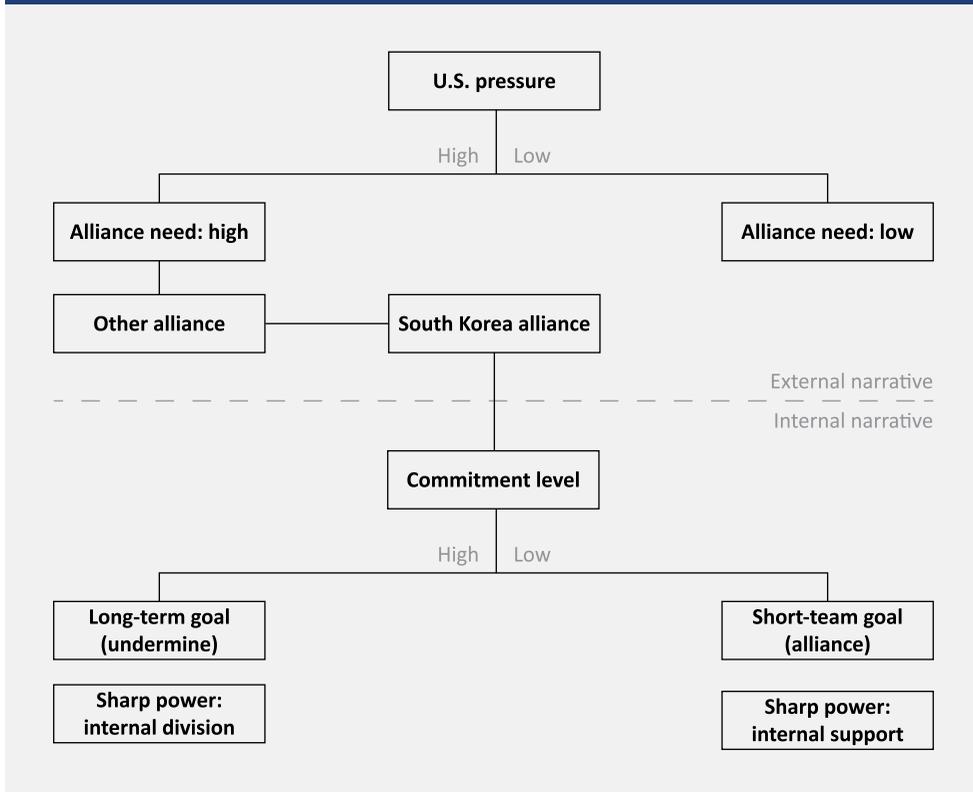
The most obvious opposition to an identity alliance with North Korea will come from conservatives in South Korea. A less obvious source comes from a key constituency group for Moon: the youth. Perceptions of and identification with North Korea are at an all-time low among this group. South Koreans in their 20s and 30s came of age during the conservative era when inter-Korean relations were hostile. Incidents such as the *Cheonan* sinking and *Yeonpyeong* shelling, where North Korea caused South Korean casualties, serve as the formative political moments that define this generation's views of North Korea. Thus, in nationally representative surveys, these age groups consistently report the lowest feelings of closeness toward North Korea. In a 2015 Asan Policy Institute study, for instance, on a scale of 0 (not close at all) to 10 (very close), they averaged only 4.0 and 4.3, respectively.<sup>13</sup>

Perhaps a more troubling trend is that the importance of ethnicity as the basis for Korean identity is fading. This shift describes the South Korean public generally, but is most acute among youth. Back in 2007, a slim majority of South Koreans in their 20s and 30s—by 51 percent and 58 percent, respectively—cited shared ethnicity with North Koreans as a reason for reunification. By 2014, those numbers had dropped to 36 and 40 percent, respectively. The reason why this trend is particularly problematic for North Korea is that South Koreans in their 20s to 40s comprise Moon's main electoral base. In the 2017 presidential election, these age groups had by far the highest vote shares for Moon.<sup>14</sup> Thus, Moon is heavily constrained by the preferences of the young electorate—one that is overwhelmingly apathetic or negative toward North Korea.

Maneuvering such oppositional forces within South Korea to secure an inter-Korean identity alliance cannot be achieved by soft or hard power alone. Unilateral soft power toward South Korea would undermine Kim's own legitimacy in the North. Trying to coerce South Korea into an identity alliance would risk further alienating the North from the international community, which defeats the purpose for such an alliance in the first place. Instead, North Korea needs to walk a careful dual narrative. Figure 1 maps out the dual levels of North Korea's political needs and the various allied contingencies that ultimately shape its sharp strategy toward South Korea. Externally, it needs to project a "soft" identity alliance with South Korea to an international—and specifically U.S.—audience to secure a diplomatic shield. Internally, it needs to gain narrative leverage over South Korea's domestic forces to balance between two contradictory goals. In the short-term, North Korea needs to secure an identity alliance with South Korea; in the long-term, it needs to ultimately undermine South Korea's legitimacy.<sup>15</sup>

The way that North Korea balances between these short-term versus long-term internal goals depends, I argue, on South Korea's demonstrated commitment to the external narrative of an inter-Korean identity alliance. When perceived commitment from South Korea is strong, North Korea does not need to take further action to bind South Korea's hand. Therefore, it uses its sharp capacity to pursue its long-term goal of undermining South Korea's legitimacy by stoking internal divisions, even while pursuing an alliance on the surface. When perceived commitment from South Korea is weak or constrained, however, North Korea reverts its sharp energy toward the short-term goal, using it to build up internal support within South Korea for an inter-Korean identity alliance. The next section illustrates how North Korea's recent turn toward sharp power does this.

Figure 1. Dual levels of North Korea's political goals and constraints



## North Korea's "Trojan Horse" Sharp Power

I describe North Korea's particular form of sharp power as a Trojan horse tactic. This strategy is the result of North Korea's peculiar predicament: the need to project a strong South Korean alliance internationally, while continuing to weaken South Korea's legitimacy internally. I argue that North Korea does this by hijacking South Korea's most prominent soft power efforts. North Korea proactively supports or participates in them, projecting the warm glow up north and outwards to the international—and specifically U.S.—audience. In the process of participation, however, North Korea exploits direct access to the South Korean public to inject performances or narrative nuggets that grant it leverage over South Korea's identity cleavages. It then wields that leverage—sometimes by dividing and other times by uniting the South Korean public—to put internal pressure on the Moon administration to cooperate with the North's goals. Such a strategy is akin to the final military tactic used by the Greeks in the Trojan War, where soldiers hid inside a giant wooden horse, seemingly gifted to the Trojans as a gesture of defeat, in order to penetrate Troy's indomitable walls and eventually claim victory over the unsuspecting Trojans.

Before delving into the North Korean case, it is helpful to put it in comparative context with other forms of sharp power, particularly those of Russia and China. Even between the latter two cases, there is significant divergence in how sharp power is manifested. The Russian strategy, examining its meddling in the U.S. (2016), Ukraine (2014), and Georgia (2008), tends to be more specific and aggressive. The Kremlin aims to alter specific political

outcomes—an election, a military conflict, a mass uprising—by going on the information offensive. The Chinese strategy, on the other hand, is subtler and more diffuse. China aims to construct narratives from the ground-up, through carefully censored journalist “training” programs, people-to-people exchanges, and establishment of Confucius Institutes.<sup>15</sup>

The comparative value of the North Korean case is to clarify the political logic that underlies such diversification in sharp power, not only between countries, but also within the same country. As its past activities show, North Korea knows how to do the Russian style; the Sony hack, the WannaCry virus to raid the Bangladeshi bank, and other cyberattacks, were more of that flavor.<sup>16</sup> North Korea’s Trojan horse strategy toward South Korea is quite different from these past endeavors. My claim is that this is not an impulsive change, but a calculated response to the rather perverse political need of North Korea at this historical juncture: identity alliance with a democracy that it ultimately seeks to undermine. Thus, an in-depth look at North Korea’s contemporary tactics makes a case against any monolithic notion of “sharp power” as simply cyber or information warfare. Instead, sharp power is better understood as an umbrella of strategies for constructing or disrupting narratives to create internal pressure on a target state. Information hacking and embedding fake content are certainly part of that tool set, but so are other means of narrative control, such as performance politics.

I trace North Korea’s Trojan horse strategy through case studies of what I view as its most notable sharp power efforts from 2018: its participation in the Pyeongchang Winter Olympics and the third inter-Korean summit held in April. It is no coincidence that both events are listed as South Korea’s most successful soft power efforts from 2018 by Soft Power 30.<sup>17</sup> Indeed, that is precisely why North Korea targeted them.

### **Case 1: Pyeongchang Winter Olympics**

For a North Korea coming off the heels of a tense, “fire and fury” 2017 and seeking a South Korean alliance, the 2018 Pyeongchang Olympics offered the prime setup. The Olympics are the epitome of sports diplomacy: Kim knew that the world’s eyes would be on Pyeongchang, and he also knew that the progressive Moon administration would be receptive toward North Korea. Seemingly out of nowhere, Kim expressed interest in participating in the Olympics in his New Year’s speech, and as expected, the Moon administration quickly followed up with an invitation.

North Korea effectively leveraged South Korea’s soft power to project a narrative of inter-Korean identity alliance to the international community. Not only did it partake in the Olympics, but it also walked in joint procession with the South under a “one Korea” banner and sent a 400-person cultural troupe, including the famed cheerleaders, along with athletes. This was not the first time the two Koreas made a joint entrance, but to do so on South Korea’s turf held novel symbolic value and elevated North Korea’s status to essentially a co-host. The move won North Korea a favorable diplomatic aura at a critical time, and externally, signaled a strong, perhaps even unprecedented, level of inter-Korean identity alliance, which is precisely what it needed to show the United States.

Internally, however, North Korea also needed to maintain a more nuanced, delicate balance between its contradictory short-term versus long-term goals toward South Korea. While needing support from South Korea now, in the long run, North Korea ultimately wants to

maintain within-nation superiority. With the Olympics, South Korea’s strong commitment to an identity alliance—signaled by the Moon administration’s immediate invitation—freed up North Korea to simultaneously use sharp power for its long-term goal of weakening South Korean democracy. Thus, in the participation process, North Korea deliberately provoked divisive cleavages within South Korea that would be most apt to destabilize Moon’s legitimacy, even as Moon worked to ensure the Olympics was a joint, inter-Korean success. I highlight two divisive kinks that North Korea embedded in the participation process to accomplish this objective.

The first kink was to demand a joint North-South hockey team. While the visual of a “one Korea” team generated diplomatic benefits for the North, in practice, the decision meant that certain South Korean players would lose their spots on the team to make room for North Korean players. The unilateral announcement of the decision from South Korea’s Ministry of Unification, which justified it under the banner of pursuing “Pyonghwa (*peace*)” Olympics, drew nearly 450 complaints on the Blue House’s online petition forum, with some posts drawing more than 58,000 co-signers.<sup>18</sup> Table 1 shows a content analysis of the petitions, in which I coded the main schema raised in each entry. Opposition to the joint team was based mainly on two reasons: the politicization of the Olympics for a progressive agenda, and outrage over accommodating the North at the expense of the South.<sup>19</sup> In other words, the joint team decision triggered, with precision, the historical concerns that define the South Korean right.

**Table 1. Content analysis of South Korean petitions against the joint Korean hockey team**

Justification schema	N
Use of Olympics for political agenda	172
Accommodation of North at the expense of South	135
Fairness concerns (unmeritocratic or opacity of decision)	49
Anti-North Korea	40
Other	32
<b>Total</b>	<b>428</b>

The second kink was a cheerleading prop. The North Korean cheerleaders—the object of seemingly endless international media coverage during the Games—typically waved the “one Korea” flag. But during the hockey match in which the joint Korean team competed, they swapped the flag for a prop of a young man’s face. To many observers, the face bore undeniable resemblance to a young Kim Il-sung, as shown in Figure 2. The face ignited outrage from the South Korean right, with representative Ha Tae-kyung from the conservative Bareun party—an offshoot from former president Park Geun-hye’s Saenuri party—tweeting that “they [North Korea] think this is the Pyongyang Olympics.”<sup>20</sup> More curious was the fact that the face resembled Kim Il-sung, rather than the current leader Kim Jong-un—clearly a deliberate, forethought decision. This meant that the face was most readily recognizable by South Korea’s elder generation; those who have first-hand memories of the Korean War, remember Kim Il-sung’s younger profile, and are overwhelmingly conservative. The prop, therefore, targeted the South Korean right, the group with the most destabilizing potential under progressive leadership.



Source: Kookmin Ilbo

North Korea denies such accusations, communicating through South Korea's Ministry of Unification that using the founder's face as a cheerleading prop would be unimaginable.<sup>22</sup> At the same time, North Korea's concern over the South Korean right is laid bare in the *Rodong Sinmun*, the official mouthpiece of the Workers' Party. In one of several op-eds and articles about the Olympics, a staff writer attacks South Korea's conservative media for interfering with a budding inter-Korean alliance:

"No matter how desperately [the conservative media] may try to mislead public opinion, nobody will lend an ear to their trumpeting. The South Korean conservatives would be well advised to stop at once such foolish smear campaign making their end more miserable and prepare themselves to stand their trial for the thrice-cursed crimes they committed against the nation."<sup>23</sup>

The narrative bait and switch is obvious here. While deliberately stoking conservative backlash within South Korea, and, therefore, undermining democratic legitimacy, North Korea takes the official stance of supporting inter-Korean unity to an international audience,<sup>24</sup> maneuvering away from any culpability.

North Korea's engagement with the Pyeongchang Olympics was "sharp," in that it manipulated narrative forces internal to South Korea to balance two seemingly contradictory goals: in the long-term, to undermine the rival democracy, while in the short-term, to reap the "soft" benefits of effectively co-hosting the Olympics. How successful were North Korea's efforts? Hosting an international sporting event like the Olympics typically yields a boost in public support for the incumbent president. In contrast, Moon's approval rating fell below 60 percent for the first time immediately following the Olympics,<sup>25</sup> in what some Korean media have dubbed the "Pyeongchang paradox." Of course, exacerbating internal discord within South Korea was a viable strategy because North Korea knew that the Moon

administration was fully committed to making the Olympics a success, regardless. To show how North Korea shifts strategy when South Korea's commitment to an identity alliance is less clear, I turn to its engagement in the third inter-Korean summit.

### **Case 2: Third Inter-Korean Summit**

A key argument in this article is that political context—a given state's political goals and the barriers against it—undergirds sharp power strategy. As the third inter-Korean summit began to materialize in the spring of 2018, North Korea's political context had shifted. The Olympics signaled thawing relations on the Korean Peninsula, which prompted a change of tone from the U.S.: Trump accepted Kim's invitation to meet, Mike Pompeo made the highest-level visit to North Korea since Madeleine Albright in 2000, and Trump publicly endorsed a Korean peace treaty leading up to the inter-Korean summit. This was a very different context than the one in which North Korea had found itself right before the Olympics, where the U.S. had recently added it back to the list of "state sponsors of terrorism" and backed U Resolution 2397, which imposed additional sanctions to cut North Korean imports of petroleum by almost 90 percent.

This shift complicates the strategic landscape for North Korea. What it had envisioned as an inter-Korea identity alliance standing off against the U.S. has now become a three-way negotiation, with the U.S. engaging directly and separately with both Koreas. The U.S. wields significant pressure over South Korea's option set: not only has South Korea maintained a close relationship with the U.S. since the armistice, but also, in the event of hostility from North Korea, an alliance with the U.S. is its most powerful defense. In this scenario, the primary threat to North Korea's goal of keeping U.S. pressure at bay is a South Korea that prioritizes a U.S. alliance over an inter-Korean identity alliance. North Korea knows that, while the Moon administration may be ideologically committed to favor the latter, the U.S. also exerts real security pressure on South Korea from the outside. Its sharp power strategy, then, is to counter that by building internal pressure within South Korea to prioritize an inter-Korean alliance. As I illustrate below, North Korea effectively used performance politics during the inter-Korean summit to target the key constituency within South Korea that could exert this pressure on Moon: the youth.

The dominant narrative about North Korea and Kim Jong-un among South Korean youth is negative. The majority see North Korea as a liability. For instance, a 2017 study by the *Korea National Institute for Unification* finds that South Koreans in their 20s and 30s are most likely to see North Korea as an object of hostility rather than cooperation, and that a majority of them believes reunification to be unnecessary.<sup>26</sup> Similarly, another recent study that analyzed the valence of all North Korea-related searches between September 2017 and April 2018 in South Korea found that the highest percentage of "negative" searches came from those in their teens to 40s.<sup>27</sup> The irony, of course, is that this age group was also Moon's deepest support base in the 2017 election. The youth constituency is, therefore, a pivotal internal constraint to South Korean leadership.

I argue that North Korea's approach to the summit—from the logistics and visuals to Kim's expertly tailored repertoire—was aimed at revising the North Korean narrative among South Korean youth, as a way to exert internal pressure on Moon. The strategy began with framing the summit as a "historic" turning point of revival and rebirth for the peninsula.

The summit itself was not historic; it would have been the third time that leaders from both sides met in person. What gave it historical significance was that Kim requested the summit to take place in South Korea, making him the first North Korean leader to set foot on South Korean territory since the armistice.

With the media now fixated on the unprecedented moment, Kim proceeded to turn the dominant narrative of who he is, and what North Korea is, on its head. In stark contrast to his reputation as “rocket man” and a ruthless autocrat who murdered both his uncle and half-brother, Kim projected himself as warm, honest, and even humorous. Upon crossing the DMZ, Kim also invited Moon to step over to the other side, saying “shall we go now, together?” When Moon noted how Kim must have gotten up early that day to travel south, Kim apologized in jest for making Moon a habitual early riser, referencing the early morning National Security Council meetings Moon had convened each time North Korea tested a ballistic missile. At the dinner, as Kim introduced the Pyongyang cold noodles he had brought from North Korea, he noted how the food had traveled “very far,” but quickly quipped: “Oh, I guess I shouldn’t say that it is far.” The phrase became an unofficial slogan of sorts, both for the summit, and as a sign of a new start in inter-Korean relations generally, and was cycled countless times through South Korean news shows, ads, and social media.

Post-summit surveys suggest that Kim’s performance was unusually successful at shifting South Korean public opinion toward North Korea. A Gallup survey of 1,002 South Koreans on May 2-3, 2018, a week after the summit, showed that 65 percent of citizens said that their opinion of Kim had become “more favorable,” with only 28 percent saying that their views were “unchanged.”<sup>28</sup> Even among those in their 20s and 30s—typically the most apathetic or pessimistic toward North Korea and prospects for reunification—a majority chose “more favorable.” This gain in favorability was related to a significant increase in perceptions of trustworthiness toward North Korea. When asked whether they believe North Korea would follow through on the agreements from the summit, 58 percent of respondents said that they believed it would—a notable increase from the 17 percent level of faith that followed the last inter-Korean meeting between senior officials in August 2015.

Perhaps Kim is just a jovial personality. Perhaps his summit demeanor was just a good faith response to Moon’s invitation. Or, perhaps, Kim is a third-generation dictator of a regime that is exceptional at performance politics, and in particular, knows how to appeal to youth, something that he has done within North Korea to build his own legitimacy as a young successor.<sup>29</sup> My claim is that Kim’s repertoire at the inter-Korean summit is a prime example of North Korea’s Trojan horse sharp power: hijack what appears to an international audience to a high-profile “soft” event to seed narrative nuggets that put internal pressure on South Korea’s option set. With the U.S. now exerting its own pressure on Moon’s commitment, North Korea’s strategy was to gain leverage from within: to rally pro-North support in Moon’s key constituency—which formerly ranged from apathetic to negative toward engagement—to force the president’s prioritization of an inter-Korean alliance. In this view, the historicity of the third summit, the symbolic visuals it produced of the two leaders hand in hand, and the witty rhetoric used by Kim in otherwise predictable summit exchanges—these were all part of the toolkit of Kim’s performance politics to change the dominant narrative toward North Korea among South Korean youth.

North Korea's political strategy toward the summit becomes more apparent in what it actually says about it. In nearly every article and op-ed in the *Rodong Sinmun* about the summit, language about unanimous public support abounds across the nation for inter-Korean identity alliance. This particular result of the summit is used as leverage whenever South Korean commitment is seen as wavering or succumbing to U.S. pressure. Immediately after the summit, *Rodong* stated that the Panmunjom Declaration will serve as a turning point of peace for the peninsula, "as the entire minjok has unanimously hoped and demanded."<sup>30</sup> When Moon expressed support for the U.S. hardline demand of denuclearization after the U.S.-North Korea summit in Singapore, an op-ed argued that "South Korea should come to its senses and pursue *by popular mandate* the path of autonomous unification within one people instead of worshipping foreign powers" (emphasis mine).<sup>31</sup> Interestingly, any anti-North Korea protests or opposition efforts by conservatives are characterized as "not being able to read the *minjung's will*" and "anti-nationalist,"<sup>32</sup> effectively framing any hesitance on the part of Moon as not responding to the public's preference—the key constraint in a democracy.

## Conclusion

The recent wave of democratic backsliding, in places like Venezuela, Turkey, and even to a certain extent in the United States, has a distinctively subtle and internal form. These episodes of backsliding do not begin as violent or even dramatic shakeups due to a crisis or external pressure, but rather, are gradual erosions from within, driven by competing political narratives and steady attacking of domestic institutions.<sup>33</sup> In light of this trend, sharp power and its capacity to misinform and seed alternative narratives is particularly menacing.

This article makes the case, however, that to accurately portray the full extent of the threat posed by sharp power, a more theoretically precise framework is needed. I argue that the focus on information warfare, hacking, or media propaganda results in too thin of a definition; those are specific tools of sharp power, but do not capture the underlying strategy that distinguishes it from genuine value diplomacy efforts. A more analytically useful distinction is the targeting of pressures *internal* to a rival state to force its hand, where the intent of the agent state is discerned not by regime type, but by paying close attention to its political needs and constraints. That specific political context, and not necessarily the communications capacity or vulnerability of the target state, is what shapes the timing and form of sharp power.

North Korean sharp power is particularly helpful in illustrating this point, as the regime operates within political constraints that are quite different from those of Russia or China. I showed that using the internal and agent-driven approach to sharp power offers quite a different assessment of North Korea's recent diplomacy. What appear on the surface and to an international audience as value diplomacy efforts toward South Korea also embed sharp power tactics that target South Korea's domestic audience. Depending on the alliance context at the time, North Korea has strategically used a variety of performance politics to exacerbate existing identity divisions or to unify them in order to internally pressure South Korea in ways that it needs.

Going forward, discussions of sharp power and value diplomacy need to be framed by attention to political context. In the case of North Korea, this lens provides a tractable logic by which to understand the regime's seemingly "radical" shifts toward South Korea, and importantly, casts a realist view of its recent diplomacy efforts toward stronger inter-Korean relations and reunification.

While the primary focus of this article is to delineate North Korea's Trojan horse sharp power, an important question remains: to what extent is South Korea Troy? A mix of hubris and take-at-face-value innocence led to Troy's ultimate downfall into the Greek trap. This is a far cry from the South Korean conservative elite, who have consistently been the ones to call out North Korea's tactics even while risking bad publicity under a progressive presidency and media environment. Even progressive elites are well aware of the pitfalls of taking North Korea's words at face value, a mistake that they have learned from over time and through repeated high-level interactions with the regime.

I argue, however, that a specific confluence of two trends in South Korea make it surprisingly and increasingly vulnerable to North Korea's sharp strategy. The first trend is an unassuming innocence toward North Korea that is growing among the younger generation in South Korea. It is not that these younger citizens have favorable opinions toward the North—in fact, far from it—but rather, that their understanding of the authoritarian regime is unidimensional. Their formative political exposures to North Korea, from the *Cheonan* sinking to the missile tests, have been uniformly negative. The singularity of their assumptions about the nature of "the Other" is problematic because it precludes the possibility of complexity and surreptitiousness. It was precisely this kind of flat assumption about the nature of the Greeks, and of war more generally, that made the Trojans vulnerable. Likewise, the simplification of North Korea among South Korean youth makes them increasingly vulnerable to the North's sharp strategies, as they are more likely to take the regime's actions or rhetoric at face value. In the literature on racial politics and implicit bias in the United States, Tali Mendelberg shows that politicians subvert the social norm of racial equality by "playing the race card" implicitly, through subliminal cues about racial superiority or fear.<sup>34</sup> For the older generation in South Korea, North Korea's tactics to "play the nation card" are immediately evident and, therefore, ineffective, because they understand the complexities that are belied by the public principle of national unity. A growing lack of awareness of that complexity renders the younger generation in South Korea that much more susceptible to North Korea's sharp efforts.

The second trend is the progressive faction's growing political dependence on relations with the North. The progressives have always been ideologically pro-engagement toward North Korea, but Moon's administration has developed a nearly singular dependence on the issue. One possibility is that unprecedented engagement with North Korea serves as a "rally around the flag" diversion from the growing domestic problems of youth unemployment and declining birthrate, for which progressive economic policies have proved to be largely ineffective.<sup>35</sup> The issue here is not innocence toward North Korea, but a highly political need to pursue engagement even at unusually high costs, in order to preserve progressive momentum in South Korea. This growing political dependence on North Korea at the progressive elite level, combined with the rise of an unassuming younger generation that mostly takes political cues from the left, make for a South Korean public that increasingly, and dangerously, treads toward Troy.

## Endnotes

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- <sup>4</sup> Steven Lukes, *Power: A Radical View*. 2nd ed. (New York: Palgrave Macmillan, 2005).
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- <sup>17</sup> Soft Power 30 is a joint project by Portland Communications and the USC Center of Public Diplomacy that provides cross-national and over-time rankings of soft power efforts. South Korea's evaluation is at: <https://softpower30.com/country/south-korea/>.

- <sup>18</sup> A key word search of “joint Korean team+oppose” yielded 428 total petitions between January 1 and February 28, 2018. The full petition list is at: <https://www1.president.go.kr/petitions>.
- <sup>19</sup> In the petition that drew over 58,203 co-signers, for example, the poster writes: “I understand the intent behind a joint team, but this is not the right time. Our hockey players, who trained hard up until this point, should come first.”
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- <sup>22</sup> The clarification post is available on the Ministry of Unification website, [https://www.unikorea.go.kr/unikorea/news/release/?boardId=bbs\\_0000000000000004&mode=view&cntId=54382](https://www.unikorea.go.kr/unikorea/news/release/?boardId=bbs_0000000000000004&mode=view&cntId=54382).
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# **THE TRUMP ECONOMIC IMPACT ON EAST ASIA AFTER TWO YEARS**

Trade ties between the United States and many East Asian countries have faced a high degree of uncertainty since Donald Trump took office in early 2017. The world is now accustomed to an atmosphere of sanctions, tariffs, ultimatums, and negotiations under pressure with little left off the table. The centerpiece in this drama is, of course, Sino-U.S. relations. Much is written on that, and the saga of tense talks, occasional breakdowns, and upbeat statements continued as we were proceeding with our analyses of the East Asian region. Instead of trying to unravel where that might end, we concentrate on countries in the region neighboring China. We begin with the Trump economic impact on South Korea, turn then to Japan, switch next to Southeast Asia, and conclude with North Korea. In the first three cases, we identify various similarities as well as some differences, and with North Korea, burdened with “maximum pressure,” we find an outlier. South Korea has already cut a trade deal, Japan is now beginning negotiations for an agreement with the U.S., and the states of Southeast Asia, after Trump’s pullout from TPP and Japan’s leadership in keeping the momentum alive, are striving to hold onto multilateralism.

Trump’s thinking is steeped in narrow notions of manufacturing trade deficits subsumed under the slogan “America First,” as well as updated alarm about unfair practices to coerce or steal intellectual property rights. He has rallied Americans with considerable international support behind the need to curb China’s predatory trade practices, while alienating virtually the entire world, including U.S. allies, with overcharged claims of “national security” in imposing tariffs to control imports of selected products, starting with steel and aluminum but threatening to make the sale of foreign-made cars and trucks the ultimate target for reducing the U.S. trade deficit.

Concern prevails over what further damage Trump may do to the trade environment in East Asia. In Seoul, despite relief that what was most feared when Trump railed against the KORUS FTA did not come to pass, one hears warnings that Trump may extend barriers already imposed on washing machines and solar panels to automobiles—a large part of exports to the U.S. Just on the precipice of bilateral talks demanded by the U.S., Japan also nervously awaits pressure against its even more massive automobile exports. For Southeast Asian states, the prospect of bilateral negotiations with the U.S. is frightening as well, since it is understood that smaller economies have little leverage in such negotiations. The spillover for all of these countries from hefty U.S. tariffs on China is also feared, since they are deeply integrated into production chains.

## Peter E. Harrell, “U.S. China Economic Relations Under the Trump Administration at the 2-Year Mark”

Harrell discusses new policies introduced by the Trump administration, their impact, Chinese retaliation, and questions that now hang over the Sino-U.S. trade dispute. He describes economic policy as taking on a “stick forward” approach, with liberal doses of tariffs, sanctions, ramped up investment reviews, and new export controls. While U.S. tariffs against imports from allies are seemingly driven largely by the administration’s general protectionist bent, Trump’s trade actions against China reflect a broader set of concerns more widely supported by members of Congress and American experts outside of

government. These include both longstanding U.S. concerns over Chinese trade practices and market access barriers, Harrell explains. Companies have been led to re-consider aspects of their global supply chains. Retaliation has followed, including Chinese tariffs on most imports of U.S. goods, in line with a policy of reciprocating against U.S. actions but generally avoiding trade and commercial steps that would escalate tensions with Washington. China imposes them on a large majority of all U.S. goods exported to China, but it imposed these retaliatory tariffs at a pace that tracked the U.S. tariff escalation.

The new trade policy, according to Harrell, began to deliver some successes in 2018, including a successful renegotiation of NAFTA, now renamed the U.S.-Mexico-Canada Trade Agreement (USMCA), a renegotiated Korea-U.S. FTA, and at least some willingness by European and Japanese officials to discuss greater market access for U.S. products. While many major U.S. importers and trade associations have complained about the tariffs, the tariffs continue to draw support from several of the key constituency groups that they are intended to assist. Harrell explores two, alternative scenarios for the U.S.-China talks. In one scenario the two reach a trade agreement but continue to have sharp differences over specific policies and industries, such as telecommunications. In this scenario, the economic relationship is characterized by neither broad economic and political cooperation and engagement, nor by a broad decoupling of the world's two largest economies. Instead, the relationship will be characterized by what he terms "strategic coupling," a more transactional approach to economic relations in which the U.S. and China are economically coupled across many industries, but increasingly decoupled in a handful of key industries that each side sees as too sensitive for deep interconnectedness. If the two sides do not reach a deal, a broader economic decoupling becomes substantially more likely. If the Trump administration reaches and implements a deal, then, practically speaking decoupling is unlikely to occur over the next several years because increased Chinese purchases of U.S. products and greater Chinese openness to new U.S. business investment in China should actually deepen economic ties, concludes Harrell.

Several major questions hang over the next several years of U.S.-China economic relations, he suggests: 1) whether the Trump administration will pursue a strategy of a broader "decoupling"; 2) whether, and the extent to which, the U.S. will use traditional market-liberalizing agreements as a part of its economic strategy towards both China and East Asia, and the extent to which it will use other "carrots" as part of its economic strategy in Asia; 3) how will U.S. allies will manage their strategic and economic relationships with both Washington and Beijing; and finally 4) what happens after the American presidential election.

## Yoon Yeo-joon, "The Trump Economic Impact on East Asia after Two Years: The Case of South Korea"

Two years into the Trump administration, the U.S.-ROK economic relationship is facing another turning point, Yoon explains. Trump is a game changer, trying to alter the global trading system and its relation to China. South Korea has been only partially affected by his grand scheme so far. However, Trump specifically blamed the KORUS FTA as a major contributing factor to the United States' huge trade deficit and domestic job losses in manufacturing. As a result, it was amended. Various protectionist measures, such as Section

201 tariffs on washing machines and solar panels, as well as Section 232 tariffs on steel and aluminum, could have a substantial impact. Protectionism in the U.S. is a grave concern considering the significance of the U.S. to the South Korean economy.

South Korea has moved to reduce the trade gap. In 2016, it imported only \$11 million of natural gas, but in 2018 it imported \$2.250 billion from the U.S. due to the shale boom in the U.S. and Seoul's efforts to reduce its trade surplus in response to pressure. In June 2017, when Moon Jae-in visited Trump, Korean businessmen accompanied him and pledged to make investments worth \$12.8 billion in the U.S. The investors include conglomerates such as Samsung, Hyundai, LG, and SK. Such large-scale investment must have been, in part, due to Trump's protectionism. But there is an intention also of promoting U.S. market access for Korean products and investing in cutting-edge technologies. Small and medium-sized companies plan to invest in the U.S. in advanced technologies. With the fourth industrial revolution looming and the hostile trade policy of the U.S., not to mention the renegotiation of KORUS FTA now being settled, it is sensible to expect that Korea's investment in the U.S. will increase, which should alleviate U.S. concern.

The Korea-U.S. FTA was fiercely criticized by Trump during his presidential campaign. He described it as a "horrible deal" and a "job killer," but the new agreement, to the relief of Koreans, contained only minor amendments. A threat over automobiles remains. The threat is not immediate, considering that Korea's overall exports of automobiles and parts to the U.S. are well over \$20 billion every year, and that KORUS revisions include an agreement to increase the number of U.S. vehicles annually exported to Korea which only meet U.S. safety standards from 25,000 to 50,000. Seoul was concerned that renegotiations would touch on sensitive areas—mainly in rules of origin for automobile products, and liberalization of agricultural products, especially rice, and currency—but these were not addressed. Given the pressure that Trump exerted regarding the trade deficit and alleged unfair trade practices, the outcome of the KORUS amendment is certainly positive for Korea, Yoon explains in taking stock of the situation.

New restrictions could be based on sections 201, 232 and 301 of U.S. trade acts. So far, restrictions on steel imports have the most significant impact on Korea, the fourth largest source country for U.S. steel imports in 2017. Even though Korea was exempted along with Argentina, Australia, and Brazil from the 25% tariff, it is still subject to a quota—70% of the annual average from 2015 to 2017. Also, Section 201 measures on washing machines are targeting companies like Samsung and LG. For washing machines, Korea's market share dropped. In response, Samsung and LG built new plants in the U.S. and began to supply their products to U.S. customers directly. The magnitude of the drop in solar panel imports is the largest. Observing the large increase in imports of washing machines and solar panels around 2014, one could see the threat that U.S. producers could have felt from the flood of imports. Section 232 tariffs on autos and auto parts loom, as the Trump administration is considering imposing 25% tariffs on these products. Exports of automobiles and parts make up about 1.6% of the GDP. So far, with the U.S. trade balance improving after Trump took office—a yearly effect of about \$3.4 billion dollars, or 14.7%—the situation has not changed markedly, but Yoon warns of more serious consequences ahead despite the successful revision of the KORUS FTA, which has kept things under control.

## Shihoko Goto, “Redefining U.S.-Japan Trade Relations Under Trump”

The Trump administration has presented a unique opportunity for Japan to take on some of the roles that the United States has embraced in the Asia-Pacific region, most notably on trade. By succeeding in shepherding the TPP to evolve into the CPTPP and ensuring that it came into effect, Abe has been able to steer Japan into the role of champion of multilateralism and the rule of law. With the U.S.-China trade war posing a big risk to growth worldwide, Japan’s role in stabilizing the global economy has only increased. Yet, Japan’s potential is limited, and it faces downside risks, Goto warns. Economic nationalism continues to be a key factor driving U.S. trade policy, and the risk of Washington pressing Tokyo for a bilateral trade deal that would hurt Japanese exports, especially in the critical automobile sector, exists and could lead Japanese auto makers to reconsider their investments in the United States. The U.S. adding a provision to a trade agreement that would effectively bar Japan from negotiating an FTA with China as part of their bilateral deal would be a demand that it would not easily be able to swallow, Goto adds.

Another risk that could drive a wedge between Tokyo and Washington is how the threat of China as a rule-breaker is assessed. While the Abe administration has been quick to support the White House in pressing Beijing for structural reform, including data security, Abe has also leveraged the U.S.-China trade war to improve relations with Beijing and hedge against the uncertainties resulting from the Trump administration. Even when it comes to assessing the threat China poses in rewriting the rules of global industry and competitiveness, the possibility of a widening gap cannot be dismissed. Siding with the U.S. could: 1) potentially hamper economic opportunities with China, which would be a blow for companies, 2) antagonize the Chinese leadership into not adopting practices that would benefit Japan in the longer term, and 3) also decrease the CCP’s willingness to embrace the Japan-driven CPTPP in the future. For Japan, the possibility of the United States replicating a “poison pill” approach to isolate China from the global trade regime by pressuring other countries not to enter deals with Beijing, has been particularly worrisome. Not only does that stance make it difficult for CPTPP, it could also jeopardize progress that has been made to conclude RCEP, which would strengthen Japan’s ties with China, India, and the 10 ASEAN countries. Japan’s economic strategy has been to hedge against the zero-sum approach to trade that the Trump administration has taken. The single biggest factor that has driven Beijing and Tokyo to improve relations has been shared concern about how U.S. trade policy could hamper growth in Asia and thereby hurt the domestic economy. Japan’s multilateral vision is at odds with that of the U.S. administration, which is focused on negotiating trade deals bilaterally not just with China, but also with its long-established allies. Japan’s strategy is to continue strengthening economic relations with both Beijing and Washington and encouraging both to join the CPTPP.

For Japan, the pressure to adapt to the sudden changes under Trump has been particularly intense, given its continued dependence on the United States for security in an increasingly unstable region on the one hand, and its counting on robust trade relations with the world’s largest economy, on the other. Even as CPTPP coming into effect drew closer by the end of 2018, U.S. interest in negotiating a bilateral trade deal over which it would have the upper hand became clear by September 2018. The compromise has been to embark on

trade negotiations that focus just on goods, not services. But Japan has no confidence that will stick. Even if it did, Washington's focus on tackling its massive goods trade deficit by leveraging Section 232 of the 1962 Trade Expansion Act, which allows the U.S. president to impose restrictions on certain imports seen to threaten national security, is a source of anxiety. Abe has not only been unable to persuade the U.S. to rejoin the TPP, Japan is also being hit with steel and aluminum tariffs in the name of national security, in spite of the very public overtures to accommodate U.S. leadership by the premier. It is unable to avert what it had tried to avoid from the beginning of the Trump administration—to negotiate a bilateral trade deal with an administration that would focus on reducing Japanese exports of automobiles and auto parts into the United States. With Trump simply postponing the possibility of extending Section 232 tariffs onto the auto sector until bilateral negotiations are concluded, there is a growing sense of unease about the outlook for U.S.-Japan trade ties and relations. It seems increasingly likely that not only would the auto sector be targeted for tariffs by the United States, but that there would also be a comprehensive trade deal also including services and dealing with currency-related issues—all of which would put pressure on Japan.

At the midway point of the Trump administration, Japan has actually emerged stronger, at least on the trade front, insists Goto. Moreover, when it comes to Washington confronting China over its systemic unfair trade practices, Trump has succeeded in garnering support from its traditional allies, most notably Japan and the EU. The three have worked together through the WTO since late 2017 to draft new rules regarding forced technology transfers, intellectual property rights, digital trade, and broader WTO reform to bolster transparency. Together with promoting the Indo-Pacific strategy, the trilateral effort to pressure China to change its system is a clear example of multilateral efforts to challenge Beijing's strategic ambitions. Yet, it should be noted that Japan, the U.S., and the EU have deliberately avoided antagonizing China, Goto concludes, treating this initiative as a rare exception to the unilateralism putting Japan's economy at risk.

## Kaewkamol Pitakdumrongkit, “The U.S. Indo-Pacific Strategy and Its Implications for U.S.-ASEAN Economic Governance Architecture”

In November 2018, Mike Pence maintained that Washington plans to “make bilateral trade agreements with any Indo-Pacific nation that wants to be our partner and that will abide by the principles of fair and reciprocal trade,” promote private sector investment, and assist regional states on sustainable infrastructure development. This was added to an Indo-Pacific strategy cast on the assumptions that China is a revisionist state and Washington and Beijing are competing for power. On December 31, 2018, Trump signed into law the Asia Reassurance Initiative Act (ARIA) passed by the U.S. Congress, which authorizes \$1.5 billion ensuring “the regulatory environments for trade, infrastructure, and investment in partner countries are transparent, open, and free of corruption.” This can help to mend Southeast Asia's infrastructure financing gap, to fund its connectivity projects with \$184 billion annually from 2016 to 2030. U.S. connectivity assistance will offer additional options for ASEAN countries, allowing the latter to conduct power balancing between Washington and Beijing. It is mainly because the regional states are

increasingly concerned about Beijing's debt trap diplomacy undermining sovereignty, that they are keen to receive such assistance, allowing them to move away from China's sphere of influence and balance between the U.S. and China to serve their own interests. Compared to previous administrations, the Trump cabinet focuses more on economic matters.

The economic components of the U.S. Indo-Pacific strategy cover three areas: 1) trade, 2) investment, and 3) infrastructure/connectivity. The interactions between the administration's Indo-Pacific strategy and agendas promoted by Southeast Asian nations differ by issue area. In terms of trade, Washington's policy clashes with those pursued by several ASEAN states. While the former tends to rely on trade bilateralism to advance regional trade governance, the latter opt for multilateral means. To regional states, bilateral trade negotiations give bigger economies the upper hand, hence enabling them to shape the outcome in their favor. Such a view was reaffirmed as these policymakers watched how the KORUS renegotiations unfolded. Seoul was forced to make concessions. ASEAN nations are not keen to negotiate bilateral deals with the U.S., putting their countries at a disadvantage, Pitakdumrongkit concludes.

Trade policies championed by the U.S. and ASEAN countries are likely to bifurcate. It is partly because the Trump administration is likely to continue using trade balances to define "fair" in its pursuit of "free, fair, and reciprocal" trade. Because the U.S. has a \$92 billion goods trade deficit with ASEAN economies collectively, there exists little room for Southeast Asian parties, especially those running a trade surplus with Washington, to strike deals satisfying all involved. The U.S. and Southeast Asian countries' trade agendas are running in the opposite direction with little prospect of policy convergence.

Why do ASEAN nations prefer multilateral contracts? First, their economies are intertwined in transnational production networks. In 2017, 28.57% of total exports of all ASEAN states were intermediate goods. Second, China's structural reform and middle class are likely to yield positive effects on the region. Thanks to Xi Jinping's commitment to transform the country into a consumption-driven and services-driven economy over the next decade, Southeast Asian states have enjoyed the windfall of Beijing's move. For one thing, the number of Chinese tourist arrivals in the region quadrupled in the past ten years.

The jury is still out, however, on the degree to which U.S. strategy would align or clash with different approaches supported by Southeast Asian governments. Clashes of ideas and policies can result in not only failure in U.S. implementation of its strategy but also in competing economic initiatives which could undermine the future of U.S.-ASEAN trade and investment ties. Pence affirmed that Washington's approach was "a better option. We don't drown our partners in a sea of debt. We don't coerce or compromise your independence. The United States deals openly, fairly. We do not offer a constricting belt or a one-way road."

As far as investment is concerned, while there have not yet been concrete programs introduced by the Trump administration, it can be argued that its Indo-Pacific policy direction is likely to complement ASEAN's agenda and boost U.S.-ASEAN investment ties and governance. Washington's policies regarding investment can result in a higher number of U.S. enterprises establishing their operations in the region, heightening American investment in Southeast Asia. Yet, ASEAN members are increasingly concerned about the effects of certain

U.S. regulations. The action by CFIUS in March 2018 is a case in point. CFIUS, an inter-agency committee tasked to investigate international transactions that can lead to foreign takeovers of American corporations and assess their impact on U.S. national security, blocked the acquisition of U.S. chipmaker Qualcomm by Singapore's Broadcom.

The Trump administration's Indo-Pacific strategy and ASEAN's economic policies clash in respect to trade, while they are complementary in the investment and connectivity realms. U.S. and ASEAN policymakers should prioritize deepening cooperation in the areas of investment and infrastructure where there is no obvious policy clash. Both sides should roll out concrete projects boosting transparency in cross-border investment, encouraging the involvement of the private sector, and ensuring that investment can encourage innovation and entrepreneurship. Moreover, they should push forward the U.S.-ASEAN Trade and Investment Framework Agreement (U.S.-ASEAN TIFA) launched in 2006, which sets a strategic framework and principles for trade and investment dialogue. Although U.S. and ASEAN members may not be able to negotiate and conclude multilateral trade deals in the short term, they should maintain regular formal and informal dialogue. Keeping communications going can not only diminish any likelihood of misperceiving or misinterpreting one another's policies, which could escalate into a full trade war, but can also raise the prospect of collective action to move forward trade cooperation.

## Benjamin Katzeff Silberstein, "The North Korean Economy and U.S. Policy: Stability under 'Maximum Pressure'"

Silberstein argues that the Trump administration aims to squeeze the North Korean regime by targeting its economy, hoping that the economic pain inflicted will force the country to cede to U.S. demands for abolishing its nuclear weapons. He adds that Trump and those who support his strategy tend to argue that "maximum pressure" was the chief cause for Kim Jong-un agreeing to the Singapore Summit in June 2018. Yet, some argue that the added sanctions under "maximum pressure" have had little to do with North Korea's willingness to negotiate with the United States. Based on both quantitative and qualitative data, Silberstein concludes that while the sanctions that followed the inception of "maximum pressure" have not backed the regime into a corner, they are still inflicting a great deal of economic pain on the country. No data, however, suggest a general economic crisis in the country. Furthermore, to the degree that the economic pressure has been successful, it is because China has implemented the sanctions to a much higher degree than in the past, but China's cooperation is now at odds with Trump's pressure strategy.

The main difference for China is that tensions between the U.S. and North Korea reached so high a level at the zenith of Trump and Kim's war of words in 2017, that it perceived real risks to its strategic interests, likely fearing armed conflict. The North Korea economy has been badly hurt by Chinese sanctions implementation, but not badly enough to plunge into crisis, Silberstein finds. Sanctions have caused the regime big losses in foreign currency income from lost exports of coal and other minerals, fishery products, and foreign labor. Most likely, the regime's foreign currency assets are becoming increasingly depleted by the day. Sanctions have also made it difficult for the country to acquire sufficient amounts

of fuel. Yet, due to its totalitarian system, North Korea has a high threshold for pain. For Trump's sanctions policy to reach its full potential, it would likely need to be in force for one or several more years, with the full cooperation of both China and Russia, an unlikely prospect. However, China had earlier refused to implement the spirit, if not the letter, of the sanctions, and its support if talks break down, as they seem to have after the Hanoi summit, is far from guaranteed. Thus, the Trump strategy appears in doubt.

This chapter presents data on Sino-North Korean trade, rice prices in North Korean markets, currency fluctuations, and gasoline supplies to argue that "maximum pressure" is not inflicting severe pain. It further argues that such pressure was not the primary cause for Kim Jong-un's shift to diplomacy and is unlikely to bring him to his knees. Moreover, to the extent that pain has been inflicted, it has been because China, at last, agreed to stringent sanctions and implemented them, but as the danger of war has receded, the motivation for China's enforcement is doubtful.



# U.S.-China Economic Relations Under the Trump Administration at the 2-Year Mark

**Peter E. Harrell**

Since entering office in 2017, President Trump has upended longstanding tenets of U.S. trade policy and launched the most aggressive set of new U.S. tariffs and trade restrictions since at least the Reagan administration in the 1980s. Actions include renegotiating the U.S.-Korea FTA (KORUS) and NAFTA, using “Section 232” of the Trade Expansion Act of 1962 to impose tariffs on most steel and aluminum imports into the U.S. in a bid to support U.S. smelters, using “Section 301” of the Trade Act of 1974 to impose tariffs on approximately half of U.S. imports from China, and threatening to use Section 232 to impose tariffs reportedly up to 25% on U.S. imports of automobiles.

The administration’s aggressive stance on trade has upended diplomatic relationships and prompted multinational companies to re-consider aspects of their global supply chains. It has also brought retaliation, including Chinese tariffs on most Chinese imports of U.S. goods. European countries and other U.S. allies affected by Trump’s steel and aluminum tariffs have also retaliated with tariffs of their own against imports of U.S. goods, with many of the retaliatory tariffs targeting perceived politically important constituencies in the U.S., such as U.S. whisky distillers, who are heavily concentrated in the home state of Republican Senate Majority Leader Mitch McConnell.

But Trump’s aggressive trade policies also began to deliver some successes in 2018, including a successful renegotiation of NAFTA, now renamed the U.S.-Mexico-Canada Trade Agreement (USMCA), a renegotiated Korea-U.S. FTA, and at least some willingness by European and Japanese officials to discuss greater market access for U.S. products. While many major U.S. importers and trade associations have complained about the tariffs, the tariffs continue to draw support from several of the key constituency groups that they are intended to assist, such as the U.S. steel industry.<sup>1</sup>

While U.S. tariffs against imports from allies are seemingly driven largely by the Trump administration’s general protectionist bent, Trump’s trade actions against China reflect a broader set of concerns that is more widely supported by members of the United States congress and American experts outside of government. These include both longstanding U.S. concerns over Chinese trade practices and market access barriers, and growing U.S. geopolitical competition with China—what the Trump administration’s National Security Strategy, released in December 2017, refers to as the return of “great power competition.” These geopolitical concerns have been central to the administration’s recent aggressive efforts to block the deployment of Huawei telecommunications technologies in new “5G” mobile communications networks around the world, and in the administration’s increasingly vociferous opposition to China’s “Belt and Road Initiative” (BRI). And because of increased U.S.-China geopolitical competition, U.S. use of targeted trade controls, investment restrictions, potential targeted sanctions, and other measures against China, will likely continue even if, as is widely expected, Trump and President Xi reach a broad agreement on many trade issues in the coming months and reduce some of the tariffs that are currently in place.

## Deploying New Tools

Over the course of late 2017 and 2018, the Trump administration has deployed a growing array of trade and economic tools to pressure China over unfair trade practices and perceived national security threats. The highest profile of these has been the Trump administration's Section 301 investigation against China, which the Trump administration announced in August 2017 and which in March 2018 concluded that China engages in a range of unfair trade practices. Pursuant to the 301 Action, the Trump administration has imposed tariffs of 25% on imports of Chinese goods valued at approximately \$50 billion per year, with most of the goods subject to these tariffs linked to economic sectors that China has prioritized under its "Made in China 2025" national industrial development plan. In September 2018 the administration began imposing a 10% tariff on imports of Chinese goods valued at approximately \$200 billion annually. The Trump administration initially expressed an intent to raise the 10% tariffs to 25% in early 2019, but has indefinitely postponed the increase while Washington and Beijing continue their ongoing trade negotiations. The administration has also reportedly prepared plans to impose tariffs on substantially all remaining U.S. imports of Chinese goods, worth an additional approximately \$250 billion annually, but those plans are also on hold pending the outcome of the trade negotiations.

But while the tariffs have attracted the bulk of the headlines regarding the U.S.-China trade war, Washington has also begun to deploy a parallel and complementary set of targeted tools to pressure China over specific perceived abuses. The first of the tools is a significant ramp-up in scrutiny of Chinese investment in the U.S. under the Committee on Foreign Investment in the U.S. (CFIUS), a Treasury Department-led process to screen certain foreign investments in the U.S. for national security concerns. CFIUS began to apply heightened scrutiny to Chinese investments in the U.S. towards the end of the Obama administration, and in 2017 and 2018 the Trump administration used CFIUS to block Chinese firms from acquiring American semiconductor firm Lattice Semiconductor<sup>2</sup> and Xcerra Corp, a semiconductor testing company.<sup>3</sup> The Trump administration also used CFIUS to block Singapore-domiciled chipmaker Broadcom from acquiring Qualcomm, one of the largest U.S. chip manufacturers, on the grounds that the acquisition could undercut Qualcomm's R&D and ultimately America's technological edge over Chinese rival companies such as Huawei.<sup>4</sup> Other proposed acquisitions have been withdrawn or avoided due to concern that they would not clear CFIUS. While CFIUS has not published details on its total caseload in several years, this tightened CFIUS scrutiny has almost certainly been a contributing factor to a sharp decline in Chinese direct investment in the U.S. that has occurred since a peak in 2016.

The second targeted tool is the Commerce Department's "Entity List," a list that prohibits U.S. companies from exporting most goods to designated companies. Starting in 2015, the Obama administration began to use the Entity List to restrict the export of certain high-end U.S. chips to certain military-linked computer centers in China.<sup>5</sup> This list attracted

widespread attention in April 2018 when the Commerce Department used it to prohibit U.S. exports to Chinese telecommunications company ZTE after ZTE violated the terms of an earlier settlement agreement over Iran sanctions violations. Given ZTE's reliance on U.S. chips and other technologies, the Commerce action essentially forced ZTE to suspend major business operations until it reached a new settlement with Commerce and was taken off the list in July of last year. In October 2018 the Commerce Department put a Chinese chipmaker accused of stealing U.S. trade secrets, Fujian Jinhua Integrated Circuit Company, on the Entity List.<sup>6</sup> There are also reports that the Commerce Department has used a different export tool to prevent Huawei's own U.S. R&D division from exporting certain high-end technologies to its parent company in China.<sup>7</sup>

CFIUS and export controls will likely play a substantially larger role in U.S.-China trade and investment relations over the next several years. In August 2018, Congress enacted two new statutes: the Foreign Investment Risk Review Act of 2018 (FIRRMA), and the Export Control Reform Act of 2018 (ECRA). These acts substantially expand both CFIUS and export controls: FIRRMA expands CFIUS to cover minority foreign investments in certain sensitive and high tech sectors, and ECRA has directed the Commerce Department to develop new export controls on "emerging technologies" and "foundational technologies" that will likely include a variety of technologies that will be increasingly important across business, industrial, military, and consumer applications, including artificial intelligence, advanced robotics, and autonomous vehicles.

The Department of Justice and the FBI, meanwhile, have significantly expanded efforts to prosecute Chinese individuals and companies that engage in economic espionage, cyber attacks, and other actions that violate U.S. law. Over the past several years U.S. prosecutors have indicted multiple China-linked individuals and entities for IP theft, including Huawei, members of the PLA, and various other individuals involved in IP theft. In November 2018, the Justice Department formalized its expanding efforts to investigate and prosecute Chinese IP theft by announcing a new initiative to combat Chinese economic espionage.<sup>8</sup>

Finally, the Trump administration has begun restricting visas for Chinese students to study in certain sensitive fields in the U.S., although overall Chinese enrollment in U.S. universities actually rose modestly in 2018.<sup>9</sup> Newspaper stories have indicated that the Trump administration has considered drastic reductions of visas for Chinese students, though it has not acted on the plans.<sup>10</sup> While the shift in visa policies is partly related to the administration's general crackdown on immigration into the United States, it also reflects concern about Chinese students gaining access to U.S. technical and technological expertise and then returning to China to commercialize and/or militarize it.

## Beijing's Response

To date, China has generally adopted a policy of reciprocating against U.S. actions but has generally avoided trade and commercial steps that would escalate tensions with Washington. For example, China reciprocated against U.S. tariffs on Chinese goods by imposing tariffs of its own on Chinese imports of U.S. goods, and China now imposes retaliatory tariffs on a large majority of all U.S. goods exported to China.<sup>11</sup> But China imposed these retaliatory tariffs at a pace that tracked the U.S. tariff escalation, and the tranches of Chinese tariffs were proportionate to the U.S. tariffs. China also blocked Qualcomm's proposed \$44 billion

merger of European semiconductor firm NXP,<sup>12</sup> but has allowed other major mergers, such as Disney's purchase of Fox, to proceed.<sup>13</sup> Despite periodic press reports that individual American companies have suffered mysterious licensing and customs delays that may be informal Chinese retaliation for U.S. trade pressure, China does not appear to be mounting a systematic, widespread campaign of informal measures to adversely impact U.S. business interests. And while China has taken the highly provocative step against Canada of arresting several Canadian citizens in response to Canada's arrest of Huawei CFO Meng Wanzhou, an action Canada took at the request of the U.S. after the U.S. indicted Meng over alleged violations of U.S. sanctions, China does not appear to have engaged in similar retaliatory arrests of American citizens.

The measured nature of China's response is also evident in China's willingness to negotiate a potential trade agreement with the Trump administration and the steps that Beijing has already begun to take, and has indicated that it is potentially prepared to take, in order to reach a *détente* with Trump. For example, China has indicated a willingness to commit to purchasing hundreds of billions of dollars in additional U.S. products, such as energy, agricultural products, and technology. More systemically, China has recently rushed to enact a new law that China says will provide additional market access and reduce "forced technology transfer" requirements, both longstanding U.S. complaints.<sup>14</sup> China has also reportedly been willing to negotiate at least limited restrictions on currency manipulation,<sup>15</sup> has begun to publicly downplay its "Made in China 2025" industrial development policy,<sup>16</sup> and has signaled that it is prepared to provide greater market access to U.S. and western firms.<sup>17</sup> Many U.S. China experts—not to mention many Trump administration officials—have expressed a healthy skepticism about whether China will actually follow-through on commitments: China, for example, has previously committed to various forms of market access for U.S. firms in several industries, such as credit cards, but has failed to deliver on its commitments. Nonetheless, China's apparent willingness to agree to commitments in a comprehensive fashion and to at least take some steps towards implementation illustrates China's interest in de-escalating, rather than escalating the dispute and in seeking some reductions in the U.S. tariffs. China has also responded to the trade war by increasing incentives for companies to keep doing business in China and for companies affected by Trump's tariffs: for example, in late 2018 China announced that it would increase export tax rebates to "help reduce costs for the real economy, help it cope with the complex international situation and maintain stable foreign trade growth."<sup>18</sup>

## Impacts

The Trump administration's aggressive deployment of trade tools against China and Beijing's retaliation has had undeniable commercial and economic impacts.

As was widely reported in March 2019, Chinese goods exports to the U.S. actually rose by approximately \$34 billion in 2018 to a total of \$539.5 billion. U.S. goods exports to China fell by \$9.6 billion to \$120 billion and the overall U.S.-China trade gap in goods rose to \$419 billion.<sup>19</sup> (The trade gap was somewhat narrower if services are included). But despite some news headlines suggesting that surging U.S. imports from China marked a failure of Trump's trade war, Trump's trade war may have actually provided a temporary, short-term boost to Chinese exports to the U.S. as companies raced to send goods to the U.S. in advance of tariffs coming into effect. For example, early data from the first two months of 2019 show

a likely sharp decline in the trade deficit between the U.S. and China.<sup>20</sup> (The increase in U.S. imports in 2018 was also driven by factors unrelated to the trade war, such as the growing U.S. economy and the consumer spending stimulus impacts of the Trump administration's tax cuts enacted in late 2017).

Impacts on direct Chinese investment in the U.S. have been even sharper. The Rhodium Group consultancy estimates that Chinese FDI flows (greenfield investments and acquisitions) into the U.S. fell from a peak of \$46 billion in 2016 to \$5 billion in 2018 though CFIUS reviews are only one factor in the decline in Chinese FDI in the U.S. and Chinese venture capital flows (e.g. minority investments in U.S. firms, which have a smaller overall headline figure) into the U.S. appear to have hit a record last year.<sup>21</sup> (Given that FIRRMA implementation did not occur until late 2018, most of Chinese venture capital investments in the U.S. in 2018 would not have been affected by FIRRMA, but investments in 2019 will be). According to Chinese statistics, however, U.S. direct investment in China actually rose modestly during the first 10 months of 2018, though the rise in U.S. investment was significantly slower than the increases in FDI in China by other countries.<sup>22</sup>

While geopolitical tensions and the U.S. expansion of CFIUS review under FIRRMA are likely to keep Chinese FDI in the U.S. at subdued levels in 2019, U.S. investment in China is likely to increase this year as a result of both apparent Chinese decisions to ease restrictions on U.S. FDI investment in China and a decision by major stock market fund index provider MSCI to quadruple the weighting of Chinese equities in important global indices, meaning that billions of dollars of index-fund linked investment will likely flow into China.<sup>23</sup>

Anecdotal evidence indicates that a number of multinational companies, including Chinese companies, have responded to the Trump administration's tariffs by taking steps to begin diversifying their manufacturing supply chains away from China and to other countries in Asia, such as Vietnam and India. While migration of manufacturing supply chains, particularly for lower-value products, had already been occurring over the past several years in response to rising Chinese costs, press reports indicate that the tariffs are likely speeding the shift.

## Enlisting Allies?

Prior to mid-2018, the Trump administration's diplomatic efforts to build a global coalition against China's abuses were limited. Indeed, the Trump administration's decision in March 2018 to impose tariffs on steel and aluminum imports globally, including traditionally close U.S. allies such as Canada, Japan, and European countries, alienated foreign governments and at least temporarily limited governments' interest and willingness to join a U.S.-led coalition against China.

Over the last nine months, however, the Trump administration has renewed U.S. diplomatic efforts to enlist allies in a multinational campaign against Beijing. The U.S. Trade Representative (USTR), Robert Lighthizer, has established working groups with Japan and with the European Union to develop a collective approach to addressing Chinese trade practices and investment. The U.S. has also encouraged countries to join the U.S. in using the World Trade Organization (WTO) to press China to end various unfair trade practices, and in March 2018 the Trump administration filed a WTO case challenging China's protection of intellectual property.<sup>24</sup>

More prominently, U.S. Secretary of State Michael Pompeo and other senior Trump officials have launched high-profile campaigns to dissuade third countries from two specific kinds of business with China: 1) purchasing Chinese telecommunication equipment, notably Huawei equipment for use in next-generation “5G” mobile communications networks, and 2) dissuading countries from participating in China’s Belt and Road Initiative (BRI).

Throughout 2018, the Trump administration aggressively pushed countries to reject Huawei equipment in 5G networks, arguing that Huawei equipment poses a security threat, and deploying high level delegations to foreign capitals and to major mobile telecommunications conferences to press the case. The Trump administration has also threatened more aggressive measures against countries that allow Huawei equipment in 5G networks, for example stating publicly that Germany would face a downgrade in U.S. intelligence sharing if Germany allows Huawei equipment to be used in German 5G networks. The U.S. has also taken legal action against Huawei itself, indicting the company under U.S. law both for violations of U.S. sanctions on Iran and for stealing U.S. trade secrets. The Trump administration has fought the BRI primarily by highlighting concerns over countries falling into a Chinese “debt-trap” and by discouraging allied nations from participating in the BRI.

The European Union, Japan, and other countries are either currently implementing or are seriously discussing enhanced screening of Chinese investment. The European Union filed a WTO case against China’s technology transfer practices in June 2018.<sup>25</sup> More broadly, the European Union does appear to be shifting towards a more hawkish overall posture against Chinese trade issues, driven by both growing internal EU concern about Beijing’s actions and the Trump administration’s diplomacy. A European Commission white paper on China released in March 2019, for example, labelled China a “systemic rival” and urged the European Union to adopt a relatively tough set of trade remedies if China failed to make significant concessions by the end of 2020.<sup>26</sup>

That said, in the broadest, strategic sense, most U.S. allies appear to be seeking to walk a line between Washington and Beijing without siding definitively with either side. For example, while Australia and New Zealand announced in early 2019 that they would ban the use of Huawei equipment in the core of 5G networks, other U.S. allies, including Germany and the United Kingdom, appear to be preparing to allow the use of Huawei equipment, though subject to heightened security requirements and perhaps not in all parts of 5G networks.<sup>27</sup> China has convinced more than 60 countries, including a number of smaller European countries, to endorse the BRI, and in March 2019 appeared poised to convince Italy to endorse the BRI, which would mark the first time a G7 country made such an endorsement.<sup>28</sup>

## The Path Forward

Over the past several months, both Washington and Beijing have broadly suggested that they may be nearing an agreement to resolve some of the elements of their trade war. The outlines of such a deal appear to involve a commitment by Beijing to substantially increase its purchases of U.S. goods, to end (or at least curb) its longstanding practices of requiring tech transfer as a condition of allowing investment, to open additional sectors of its economy to foreign investment, and to strengthen intellectual property protections and to reduce IP theft. Additionally there also appear to be commitments of some type

on currency manipulation issues and subsidies. In exchange, the Trump administration would agree to refrain from escalating U.S. tariffs on China and, likely over the mid- to long-term, to reduce existing tariffs. There is also speculation that the deal could involve other U.S. concessions, such as dropping the abovementioned U.S. request to extradite Meng Wanzhou, Huawei's CFO, from Canada to the U.S. to face charges related to alleged Iran sanctions violations.

However, even if Washington and Beijing do reach such a deal, the Trump administration is likely to continue deploying many of the targeted tools discussed above to address specific Chinese abuses. For example, implementation of FIRRMA (to strengthen CFIUS review) and ECRA (to expand U.S. export controls) is proceeding in Washington and does not appear likely to be substantially affected by the outcome of the trade negotiations. Similarly, the Trump administration is likely to continue deploying targeted measures against specific Chinese companies involved in IP theft and other wrongdoing even if a deal is reached.

In addition, a potential trade deal does not appear likely to reduce the significant tension regarding the use of Huawei equipment in 5G networks, which is driven in large part by counter-espionage and national security concerns, and not simply by trade concerns. Similarly, Trump administration national security officials appear unlikely to curb their counter-BRI diplomacy even if Trump's trade officials secure a trade deal with Beijing.

## Questions for the Longer Term?

Having evaluated the Trump administration's current approach towards China and likely developments over the next two years, let's look to the future. Several major questions hang over the next several years of U.S.-China economic relations.

The first of these is whether the Trump administration will pursue a strategy of a broader "decoupling" of the U.S.-China economic relationship. A number of foreign policy experts in Washington have called for an economic decoupling, or, in more extreme cases, an economic "divorce," and some Trump administration officials are broadly sympathetic towards policies that would structurally reduce U.S.-China economic ties over the mid- and longer-term. These experts and officials would like to see reduced U.S.-China economic ties over time even if Trump and Xi reach a trade deal.

Other foreign policy experts, and other Trump administration officials, instead seek to use the leverage the U.S. has generated over the past two years to press China for major structural reforms, which is a large part of the potential deal under discussion in the current U.S.-China trade negotiations. For these experts and officials, if China actually agrees to such reforms and a trade deal is reached, there will be a continuation of a deep U.S.-China economic relationship—though as discussed above, ongoing specific points of friction, such as communications technologies, are likely to continue regardless of any agreement.

As an analytic matter, the Trump administration is likely to answer the question of whether it is pursuing a strategy of "decoupling" within the next several months, because in practice the answer will largely depend on whether the Trump administration reaches a trade deal with China. If the Trump administration reaches and implements a deal, then, practically

speaking decoupling is unlikely to occur over the next several years because increased Chinese purchases of U.S. products and greater Chinese openness to new U.S. business investment in China should actually deepen economic ties between the two countries.

If, however, Washington and Beijing do not reach a deal, a broader economic decoupling becomes substantially more likely. A long-term continuation of the existing U.S. tariffs with no apparent end date and, in a “no deal” scenario, the potential for further escalation in both tariff rates and in the products that the tariffs apply to will prompt multinational companies to further expedite efforts to diversify supply chains away from China. Meanwhile, continued retaliatory Chinese tariffs will prompt U.S. producers, particularly of agricultural commodities and energy, to continue developing markets in countries other than China given that China’s retaliatory tariffs make U.S. commodity products relatively uncompetitive in China.

The second major question is whether, and the extent to which, the U.S. will use traditional market-liberalizing agreements as a part of its economic strategy towards both China and East Asia, and the extent to which the Trump administration will use other “carrots” as part of its economic strategy in Asia.

Under the Trump administration U.S. trade and international economic policy has taken on a “stick forward” approach, with liberal doses of tariffs, sanctions, ramped up investment reviews, and new export controls. Even trade deals, which have long been seen as a liberalizing tool that offers America’s allies increased market access to the U.S., have taken on a much tougher, “America First” slant, with the renegotiations of NAFTA and KORUS focused heavily on increasing U.S. market access rather than offering more access to the U.S. market.

That said, in recent months, the Trump administration has expressed a limited degree of support for more traditional economic carrots. For example, the administration has said that it will seek to negotiate a trade agreement with Japan, though it remains unclear how serious the administration is in pursuing such agreements and whether the administration would be willing to make concessions on U.S. market access that would make such a deal attractive. Still, it is not impossible that the Trump administration will eventually deploy at least bilateral trade agreements in Asia as part of an evolving strategy to contain and compete with Beijing. 2018 also saw an important development with respect to U.S. development financing, which will have important impacts on the U.S. economic posture towards developing countries in Asia and around the world. Congress passed, and the Trump administration signed, the BUILD Act, which merged the U.S. Overseas Private Investment Corporation (OPIC) and the development finance programs of USAID into a new U.S. Development Finance Corporation and doubled the overall funding cap. This has the potential to significantly expand U.S. development finance in key developing economies and may simultaneously help advance U.S. trade and commercial ties between Washington and smaller developing economies.

The third major question hanging over Washington’s trade relationship with China is how American allies will manage their strategic and economic relationships with both Washington and Beijing. As discussed earlier, most U.S. allies appear to be trying to walk a middle path between the U.S. and China, and do not want to be forced to pick sides in an

increasingly tense geopolitical standoff. They generally have no interest in being drawn into competing economic and political blocks. But in a scenario of future escalation between Washington and Beijing, and particularly if the U.S. and China do not reach a trade deal, allies will likely be increasingly pressed to pick sides.

The final major question hanging over the U.S.-China economic relationship is what happens after the American presidential election in 2020. Chinese President Xi seems secure in power for the foreseeable future. But the U.S. presidential election is already gearing up and the U.S. may have a transition of government in less than two years.

If Trump wins, it seems safe to expect that the United States will see a continuation of the strategy that has emerged over the past two years, and the U.S. and China will likely have a broadly confrontational relationship even if Trump and Xi do reach a trade deal.

Rather more uncertainty, however, hangs over the policies of a potential Democratic president. Without a doubt, a Democratic president will take a more hawkish line towards China than did President Obama, particularly with respect to China's economic policies. Many Democratic politicians have long been somewhat skeptical of trade policy and have advocated for hawkish moves against China: Senate Minority Leader Chuck Schumer, for example, welcomed Trump's tariffs against China last year.<sup>29</sup> Democratic candidates such as Elizabeth Warren and Bernie Sanders are long-time critics of trade deals and would take at least as strong a stand against Chinese trade practices as has Trump. Democrats are also growing concerned about China's assertive foreign policy both in East Asia and globally, and Democratic politicians increasingly express support for aggressively challenging Beijing. As Senator Bob Menendez, the top Democrat on the Senate Foreign Relations Committee, said in March 2018, "I agree with President Trump when it comes to recognizing the scope of the challenge that China presents to the United States and to the entire international order."<sup>30</sup> (Menendez also made clear that he strongly disagreed with elements of Trump's strategy to address the challenges that China poses for the United States). Democrats have historically expressed greater concern about foreign repression and human rights abuses than the Trump administration does, and a Democratic president might take a somewhat stronger stand against China's domestic repression than the Trump administration has, though given the myriad issues in U.S.-China relations, China's domestic repression would not likely be a first-tier issue even under a Democratic president.

That said, while a Democratic president would not be likely to take a materially softer line towards Beijing on trade issues, at a strategic level a Democratic president would likely have several reasons to reduce tensions with Beijing. For example, several Democratic candidates, including Warren and Sanders, have articulated support for cutting U.S. defense spending and for increasing spending on domestic priorities. Significant defense cuts, if implemented, would likely push Washington towards a policy of reducing military tensions in East Asia, even if the bulk of the cuts would come from U.S. military operations in the Middle East.

A Democratic president would also likely seek cooperation with Beijing on climate change issues. A ton of greenhouse gas emitted in Guangzhou has the same impact on global climate change as a ton of greenhouse gas emitted in Ohio, and China has already overtaken the U.S. as the world's largest greenhouse gas emitter. A Democrat serious

about combatting climate change—and Democrats increasingly see climate change as the single greatest mid- and long-term threat that the U.S. faces—will find that they need to cooperate with Beijing, creating a strong incentive for a Democratic president to manage strategic tensions with China.

Finally, Democrats are also likely to reverse a number of Trump’s immigration policies, given the Democratic Party’s growing support for immigration into the U.S. and longstanding ties to major educational institutions, which generally welcome foreign students.

## How to Conceptualize the U.S.-China Economic Relationship

I would like to offer a concluding thought on how to conceptualize the U.S.-China economic relationship in what I see as a baseline scenario in which the U.S. and China reach a trade agreement but continue to have sharp differences over specific policies and industries, such as telecommunications. In this scenario, the economic relationship is characterized by neither broad economic and political cooperation and engagement, nor by a broad decoupling of the world’s two largest economies. Instead, the relationship will be characterized by what I term “strategic coupling,” a more transactional approach to economic relations in which the U.S. and China are economically coupled across many industries, but increasingly decoupled in a handful of key industries that each side sees as too sensitive for deep interconnectedness.

Some elements of a “strategically coupled” relationship may flow only one way, not both. For example, I expect that the U.S. will broadly continue to allow U.S. companies to sell computer chips to China, with some exceptions for extremely high-end chips, but that the U.S. may increasingly restrict China’s sale of computer chips to the U.S. out of national security concerns, much as the U.S. already restricts the sale of certain Chinese telecommunications equipment in the U.S. The U.S. may similarly push to use CFIUS to restrict Chinese investment in certain high-tech sectors in the U.S. even while pushing China to allow greater U.S. investment in China’s high-tech sector.

More broadly, a U.S.-China economic relationship based on “strategic coupling” is likely to put a greater emphasis on assessing end-users, including end-uses in China. Assuming the U.S. and China do reach a trade deal, U.S. companies may find themselves more able to do business in China (as China opens its market), but, at least with respect to certain high-tech business, only with customers and end users who are several steps removed from the Chinese government, or at least the Chinese defense establishment.

A world of U.S.-China “strategic coupling” will present challenges for the U.S., for allies, and for the private sector as governments and companies navigate specific sectors where there is pressure for decoupling, and specific sectors where cooperation continues and even deepens. It is a world that is likely to evolve over time, with specific parameters subject to change. The next several years in U.S.-China economic relations are likely to provide as much fodder for discussion and debate as the last two years have already provided.

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# The Trump Economic Impact on East Asia after Two Years: The Case of South Korea

Yoon Yeo-joon

The U.S.-South Korea relationship has traditionally been characterized as a security alliance, meeting the interests of both countries for a stable Korean Peninsula. Economically, Korea was a major recipient of U.S. development assistance after the Korean War. The U.S. also provided non-reciprocal preferential trade treatment, which played an important role in Korea's economic development.<sup>1</sup> After Korea's unprecedented economic development, the economic relationship between the two countries progressed from mere donor-recipient relations. The U.S.-Korea economic partnership culminated in the Korea-U.S. free trade agreement (KORUS FTA), which came into effect in 2012.

During the past 70 years, the U.S. has become the second most important export destination and the third most important importer for Korea. Korea has also risen to be the sixth largest trading partner for the U.S. During these years, Korea has also benefited from common values shared with the U.S., such as democracy, rule of law, and an open and free market economy. Two years into the Trump administration, the U.S.-Korea economic relationship is facing another turning point. Trump is a game changer, trying to alter the global trading system and its relation to China. Korea has been only partially affected by his grand scheme so far. However, Trump specifically blamed the KORUS FTA as a major contributing factor to the U.S.' huge trade deficit and domestic job losses in manufacturing. As a result, the KORUS FTA was amended. Various protectionist measures, such as Section 201 tariffs on washing machines and solar panels as well as Section 232 tariffs on steel and aluminum, could have a substantial impact on Korea.<sup>2</sup> Rising protectionism in the U.S. is a grave concern for Korea considering the significance of the U.S. to the Korean economy.

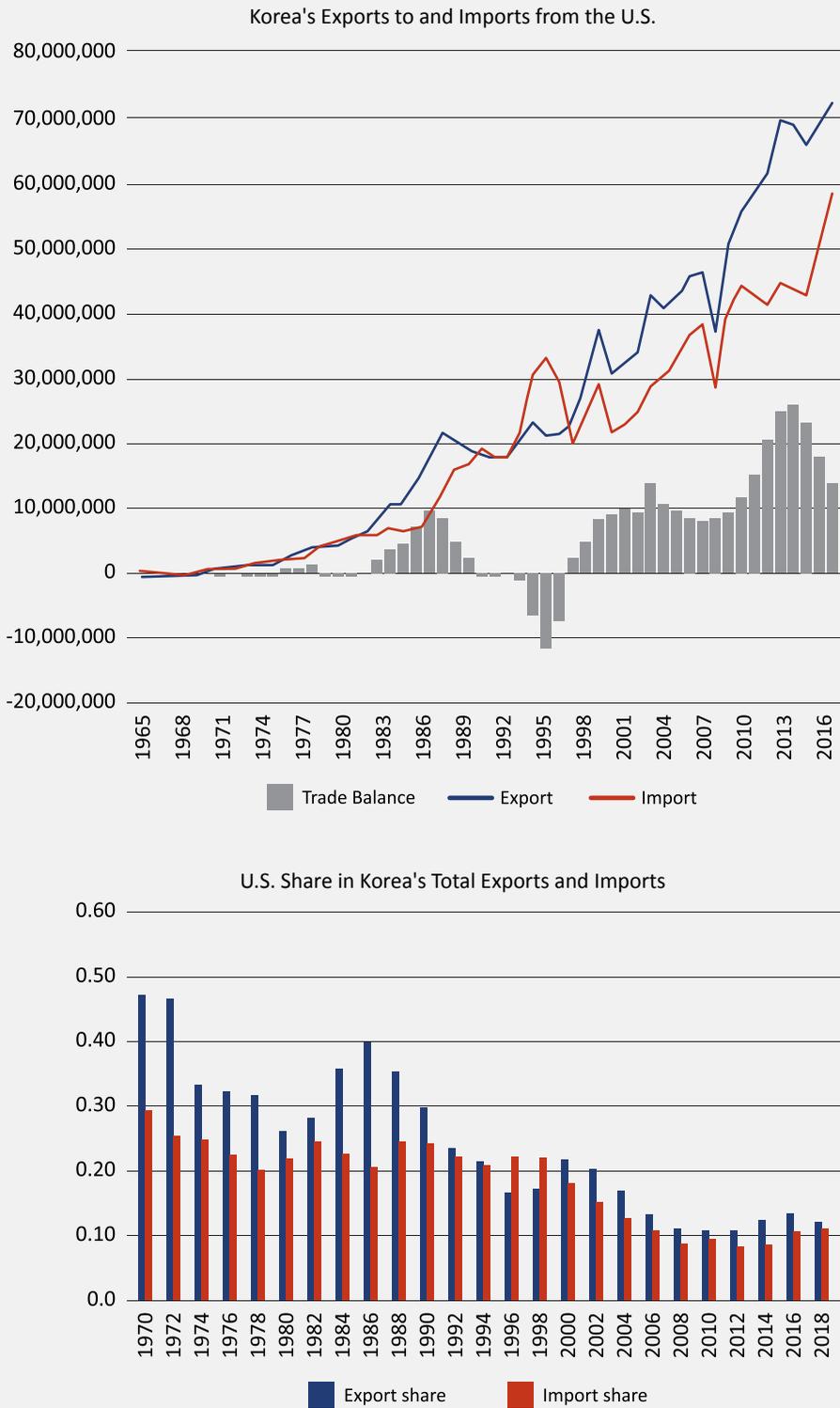
This chapter explores U.S.-Korea economic relations two years into the Trump administration—too short a time to make definitive statements such as whether the relationship has deteriorated or not. The chapter is organized as follows. Section 2 describes the economic relations between Korea and the U.S., focusing on trade and investment. Section 3 covers the KORUS FTA renegotiations, which were recently settled. It includes what was decided and the implications for the Korean economy. Section 4 summarizes the protectionist measures that the Trump administration has imposed and how these measures would impact Korea, adding a simple empirical analysis that investigates whether the U.S. trade balance with Korea improved over the two years. Section 5 concludes the chapter.

## U.S.-Korea Economic Relations

### Trade

The U.S. has been an essential part of Korea's export-led growth since the 1960s. Based on a non-reciprocal preferential trade scheme, Korea was able to pursue an export-led growth strategy, and the U.S. became the biggest market for its products. The first panel in Figure 1 illustrates the value of Korea's merchandise exports to and imports from the U.S. and its trade balance. We can observe that while exports and imports have been increasing exponentially, Korea has recorded a consistent trade surplus with the U.S. since the late 1990s.

Figure 1. Korea's Trade with the U.S., Unit: thousand U.S. dollars



Source: Korea International Trade Association

The second panel of Figure 1 shows the U.S. share of Korea's exports and imports. In the early 1970s, about half of exports went to the U.S. The U.S. share in Korea's trade began to decrease from the late 1980s as China opened up. But the share starts to increase again, albeit gradually, around 2012 when the KORUS FTA went into effect.

In 2018, the U.S. was the second largest export destination for Korea next to China (Table 1). It was also the second largest import source for Korea.

Rank	Exports			Imports		
	Country	Export value	Share	Country	Import value	Share
1	China	162,125	26.8%	China	106,489	19.9%
2	<b>U.S.</b>	<b>72,720</b>	<b>12.0%</b>	<b>U.S.</b>	<b>58,868</b>	<b>11.0%</b>
3	Vietnam	48,622	8.0%	Japan	54,604	10.2%
4	Hong Kong	45,996	7.6%	Saudi Arabia	26,336	4.9%
5	Japan	30,529	5.0%	Germany	20,854	3.9%
6	Taiwan	20,784	3.4%	Australia	20,719	3.9%
7	India	15,606	2.6%	Vietnam	19,643	3.7%
8	Philippines	12,037	2.0%	Russia	17,504	3.3%
9	Singapore	11,782	1.0%	Taiwan	16,738	3.1%
10	Mexico	11,458	1.0%	Qatar	16,294	3.0%

Source: Korea International Trade Association

For the U.S., Korea is the 7th and 6th most important export market and import source country, respectively (Table 2).

Rank	Exports			Imports		
	Country	Export value	Share	Country	Import value	Share
1	Canada	276,383	18.1%	China	493,490	21.1%
2	Mexico	245,571	16.1%	Mexico	319,381	13.7%
3	China	111,158	7.3%	Canada	294,734	12.6%
4	Japan	68,249	4.5%	Japan	130,228	5.6%
5	U.K.	60,695	4.0%	Germany	115,618	5.0%
6	Germany	53,314	3.5%	<b>Korea</b>	<b>67,828</b>	<b>2.9%</b>
7	<b>Korea</b>	<b>50,739</b>	<b>3.3%</b>	U.K.	55,484	2.4%
8	Netherland	45,167	3.0%	Ireland	52,891	2.3%
9	Brazil	36,267	2.4%	India	50,452	2.2%
10	Hong Kong	34,717	2.3%	Italy	49,791	2.1%

Source: Korea International Trade Association

Note: It does not include December.

**Table 3. Korean Trade with the U.S. by Product Type (Unit: million U.S. dollar)**

Rank	Exports			Imports		
	Product	Export value	Share	Product	Import value	Share
1	Automobiles	13,635	18.8%	Machinery for making semiconductors	4,825	8.2%
2	Semiconductors	6,436	8.9%	Crude oil	4,496	7.6%
3	Auto parts	5,967	8.2%	Semiconductors	3,731	6.3%
4	Wireless communication devices	5,811	8.0%	Airplanes and parts	3,115	5.3%
5	Petroleum products	3,603	5.0%	LPG	2,860	4.9%
6	Computers	2,366	3.3%	Meat	2,318	3.9%
7	Motors and pumps	1,680	2.3%	Natural gas	2,250	3.8%
8	Rubber products	1,521	2.1%	Vegetable products	2,194	3.7%
9	Plastic products	1,410	1.9%	Automobiles	1,834	3.1%
10	Machinery for construction and mining	1,392	1.9%	Grain	1,713	2.9%

Source: Korea International Trade Association

Note: Products are classified based on Korean classification system of MTI.

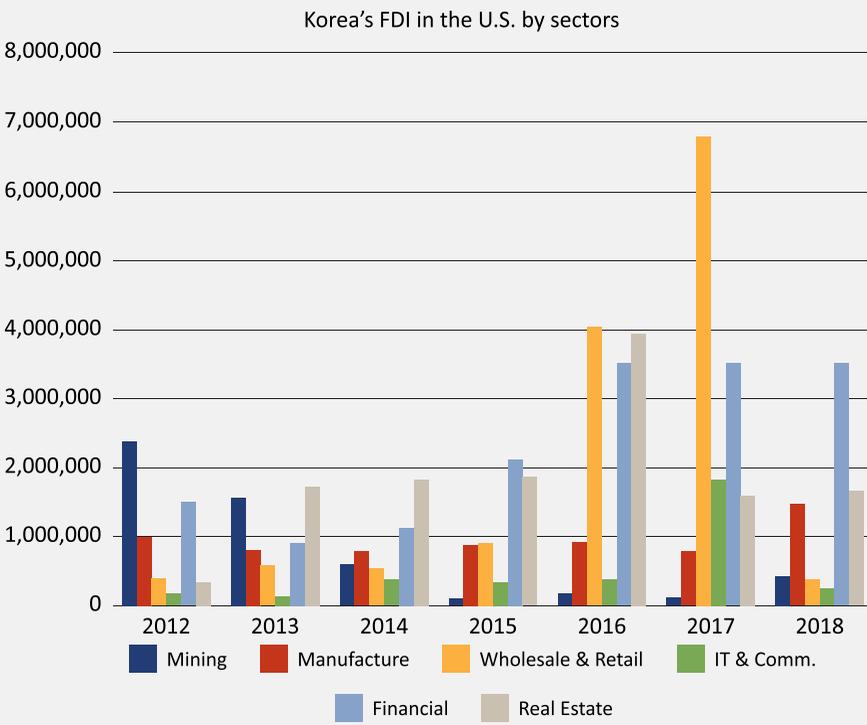
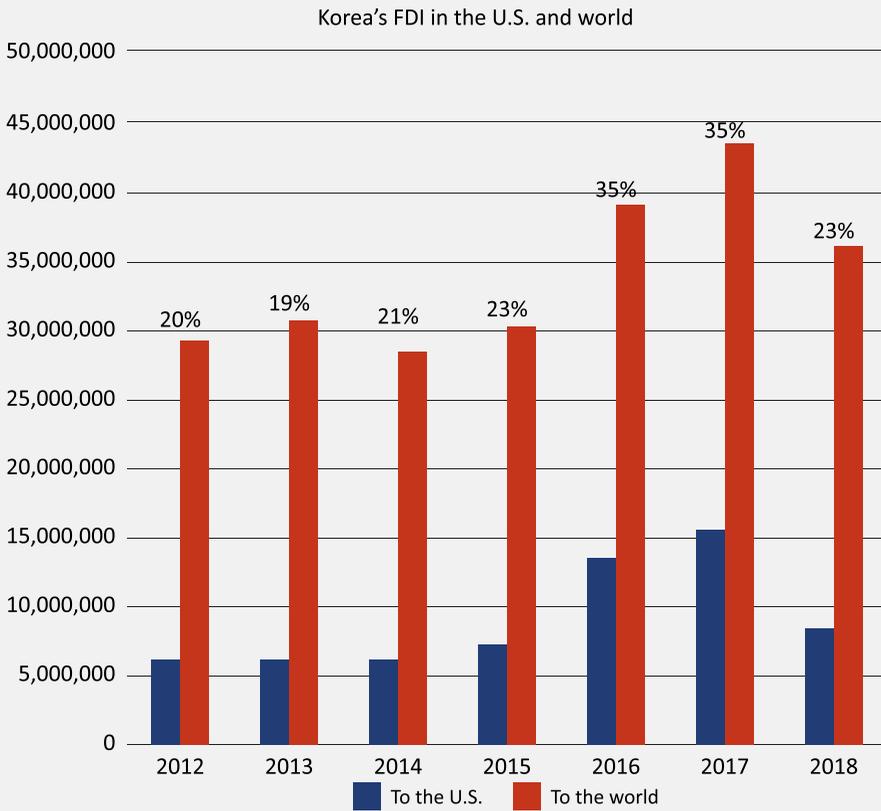
Table 3 shows the major products that Korea buys and sells to the U.S. Not surprisingly, automobiles and parts and semiconductors top the export list. Other major exports are manufacturing products. In contrast, the composition of imports is a mixture of manufacturing products and natural resources.

Even though it is not shown in Table 3, Korea’s crude oil imports increased by 520% from 2017 to 2018, following a 474.2% increase from 2016 to 2017. Imports of natural gas are even more dramatic. In 2016, Korea imported only \$11 million of natural gas but in 2018 it imported \$2.250 billion, a growth rate of 22,809%. These huge increases may be due to the shale boom in the U.S. and Korea’s efforts to reduce its trade surplus in response to the pressure from the Trump administration. Indeed, SK Energy pledged to buy \$1.8-3.5 billion of LNG and LPG from the U.S. each year beginning in 2020. GS Caltex also decided to import \$220 million of shale gas every year for the next 20 years. SK Energy and GS Caltex are the largest energy companies in Korea, and therefore, it should be expected that they will continue to underpin South Korea’s growing demand for energy imports from the U.S.

### Investment

The U.S. is one of the most important destinations for Korean investors. Korea’s FDI in the U.S. sharply increased in 2011, just before the KORUS FTA went into effect. As we can see in Figure 2, since 2012 Korea’s FDI to the U.S. gradually increased and peaked in 2017. Right after the KORUS FTA went into effect in 2012, the mining sector received major Korean FDI, but it dwindled thereafter while real estate, financial, and wholesale & retail sectors increased.

Figure 2. Korea's FDI in the U.S.



Source: Korea EXIM Bank

Note: Numbers in the first panel denotes the U.S. share of Korea's total FDI.

In June of 2017, when President Moon Jae-in visited President Trump, Korean businessmen accompanied him to the U.S. During their visit they pledged to make investments worth \$12.8 billion in the U.S. The investors include conglomerates such as Samsung, Hyundai, LG, and SK (Table 4). Such large-scale investment must have been, in part, due to the Trump administration's protectionism. But there is an intention also of promoting U.S. market access for Korean products and investing in cutting-edge technologies. Small and medium-sized Korean companies also plan to invest in the U.S., especially in advanced technologies

**Table 4. Korea's Major FDI in the U.S. During the Trump Administration<sup>2</sup>**

Company	Investment Area	Amount
Samsung Electronics	<ul style="list-style-type: none"> <li>• Washing machine factory in South Carolina</li> <li>• Semiconductor plant in Texas</li> </ul>	\$1.88 billion
Hyundai Motor	<ul style="list-style-type: none"> <li>• R&amp;D investment in eco-friendly and autonomous cars</li> </ul>	\$3.1 billion
SK	<ul style="list-style-type: none"> <li>• Shale energy and LNG</li> <li>• Lithium ion-batter cells for electric cars in Georgia</li> </ul>	\$6.07 billion
LG Electronics	<ul style="list-style-type: none"> <li>• Washing machine factory in Tennessee</li> <li>• North America HQ in New Jersey</li> </ul>	\$0.55 billion
Lotte Chemical	<ul style="list-style-type: none"> <li>• Chemical complex in Louisiana</li> </ul>	\$3.1 billion
Doosan	<ul style="list-style-type: none"> <li>• Factory expansion (Doosan Bobcat and Doosan Purecell America)</li> <li>• R&amp;D investment in fuel cells</li> </ul>	\$0.79 billion
CJ	<ul style="list-style-type: none"> <li>• Food processing, bio-chemicals, and entertainment industry</li> </ul>	\$1.05 billion
LS cable	<ul style="list-style-type: none"> <li>• New factories for auto-parts and cables</li> </ul>	\$0.32 billion

Source: Summarized by the author based on various news articles.

These investments are to be made over many years hence the numbers are yet to be shown in the official government statistics. Moreover, with the 4th industrial revolution looming and the hostile trade policy of the U.S., not to mention the renegotiation of KORUS FTA now being settled, it is sensible to expect that Korea's investment in the U.S. will increase.

## The Amendment of KORUS FTA

The Korea-U.S. FTA was fiercely criticized by Donald Trump during his presidential campaign. He described it as a "horrible deal" and a "job killer" that needed to be renegotiated.<sup>3</sup> Not surprisingly, soon after Trump took office, the U.S. demanded a special joint committee meeting to discuss amendments to the KORUS agreement. The KORUS renegotiations officially began in January 2018 and an agreement was reached in March 2018. The new agreement, to the relief of Koreans, contained only minor amendments. The original KORUS states that truck imports from Korea are subject to a 25% tariff to be phased out by January 2021. In the new agreement this has been extended by an additional 20 years to 2041. However, Korea's truck exports to the U.S. are almost non-existent. From January to November 2018, the U.S. imported only about \$1.4 million worth of trucks from Korea while its total imports of trucks amounted to almost \$22 billion.<sup>4</sup> Also considering that Korea's overall exports of automobiles and parts to the U.S. are much more than \$20 billion every year, the revision on minuscule truck exports would have a limited impact. KORUS revisions also include an agreement to increase the number of U.S. vehicles exported to Korea that only meet U.S. safety standards, not Korean standards. Originally, only 25,000 of such vehicles were allowed into Korea annually, but this limit has been raised to 50,000.

The KORUS amendment also deals with the investor-state dispute settlement (ISDS), which allows foreign investors to sue a partner country when the country's laws or regulations harm their investment there. Its intention is to protect foreign investors' rights and properties. But, at the same time, many regard it as an infringement of sovereignty. Inclusion of ISDS was strongly opposed in Korea when it was originally negotiated for KORUS in 2007.<sup>5</sup> In the KORUS amendment investors cannot challenge states under KORUS if investors initiated ISDS under other investment treaties such as a Bilateral Investment Treaty (BIT). Investors are also responsible for providing proof for their claims. It also devises a mechanism to discourage frivolous claims by investors. Overall, the KORUS amendments regarding ISDS put more limitations on investors than the original version, reflecting demands from the Korean side. Other revisions include improving a burdensome origin verification process imposed by the Korea Customs Service, and Korea's discriminatory pricing policy for new drugs.

Other major issues were left untouched in the KORUS amendments. Korea was concerned that renegotiations would touch on sensitive areas—mainly in rules of origin for automobile products, liberalization of agricultural products, especially rice, and currency—but these were not addressed. Given the pressure that Trump exerted regarding the trade deficit and alleged unfair trade practices, the outcome of the KORUS amendment is certainly positive for Korea. What made Trump accept the deal with minor changes is unclear. It may have something to do with factors outside of the economy, such as the security alliance. But if the U.S. decides to impose Section 232 tariffs based on auto imports from Korea, it would have a substantial impact on the Korean economy.

## The Trump Administration's Trade Policy and Korea

### Trade policy

During the presidential campaign in 2016, candidate Trump vehemently criticized other countries' "unfair" trade practices. He attributed the massive U.S. trade deficit and domestic manufacturing job losses to unfair trade. His targets to remedy this malady were wide-ranging, from China to the WTO. Korea was not an exception. He blamed the KORUS FTA and insisted that he would renegotiate the agreement if elected. He was a man of his word. As soon as he took office in January of 2017, he withdrew from the Trans-Pacific Partnership (TPP) with 11 other countries that the U.S. had signed but had not ratified. This was a reflection of his animosity toward multilateralism. Renegotiations officially began for the North America Free Trade Agreement (NAFTA) in May 2017 and for the KORUS FTA in January of 2018.

Apart from the renegotiations of NAFTA and KORUS, the Trump administration initiated investigations of various products based on Section 201, 232, and 301 of U.S. trade acts (Table 5). All led to positive rulings, and trade restriction measures, such as tariffs and quotas, were imposed. Of these measures listed in Table 5, restrictions on steel imports have the most significant impact on Korea, the fourth largest source country for U.S. steel imports in 2017.<sup>6</sup> Even though Korea was exempted along with Argentina, Australia, and Brazil from the 25% tariff, it is still subject to a quota—70% of the annual average from 2015 to 2017.

Table 5. U.S. Tariffs on Korea					
	Product	Country	Measure	Effective as of	Quotas
Section 201	Solar panels	World	Tariff Rate Quota (TRQ)	7/2/18	
	Washing machines	World excluding Canada	TRQ	7/2/18	
Section 232	Steel	World excluding Korea, Argentina, Brazil, Australia	25% tariff	9/3/18	KOR, ARG, BRA subject to quota
	Aluminum	World excluding Argentina, Australia	10% tariff	9/3/18	ARG subject to quota
	Automobiles	Under negotiation			
Section 301	Phase1: 818 products (\$32.6 billion)		25% tariff	6/7/18	
	Phase2: 279 products (\$13.6 billion)		25% tariff	23/8/18	
	Phase2: 5,745 products (\$190.5 billion)		10% tariff	24/9/18	
			25% tariff	withheld	

Note: Number in parentheses are corresponding products' import value from China in 2017.

Korea is also an important exporter of washing machines and solar panels to the U.S. Their importance may not be as significant as steel,<sup>7</sup> but Korea's share of imports in washing machines under the restriction was 15.8% and that for the solar panels was 20.7% in 2017.<sup>8</sup> Section 201 measures on washing machines are clearly targeting Korean companies like Samsung and LG.<sup>9</sup>

Figure 3 plots the value of U.S. imports in washing machines, solar panels, steel, and aluminum products from Korea and the world.<sup>10</sup> It is clear that the value of imports sharply dropped for all four products.<sup>11</sup> In other words, the Trump administration's measures to curb imports seems to be working. For washing machines, Korea's market share dropped from 15.8% in 2017 to 12.6% in 2018 (up to November). The drop in solar panel imports from Korea was from 20.7% in 2017 to 19.5% in 2018. Observing the large increase in imports of washing machines and solar panels around 2014, one could see the threat that U.S. producers could have felt from the flood of imports.

However, steel and aluminum paint a different picture. Steel imports have actually declined substantially since 2014 with a relatively small increase in 2017. Aluminum imports have been only gradually increasing. The effect of tariffs on these commodities is not as dramatic as the case of washing machines and solar panels. It is also interesting to note that aluminum imports from Korea have actually increased by almost 100% from 2017 to 2018 (up to November). But given their small import share (0.6%), they do not have great significance.

At the moment there is a heated debate regarding the Section 232 measure on steel.<sup>12</sup> As shown in Table 5, Korea accepted a quota instead of a 25% tariff. Some experts contend this was the wrong choice because from 2017 to 2018 (January to November in both years)

Figure 2. Korea's FDI in the U.S.

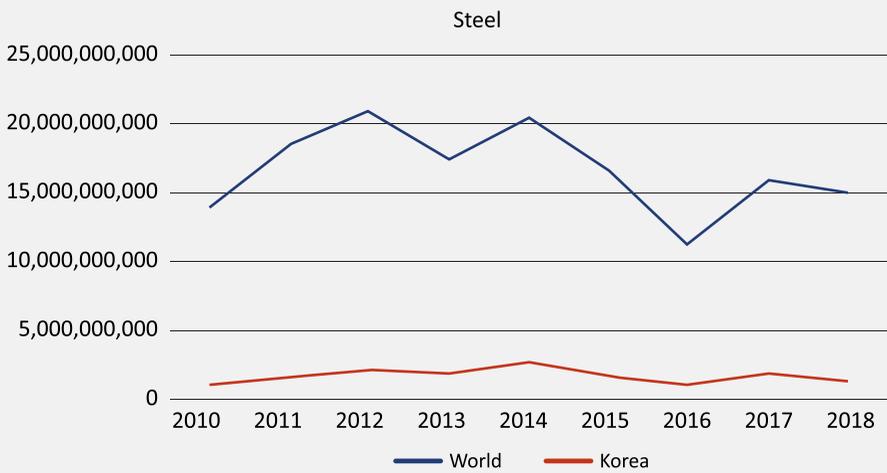
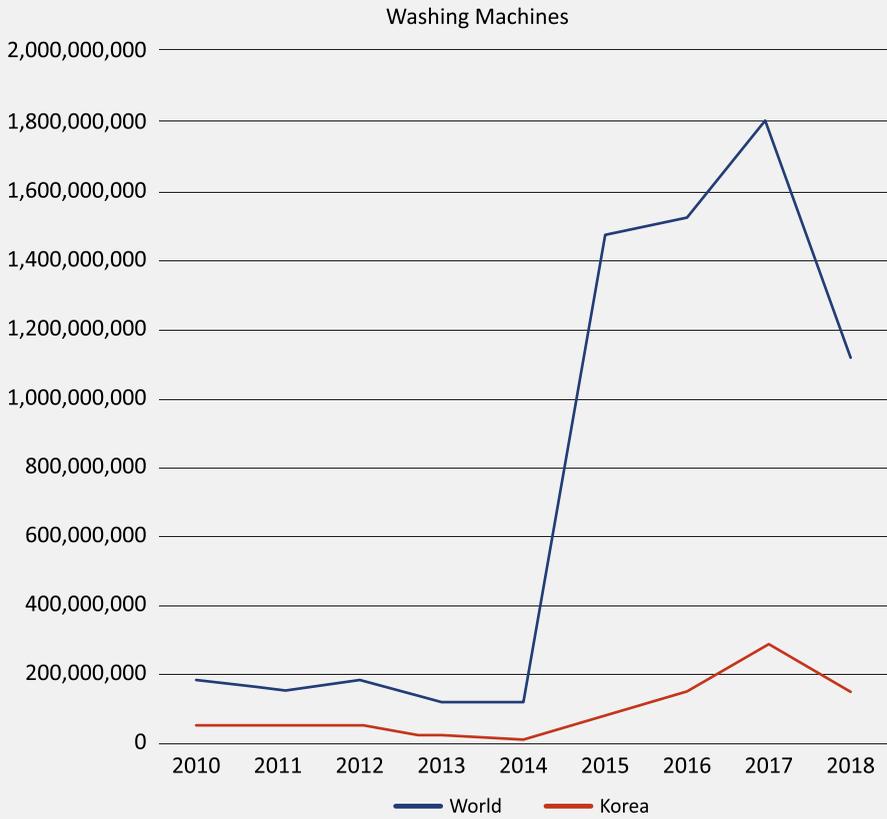
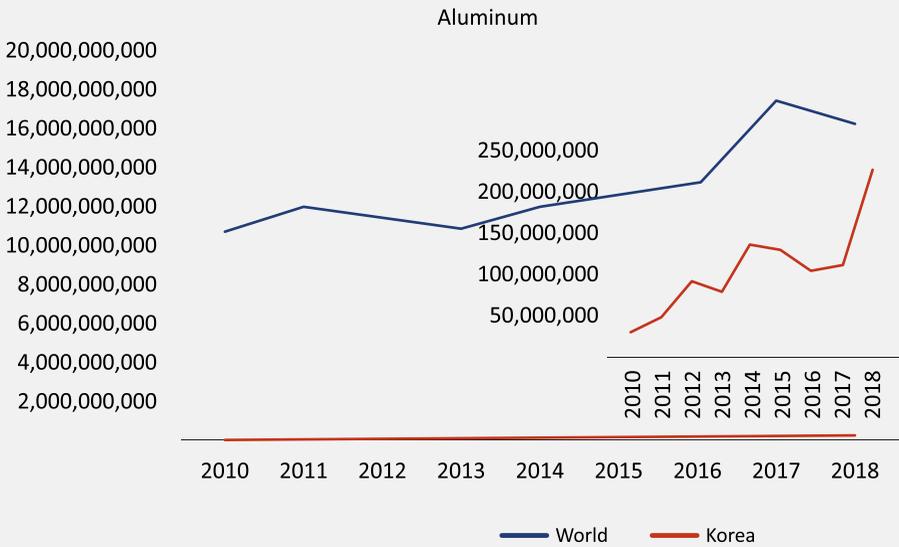
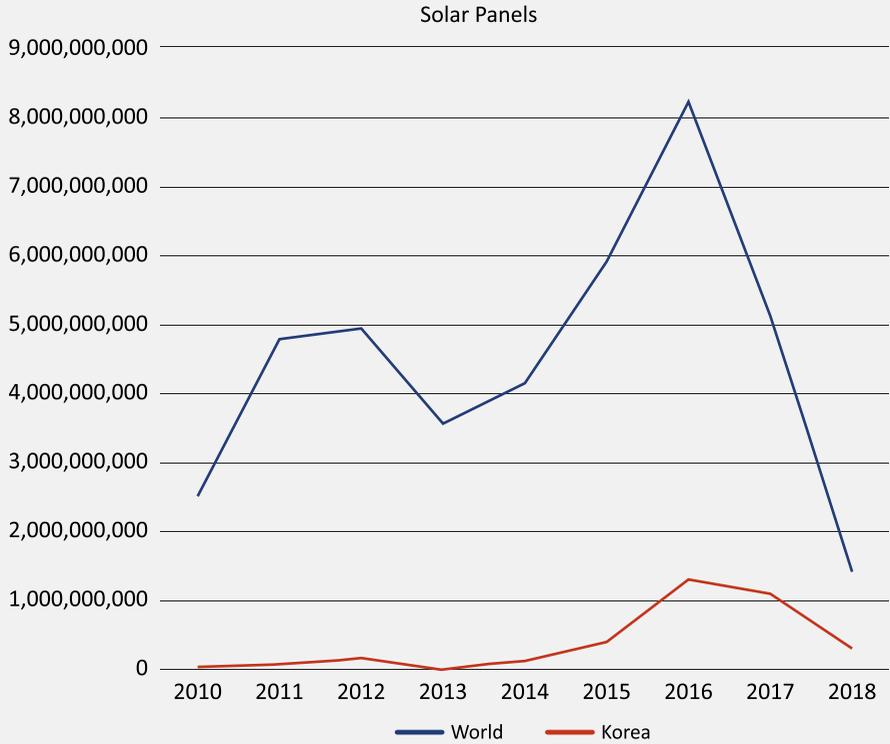


Figure 2. Korea's FDI in the U.S. (cont.)



Source: U.S. Census, USA Trade Online

Note: 2018 figures do not include December. The small graph in the lower right panel depicts aluminum imports from Korea, as it is not clearly discernible in the whole graph.

U.S. imports of steel from countries like Canada and Mexico, which are subject to the tariff, increased both in value and quantity, while the imports from Korea decreased substantially, both in value and quantity. The U.S. also experienced a drop in imports from China and Japan, but the magnitude of the decreases was much smaller than in Korea. Comparing imports of the affected steel products in 2017 and 2018 (January to November in both years), imports from the world actually increased from \$14.5 billion in 2017 to \$15.1 billion in 2018, or by 3.9%, while the imports from Korea decreased from \$1.8 billion to \$1.3 billion, by 29.8%.<sup>13</sup> It is, however, too early to tell whether accepting the quota was the wrong choice for Korea. The U.S. began to impose tariffs on Canada and Mexico in June of 2018 while the date for other countries was earlier in March of 2018.

In response to the Section 201 measure on washing machines, Korean producers Samsung and LG built new plants in the U.S. and began to supply their products to U.S. customers directly, free from the TRQ. In January of 2018, Samsung began producing U.S.-made washing machines in its newly built facility in South Carolina, and LG began to operate its new plant in Tennessee starting in December 2018.

While producers already under restrictions are busy trying to evaluate their impact and find ways to resolve the issue, Section 232 tariffs on autos and auto parts loom, as the Trump administration is considering imposing 25% tariffs on these products. In 2017, Korea was the fifth largest exporter of new passenger vehicles and light trucks with a 10% share of U.S. auto imports.<sup>14</sup> Korea's exports of automobiles and parts make up about 1.6% of its Gross Domestic Product (GDP).<sup>15</sup> Therefore, if the U.S. decided to impose the 232 measure, it would have a huge negative consequence for the Korean economy. A report from Korea International Trade Association (KITA) indicates that the number of Korean cars exported to the U.S. would decrease by 22.7% if the 25% tariff were imposed.<sup>16</sup>

## The Trade Balance Between the U.S. and Korea

Has the Trump presidency had any impact on mitigating the chronic trade deficit with Korea? Using an empirical analysis, I capture this effect through an equation using product-month panel data of U.S. imports from and exports to Korea.

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$$y_{it} = c + \beta_t \text{Trump}_t + \gamma_t \text{exchange}_t + \delta_{it} \text{import price}_{it} + \theta_{it} \text{export price}_{it} + \text{product}_i + \varepsilon_{it} \quad (1)$$


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Subscripts  $i$  and  $t$  denote product and month, respectively. I classify products into 15 categories.<sup>17</sup> The time span is from January 2012 to October 2018.  $\text{Trump}_t$  is a time dummy variable that takes value 1 if Donald Trump is president and 0 otherwise. Parameter  $\beta_t$  captures the Trump effect and is the variable of our main interest. I also control for other factors that could have affected Korea-U.S. trade relations.  $\text{exchange}_t$  is the Korean won to U.S. dollar exchange rate at  $t$ .  $\text{import price}_{it}$  and  $\text{export price}_{it}$  are the import and export price index of product  $i$  at time  $t$ , respectively.  $\text{product}_i$  captures the product fixed effects. The exchange rate data are taken from FRED (Federal Reserve Economic Data) and import and export price index data are obtained from the Bureau of Economic Analysis.

**Table 6. Estimation Results: U.S. Trade Balance with Korea**

Controls	Dependent Variables			
	Export-Import (1)	Export/Import (2)	Log (Import) (3)	Log (Export) (4)
Trump Dummy	1.88e+07* (1.05e+07)	0.498* (0.273)	0.085*** (0.019)	0.133*** (0.021)
Won-dollar exchange rate	-145976.5 (91565.1)	-0.006 (0.004)	-0.0004* (0.0002)	-0.001*** (0.000)
Export price index	1035739*** (394776.3)	0.087** (0.036)	-0.006*** (0.001)	0.003*** (0.001)
Import price index	-1212705*** (323682.3)	-0.62** (0.026)	0.005*** (0.001)	-0.002** (0.001)
Observations	1230	1230	1230	1230
R-squared	0.909	0.788	0.969	0.940

Note: Robust standard errors are in parentheses. \*\*\*, \*\* and \* refer to statistical significance at the 1%, 5% and 10% level, respectively.

I analyze how these factors are associated with U.S. imports from Korea, U.S. exports to Korea, and the U.S. trade balance with Korea, which is represented by two variables—U.S. exports to Korea minus U.S. imports from Korea and the ratio of U.S. exports to Korea to U.S. imports from Korea. These will be the dependent variables ( $y_{it}$ ) in the regression. I obtain import and export data from the U.S. Census. Table 6 presents the estimation results.

The results suggest that the U.S. trade balance with Korea improved after Trump took office. On average, under the Trump administration the trade balance improved by \$18.8 million (column (1)), a seemingly small number. This is, however, a monthly average for each product group, hence the yearly and the total product effect is more substantial. Back-of-the-envelope calculations yield a total yearly effect of about \$3.4 billion dollars, which is 14.7% of the U.S. goods trade deficit with Korea in 2017 (\$23.1 billion). We also observe that both U.S. imports from Korea and exports to Korea (columns (3) and (4)) increase under the Trump administration, but the proportionate increase is larger for the exports (13.3%) than the imports (8.5%). Based on the results in Table 6, it can be concluded that Trump’s various trade policies or pressures reduced the U.S. trade deficit with Korea, for example, by inducing Korean firms to purchase more from the

Next, I analyze whether the Trump presidency had any impact in reducing the U.S. trade deficit with the world. The econometric specification is the same as used above, except that I use U.S. imports from the world and exports to the world for the dependent variables and the dollar index instead of won to dollar exchange rate.

The results in Table 7 suggest that the Trump presidency may have helped reduce the trade deficit (positive signs of *Trump Dummy* in (1) and (2)), but it is not statistically significant. Instead, what has more significantly dictated the movement in the trade balance was a strong dollar. It significantly contributed to worsening the trade balance (negative signs of *Dollar Index* in (1) and (2)). The recent trend towards a strong dollar could be an unwanted result of the Trump administration’s protectionism. It is, however, also due to the recent monetary policy that raised interest rates and the strong economy.

**Table 7. Estimation Results: U.S. Trade Balance with World**

Controls	Dependent Variables			
	Export-Import (1)	Export/Import (2)	Log (Import) (3)	Log (Export) (4)
Trump Dummy	1.50e+08 (1.39e+08)	0.004 (0.010)	0.043*** (0.007)	0.064*** (0.007)
Dollar Index	-7.72e+07*** (6329915)	-0.004*** (0.000)	0.005*** (0.000)	-0.001*** (0.000)
Export price index	-8809480 (6004563)	0.002** (0.001)	0.001*** (0.000)	0.002*** (0.001)
Import price index	-7.88e+07*** (5729515)	-0.003*** (0.001)	0.004*** (0.000)	0.000 (0.000)
<i>Observations</i>	1230	1230	1230	1230
<i>R-squared</i>	0.930	0.861	0.991	0.988

Note: Robust standard errors are in parentheses. \*\*\*, \*\* and \* refer to statistical significance at the 1%, 5% and 10% level, respectively.

The empirical analyses suggest that Trump has had a positive impact in reducing the bilateral trade deficit with Korea while having no significant impact on reducing the overall trade deficit. The efforts of Korean businesses to buy American products and invest in the U.S. in response to Trump's aggressive protectionism, together with Trump's tariff policies, have probably played important roles in producing this result.

## Conclusion

This chapter discussed Korea-U.S. economic relations two years into Trump administration. Trade and investment have been covered, but I have paid particular attention to the trade relationship as Trump's main priority was reducing the bilateral trade deficit. Korean firms and the government responded to the strong protectionist pressure from the U.S. by promising to buy more American products and invest more in the U.S. Consequently, the outcome in the renegotiation of KORUS FTA was satisfactory for Korea. Korea was also exempt from the Section 232 steel tariff.

So far Korea has quite successfully fended off the protectionist pressure without a deteriorating relationship with the U.S. Decisions on Section 232 tariffs on automobile and parts are still pending, but there is a possibility that Korea would be not be subject to these tariffs.<sup>18</sup> At this point, the more worrisome prospect is the trade dispute between the two largest trading partners for Korea, China and the U.S. Its spill-over effects can have substantial impact on Korea, whose economy depends heavily on these two countries.

## Endnotes

<sup>1</sup> Axel Marx and Jadir Soares, "South Korea's Transition from Recipient to DAC Donor: Assessing Korea's Development Cooperation Policy," *International Development Policy* 4, no. 2 (2013).

<sup>2</sup> Section 201 and 232 are global measures that apply to all countries with a few exceptions.

<sup>3</sup> Philip Rucker, "Trump: 'We may terminate U.S.-South Korea Trade Agreement,'" *Washington Post*, April 28, 2017, <https://www.washingtonpost.com/politics/trump-we->

may-terminate-us-south-korea-trade-agreement/2017/04/27/75ad1218-2bad-11e7-a616-d7c8a68c1a66\_story.html?utm\_term=.fc231277b94b.

- <sup>4</sup> Trucks in the amendment include HS87042100, 87042250, 87042300, 87043100, 87043200 and 87049000 products. See Jeffrey Schott and Euijin Jung, “KORUS Amendments: Minor Adjustments Fixed What Trump Called ‘Horrible Trade Deal,’” Peterson Institute for International Economics, Policy Brief, November 2018, <https://piie.com/publications/policy-briefs/korus-amendments-minor-adjustments-fixed-what-trump-called-horrible-trade>.
- <sup>5</sup> Kim Yeong-gui, Kim Hyeok-hwan, Eom Jun-hyeon, Kim Do-hee, “한미 FTA 3년의 이행 현황과 쟁점,” Korea Institute for International Economic Policy, *World Economy Today* 15, No. 8 (2015).
- <sup>6</sup> “Steel Imports Report: United States,” Global Steel Trade Monitor, U.S. Department of Commerce, March 2019, <https://www.trade.gov/steel/countries/pdfs/imports-us.pdf>.
- <sup>7</sup> The value of the U.S. imports for the affected steel products was about \$1.3 billion in 2017, whereas that for washing machines was about \$287 million in the same year. See Korea International Trade Association, K-statistics, [http://www.kita.org/kStat/byCom\\_SpeCom.do/](http://www.kita.org/kStat/byCom_SpeCom.do/).
- <sup>8</sup> The U.S. Census, USA Trade Online.
- <sup>9</sup> “U.S. Commission Recommends tariffs to curb Samsung, LG washing machine imports,” *CNBC*, November 22, 2017, <https://www.cnn.com/2017/11/22/us-commission-recommends-tariffs-to-curb-samsung-lg-washer-imports.html>.
- <sup>10</sup> Washing machines include HS8450200040, HS8450200080, HS8450110010, HS8450110080, HS8450902000 and HS8450906000. Solar panels include HS5841406020 and HS8541406030. Steel includes HS726010, HS 721699 to HS730110, HS730210, HS730240 to HS730290 and HS730410 to HS730690. Aluminum includes HS7601, HS7604 to HS7609, HS7616995160 and HS7616995170.
- <sup>11</sup> Note that it is the value excluding the tariffs.
- <sup>12</sup> Shin Eun-jin and Ahn Jun-ho, “잘못된 협상이었다, 대미철강수출 중일보다 피해 더 커,” *Chosun Biz*, February 20, 2019, [http://biz.chosun.com/site/data/html\\_dir/2019/02/19/2019021903024.html?utm\\_source=naver&utm\\_medium=original&utm\\_campaign=biz](http://biz.chosun.com/site/data/html_dir/2019/02/19/2019021903024.html?utm_source=naver&utm_medium=original&utm_campaign=biz).
- <sup>13</sup> U.S. Census, USA Trade Online.
- <sup>14</sup> The four countries ahead of Korea are Mexico, Canada, Japan, and Germany, see: United States Department of Commerce, International Trade Administration, <https://www.trade.gov/td/otm/autostats.asp>.
- <sup>15</sup> Korea International Trade Association, K-Statistics, [http://www.kita.org/kStat/byCom\\_SpeCom.do/](http://www.kita.org/kStat/byCom_SpeCom.do/).
- <sup>16</sup> Moon byeong-gi, Yu Seo-gyeong, Ahn So-yeon, “미 자동차 고관세 부과의 주요국 영향,” Korea International Trade Association, *Trade Focus*, October 2018.
- <sup>17</sup> Live animals and animal products (HS01-05), vegetable products (HS06-14), prepared foodstuffs (HS16-24), mineral products (HS25-27), chemical products (HS28-28), plastics and rubbers (HS39-40), pulp and paper (HS47-49), textiles (HS50-63), stone and cement (HS68-70), precious stone (HS71), base metals (HS72-83), machinery (HS84-85), transport equipment (HS86-89), optical, photographic and medical instruments (HS90-92), miscellaneous manufactured articles (HS94-96).
- <sup>18</sup> “Adjusting Imports of Automobiles and Automobile Parts Into the United States,” The White House, May 17, 2019, <https://www.whitehouse.gov/presidential-actions/adjusting-imports-automobiles-automobile-parts-united-states/>.



# Redefining U.S.-Japan Trade Relations Under Trump

**Shihoko Goto**

The Trump administration has had no qualms about going against conventional U.S. policy norms and long-established rules of engagement. Thinking outside of the box has not been without its merits; it has certainly led to much-needed reassessment of practices that could benefit from change. The greatest risk of such change, however, is when policy shifts are sudden, unexpected, and unexplained, especially with long-established partner nations. In the two years since President Donald Trump took office, the single biggest challenge for key U.S. allies has been to scramble to adapt to those drastic changes. That, in turn, has led them to reexamine and even alter their own longer-term strategies. For Japan, the pressure to adapt to such changes has been particularly intense, given its continued dependence on the United States for security in an increasingly unstable region on the one hand, and its reliance on robust trade relations with the world's largest economy on the other. At the midway point of the Trump administration, Japan has actually emerged stronger over the past two years, at least on the trade front. Against the odds and defying expectations, it has succeeded in strengthening its position as a stabilizing force amid ongoing uncertainties in global trade rules. Yet, its success so far does not mean that the latter half of Trump's tenure will be smooth sailing for Tokyo. In fact, Prime Minister Abe Shinzo's balancing act of managing robust relations with the United States while ensuring Japan's own economic interests may prove to be more difficult. The challenge is to further the gains it has made as an economic stabilizer, even as that outcome will redefine its broader role as a champion of the liberal international order, which has been put on shakier ground.

## New Expectations for Japan

Japan's role as a regional stabilizer should not be taken for granted. The first test of Japan's own commitment to the international order and free trade in particular came within hours after Trump became president. Granted, his hostility towards the Trans-Pacific Partnership (TPP), which was to be the roadmap for a new multilateral approach to trade, was not unexpected. On the campaign trail, he repeatedly attacked the multilateral deal as "the greatest danger yet," adding that it "would be the death blow for American manufacturing."<sup>1</sup> Yet, amid the growing U.S. tide of the anti-globalization movement, his opponent Hillary Clinton had also ultimately come down against the trade agreement as she ran for president, stating that she would "stop any trade deal that kills jobs or holds down wages, including the Trans-Pacific Partnership."<sup>2</sup> TPP was vilified by the populist wing of both the Republicans and Democrats alike, but at the same time, expectations for both Trump and Clinton to reshape the deal, rather than scrapping it altogether post-election, remained high. Such expectations were quickly dashed, however, as Trump officially announced U.S. withdrawal from the TPP within days of his inauguration. The message was clear: the new administration had no interest in signing onto any new multilateral trade deal. Rather, it would focus on reinforcement of existing agreements and also renegotiate current deals that did not address its goals. In short, the U.S. exodus from TPP seemed to be the death knell of the world's most ambitious trade deal to date. It certainly seemed that the TPP's allure would diminish for Japan, which had been the last country to sign on to the agreement, motivated in part to have a trade deal with the United States.

## U.S. Hurdle to Japan's Winning Streak as a Multilateral Leader

The unshakeable truth remains that Japan has the third-largest trade deficit with the United States, to the tune of \$67 billion, after China's \$375 billion and \$71 billion with Mexico.<sup>3</sup> With cars accounting for \$51 billion of the total deficit,<sup>4</sup> Washington has been focused on reducing Japanese auto exports, even though Japanese automakers have been deliberate in investing in the United States over the past three decades, and nearly half of all Japanese cars sold in the United States are actually made domestically. Such arguments, however, have seemingly made little headway with the Trump administration, and Tokyo is well aware of the administration's singular focus on the auto industry. Yet, unlike making concessions in the politically sensitive yet shrinking agricultural sector, compromising the automobile sector would strike at the heart of Japan's industrial base and could prove to be a blow from which the Abe administration would find it difficult to recover. In bilateral negotiations, Japan would find itself cornered to make more concessions to the United States than it would in a multilateral framework.

That fear has undoubtedly been one of the driving forces for Tokyo to want Washington back in the TPP. During the first year of the Trump presidency, the Abe government's strategy had been not only to focus on promoting Japan as the leader of the CPTPP in the absence of the United States, but also to bring the United States back to the framework either under the current administration or under a new leadership. Keeping the door open for U.S. re-entry had been a hallmark of Abe effectively acting as a custodian of the free market principles. Yet even as the CPTPP drew ever closer to coming into effect by the end of 2018, U.S. interest in negotiating a bilateral trade deal over which it would have the upper hand, became clear by September. The compromise has been to embark on trade negotiations that focus just on goods, and not services.<sup>5</sup>

Yet, it seems increasingly likely that not only would the auto sector be targeted for tariffs by the United States, but that there would also be a comprehensive trade deal that would include services as well as goods in addition to dealing with currency-related issues—all of which would put pressure on Japan. At the public hearing on the bilateral negotiations in Washington in December 2018, for instance, representatives from the U.S. auto sector in particular were quick to argue that Japan was deliberately lowering the value of the yen in order to make its exports more competitive, thereby giving Japanese manufacturers an unfair advantage in the United States.<sup>6</sup> Currency manipulation had been a source of tension between the two sides for well over three decades, yet in the TPP negotiations, the divisive issue had been avoided. Instead, the 12 TPP member countries had agreed not to have currency issues in the main agreement, but rather to include them as a side agreement with no specific details about what constitutes currency manipulation and what actions would be taken against it.<sup>7</sup> Pervasive anxiety about Washington taking action against Japan's foreign exchange policy has been one driving factor for Tokyo to continue pushing for the United States to rejoin the TPP in its new form. In bilateral trade talks, Japan, like all countries with the possible exception of China, will be at a disadvantage in negotiations on key issues including, but certainly not exclusive to, currency markets.

## Spillover Effect of U.S.-Japan Trade Tensions

The TPP had been touted as an ambitious deal not just for reducing tariffs and non-tariff barriers, but also for uniting countries divergent in their stages of development and place in the political spectrum. No other comprehensive free trade agreement has been able to unite countries such as Vietnam and Australia under one framework. The TPP had also, therefore, been seen as a diplomatic tool, enhancing working relations and trust between countries as they work together in pursuit of common trade objectives. The reverse argument, however, could be made, namely that backtracking on commitments to move forward to enhance trade ties could be seen as a regression in broader ties for the U.S. The TPP could have been an opportunity not only to improve U.S. trade relations with Japan as well as with the other 10 countries, but also to deepen political as well as security ties. The net positive as a result of lower tariffs and reduction of non-tariff barriers would have facilitated commercial ties between the United States and the Asia-Pacific region. But the strategic value of Washington being committed to the TPP could have been far greater. Abandonment of the TPP, coupled with the Trump administration's decision to withdraw from the Paris climate agreement in 2017, has shaken confidence in Asia and beyond about U.S. commitment to take collective steps to address cross-border issues.

Washington's decision to take punitive action against long-standing allies only increased wariness about the Trump administration's commitment to ensuring that alliances thrive. The White House's decision to slap Japan, the EU, and other key nations with steel as well as aluminum tariffs in the name of national security with the exception of South Korea, Brazil, and a handful of other countries, took Tokyo by surprise.<sup>8</sup> The fact that Abe, unlike most other leaders of major industrialized countries, had seemingly cultivated strong personal relations with Trump, was seen as a safeguard against the United States taking any significant action against Japan's own interests. Indeed, Abe's nimbleness in reaching out and courting Trump soon after his election was noted by other global leaders, and perceived as key to establishing good working relations with the new administration. Tokyo's political calculus had been that the personal connection between the two leaders would trickle down to ensure that Japan's relations with the U.S. would remain strong. While Trump withdrawing from the TPP was a tremendous blow for Japan, given Abe's own political gambit in joining the trade deal as the last of the 12 founding member countries in 2013, the expectation was that there would be a marked improvement in trade relations, or at least in the trade rhetoric, of Trump regarding Japan. After all, Japan is the third-largest foreign investor in the United States at \$477 billion, after the UK and Canada. But with the possibility of Trump expanding Section 232 into the auto sector still in the cards, a growing sense of unease about the outlook for trade ties and broader relations can be noticed.

Granted, bureaucrats on both the U.S. and Japanese sides are quick to note that bilateral ties remain strong, if not stronger than before. At first blush, that seems to be the case. After all, U.S. commitment to the bilateral security alliance has not been impacted by the trade tensions to date, and working-level discussions on defense as well as economic issues continue to move forward. In fact, personal relations between the two leaders may have even gotten stronger, or at least Abe seemingly remains committed to flattering the president as a means to ensure that relations remain strong. One anecdotal piece of evidence would

be the fact that Trump said the Japanese prime minister had actually nominated him for a Nobel Peace Prize to acknowledge the president's contributions to take the first steps in ensuring peace by engaging with North Korea.<sup>9</sup>

Such moves to woo the U.S. president may have initially been welcomed by the Japanese public when Trump first came to office. But in spite of the multitude of golf outings, dinners at Mar-a-Lago, and lengthy phone conversations, Abe has not had much to show for his overtures, given that Japan's key interests have actually taken a hit over the past two years. After all, the prime minister has not only been unable to persuade the United States to rejoin the TPP, but Japan is now being hit with steel and aluminum tariffs in the name of national security, in spite of the very public overtures by the premier to accommodate the U.S. leadership. At the same time, Japan had been unable to avert what it had tried to avoid from the beginning of the administration, namely to negotiate a bilateral trade deal that would focus on reducing Japanese exports of automobiles and auto parts into the United States. Given that Japan imposes no import tariffs on U.S. autos, it is likely that Washington will focus on tariff reduction in Japan's agricultural sector.<sup>10</sup> Japan had already made considerable concessions in agriculture in order to join the TPP, opening its market to beef and pork imports as well as dairy from member countries—a political gamble for Abe at that time, but a risk that paid off, especially as Japan is now regarded as a nation committed to free trade and to multilateral agreements, especially in light of the U.S. retreat. But just how much it would have to concede to the United States in a bilateral framework has yet to be seen.

Of course, trade liberalization is good for consumers and their pocketbooks by reducing prices. Even though the CPTPP entered into effect only at the end of last year, Japanese shoppers are already seeing beef and pork prices coming down, and those cuts will continue over the next 15 years. At the same time, the concessions made in the agricultural sector in order to join TPP in the first place may well not only bolster Japan's competitive edge in agriculture, but also spur much-needed structural reform more broadly in the longer term. Yet, public wariness about the outlook for U.S.-Japan trade relations and bilateral ties in general has only increased. There have been growing fears that Trump's repeated remarks warning of the threat of Japanese exports reflected the realities of three decades ago and not the current reality, and could stoke the flames of widespread anti-Japanese sentiment. Worries about the spillover effects of the "America First" policy have increased steadily in Japan as well as in other countries that consider themselves key U.S. allies. Granted, some of the more controversial issues espoused by the president that the Democrats have strongly opposed, such as taking extreme action against illegal immigration, have garnered sympathy in Japan, which has a much more strident immigrant policy. But for Japan, the two key issues at stake in its relations with the U.S. are trade and the increasingly unstable situation in the region as a result of North Korea as a nuclear power and China's continued militarization. On both accounts, Tokyo has clearly not progressed in achieving its objectives in spite of Abe's proactive approach to relations with the Trump administration.

The end result is that whilst Japanese voters may be comfortable enough with bilateral relations for now, they are increasingly worried about the outlook moving forward. According to Japanese broadcaster NHK's opinion poll in May 2018, 80 percent said they

were concerned about the outlook for U.S.-Japan relations, even though 55 percent responded that current relations were either “very good” or “fairly good.”<sup>11</sup> The same poll found that 52 percent of respondents still believe that the United States should take an international leadership role, while 72 percent of those polled in the United States said they expected the U.S. to play a global role. Meanwhile, a Pew Research poll in February 2019 found that more countries now find U.S. power and influence a greater threat to their own security than China’s rise or Russia’s expansion. Japanese cited China’s growing power as a bigger threat to national security than U.S. influence, but only just.<sup>12</sup>

## U.S. Trade Policy Worries Lead to Sino-Japanese Detente

Washington under Trump’s leadership has shaken the established norms and narratives of East Asia. Engaging directly with Pyongyang has undoubtedly been a game-changer in defining how the international community deals with the nuclear threat posed by North Korea. The other, of course, is how Washington has come to confront China not only on the ballooning trade deficit, but on its unfair trade practices in general. In short, Washington is currently fighting a trade war against China on two fronts. The first is tackling its deficit in goods with China, accounting for 63 percent of the total U.S. trade deficit. The second front is far bigger and systemic, i.e., to challenge China’s ambitions in redefining the global economic order.

For Japan, Washington’s focus on tackling its massive trade deficit of goods with any country including China has been a source of anxiety. By leveraging Section 232 of the 1962 Trade Expansion Act which allows the U.S. president to impose restrictions on certain imports seen to threaten national security, Washington had already made clear that even traditional allies would not be exempt from being targets of tariffs in order to bring down the U.S. trade deficit. No distinction had been made between Japan, the European Union, and China when it came to steel and aluminum. Moreover, Tokyo’s concerns persist about the White House putting aside the need for strong diplomatic relations and not shying away from imposing the penalties on other sectors.

At the same time, China has already overtaken the United States as Japan’s single biggest trading partner, accounting for nearly 20 percent of its export market at \$144 billion in 2018, compared to 19 percent for the United States. Of course, Japan is not alone in its concerns about how the trade war between Beijing and Washington could hamper its growth prospects, not least because of the disruptions to supply chains, but more significantly because of the anticipated downturn in the Chinese economy. With China already well-established as the region’s economic hegemon, most Asian countries including Japan have been concerned about how the trade war between China and the United States would hurt their own growth prospects. China had already been hit by three rounds of tariffs by the United States since Trump came into office, totaling over \$250 billion. While Beijing had retaliated with \$110 billion worth of tariffs against the United States, in May of 2019 the tariff war escalated, hitting the Chinese economy and threatening global growth. The IMF has had to lower its projections for global growth this year as a direct result.<sup>13</sup>

Growing concern about U.S. trade policy impacting not just China, but the Asia-Pacific region at large, has undoubtedly been a major factor in improving relations between Beijing and Tokyo. In October of 2018, Abe met with President Xi Jinping for the first bilateral summit in seven years, leading to a thaw in relations between the two neighboring countries. Abe called for the two sides to move from confrontation to collaboration, culminating in an agreement to cooperate on nearly 50 projects in third countries, largely in Southeast Asia. Some have argued that such a move ultimately aims to normalize relations between the two sides.<sup>14</sup> That may well be, but the fundamental assumption is that China and Japan will continue to skirt issues that remain sources of contention, not least the ongoing conflict in the East China Sea and dispute over claims to the Senkaku islands. At the same time, the two sides have effectively agreed not to delve too deeply into topics that have led to conflict, including the politicization of history and the memories of World War II in particular. Issues related to China's rapid militarization over the past decade were also shelved at the summit meeting and are unlikely to be discussed, at least publicly.

Rather, there has been a conscientious effort on both sides to decouple economic interests from persistent political tensions. One positive result of this deliberate thaw is the marked turnaround in public opinion, especially on the Chinese side. According to Japanese NGO Genron's October 2018 opinion poll, the number of Chinese surveyed seeing Japan favorably exceeded 40 percent for the first time in 14 years. That, however, contrasts sharply with Japanese sentiment, with nearly 90 percent of those surveyed still holding unfavorable views toward China.<sup>15</sup>

For China, there appears to be an assumption that as Tokyo focuses on furthering economic cooperation with Beijing, bilateral relations would move beyond bolstering trade between the two sides, including moving forward on economic initiatives including the Regional Comprehensive Economic Partnership (RCEP) agreement as well as the bigger and far more ambitious Belt and Road Initiative (BRI).<sup>16</sup> China may have concluded that Japan is now on board not only with BRI, but with the Asian Infrastructure Investment Bank as well, in spite of Tokyo remaining the leader of the longer-established rival Asian Development Bank, with both Japan as well as the United States remaining among the few holdouts of the AIIB.

There are enough indications to suggest that Beijing should feel confident about its economic statecraft. While China may prove to be more vulnerable to an all-out war of escalating tariff barriers against the United States in the near term, the conflict has demonstrated that tensions between the two countries go far beyond economic rivalry. The trade war may simply be the beginning of a new Cold War between two opposing ideologies. The post-WWII narrative had until now been that economic prosperity, open markets, and political freedom went hand-in-hand, with countries like Japan following the U.S.-based development model flourishing over time. China's rise, however, has clearly not followed that model, and its success has exemplified a different path for growth.<sup>17</sup>

Japan's economic strategy has been to hedge against the zero-sum approach to trade that the Trump administration has been taking over the past two years. It has done so in two effective ways. First, through continuing to pursue multilateral trade deals, it has pushed forward with the TPP without the United States, and is shepherding the CPTPP successfully.

It has also succeeded in pursuing trade deals with other countries, most notably by pushing ahead with the EU-Japan Economic Partnership Agreement, which entered into force in February of 2019. Second, Tokyo has broken through its diplomatic impasse with China and is looking to increase partnerships in infrastructure development in Southeast Asia in particular. China and Japan signed \$2.6 billion in business deals following the summit meeting in Beijing, with Abe accompanied by nearly 1,000 corporate executives for the visit. With promises of developing nearly 50 joint infrastructure projects across Southeast Asia, the prospects for new business deals are certainly tantalizing. In addition, the two sides agreed to cooperate in financial markets as well, most notably by renewing and expanding their currency swap agreement that had expired in 2013. Moreover, Japan and China agreed in principle to establish new frameworks to look into opportunities for technological cooperation as well as intellectual property protection.<sup>18</sup>

Yet, the fact remains that the single biggest factor that has driven Beijing and Tokyo to improve relations has been a shared concern about how U.S. trade policy could hamper growth in Asia, and thereby hurt the domestic economy. In short, Japan is not seeking out China as a partner with shared values, given that China has its own model of development that it is now seeking to spread rapidly across the region, rather than trying to adapt to a Western model that Japan has embraced. The desire to pursue stronger economic ties with China is hardly unique to Japan, and Xi Jinping's visit Tokyo in June for the G20 summit meeting could well lead to more investment partnerships between the two countries. Yet, Tokyo is confronted with the conundrum of seeing Beijing as its single biggest security threat as well. How it decouples these two conflicting realities will be closely watched by neighboring countries facing similar challenges.

## A United Front Against Unfair Trade Practices

To what extent Tokyo can decouple economic interests from security concerns will define how Japan can move forward in its relations with China. That means even with the best-case scenario of reaching a satisfactory conclusion on flashpoints including the Senkaku Islands, Japan will still not be able to have as comprehensive a relationship with China as it does with the United States. In spite of persisting worries about the outlook for bilateral trade negotiations, Japan remains a staunch supporter of the international liberal order, which had been championed by Washington. That rules-based world order has been not only the bedrock of U.S. postwar global dominance, but also the foundation of Japan's own success over the past seven decades. In spite of the deeply rooted cultural ties with China that span centuries, Japan still remains alienated from Beijing when it comes to rules of engagement in the global economy.

The United States continues to fight its trade war against China on two fronts. The first front involves tackling its massive trade deficit in goods, which has been a source of friction not only with Beijing, but also with other major trading partners that also have deficits with the United States, including Japan. But when it comes to Washington confronting China with its systemic unfair trade practices, the Trump administration has actually succeeded in garnering support from its traditional allies, most notably Japan and the EU. Specifically, the three have worked together since late 2017 through the World Trade Organization to

draft new rules regarding forced technology transfers, intellectual property rights, digital trade, and broader WTO reform to bolster transparency. Together with promoting the Indo-Pacific strategy, the trilateral effort to pressure China to change its system is a clear example of the Trump administration seeking out multilateral efforts to challenge Beijing's strategic ambitions. Yet, it should be noted that Japan, the United States, and the EU have deliberately avoided antagonizing China, noting in their latest joint statement, for instance, that they have a "shared objective to address non market-oriented policies and practices of third countries that lead to severe overcapacity, create unfair competitive conditions for their workers and businesses, hinder the development and use of innovative technologies, and undermine the proper functioning of international trade."<sup>19</sup> Nowhere is the word "China" to be seen in any of the trilateral texts, underscoring the challenges of dealing with China's strategic ambitions in the longer term, with divergent views even among like-minded nations.

As the leading voice keeping the CPTPP together, Japan is fully aware that expanding membership beyond the current 11 countries is critical for its continued success. That includes not only keeping the door open for the United States to return to the multilateral fold down the line, but also encouraging China to join the framework as well. As such, Japan's strategy would be to continue strengthening economic relations with both Beijing and Washington and encouraging both to join the free trade agreement eventually.<sup>20</sup>

## Differences in Dealing with the China Threat

There are a number of hurdles for Japan to overcome in pursuing the above strategic vision, not least whether it can decouple relations by furthering economic ties with Beijing on the one hand whilst dealing with its neighbor's military ambitions on the other, as it seeks to hedge against U.S. trade policy uncertainties. Another looming obstacle is how the United States decides to move forward on dealing with China's economic influence worldwide. Japan's multilateral vision is at odds with that and with the current U.S. vision, focused on negotiating trade deals bilaterally not just with China, but with its long-established allies. Yet, there remains a divide within the Trump administration itself on how to assess and deal with China's economic threat. In renegotiating the North American Free Trade Agreement with Mexico and Canada last October, the United States added a provision that would allow it to veto the newly signed U.S.-Mexico-Canada agreement should the United States object to the Canadians and Mexicans negotiating a trade deal with China, or a non-market economy.

For Japan, the possibility of the United States replicating that same "poison pill" approach to isolate China from the global trade regime by pressuring other countries not to enter deals with Beijing has been particularly worrisome. Not only does that stance make it difficult for Tokyo to reach out to Beijing to join the CPTPP eventually, it could also jeopardize progress that has been made to conclude RCEP, which would strengthen Japan's ties not only with China, but also with India as well as the 10 ASEAN countries. As Tokyo looks to limit trade negotiations with Washington solely to goods, the anti-China poison pill provision adds yet another issue for which Japan would have to confront the United States. With U.S. commerce secretary Wilbur Ross stating publicly that the USMCA non-market economies

deal establishes a precedent for other trade deals, one can expect the “no agreements with non-market economies” provision to be a prerequisite for reaching a deal with the United States.<sup>21</sup> Taking a firm stance against China, pushing back against the Made in China 2025 industrial policy in particular, has been one of the few issues that has garnered support from both the Republicans and Democrats. Yet, the prospect of the United States having the ability to isolate China from the international trade regime goes against Japan’s own national interests. The fact that there is also a schism within the Trump administration could well be in the Abe administration’s favor.

Just how accurate the June 2018 report is by the newly established White House Office of Trade and Manufacturing, outlining how China has been acquiring critical U.S. technologies from artificial intelligence, remains debatable. But whether or not China has targeted over 600 technology assets to acquire over \$20 billion in U.S. intellectual property, such fear has been a driving force for U.S. trade policy vis-à-vis China.<sup>22</sup> It is also a fear that is shared by Japanese corporate executives. The vice chairman of Panasonic, Matsushita Masayuki, for instance, has said that the consumer electronics manufacturer has struggled to compete in China with the government favoring state-owned enterprises and forced technology transfers, as well as intellectual property violations.<sup>23</sup>

## Huawei as a Litmus Test in Confronting Chinese Rules

When it comes to assessing the threat China poses in rewriting the rules of global industry and competitiveness, the possibility of a widening gap cannot be dismissed. The latest development over Huawei is an example. U.S. investigations began in 2012 into the security threat posed by the telecommunication giant Huawei as well as ZTE. Yet, it was Australia and New Zealand that first announced in 2018 that they would exclude Huawei from their next-generation 5G network, citing security concerns. Fears of Huawei being a tool for the Chinese government to spy on rival countries, escalated rapidly following the arrest of its CFO, Meng Wanzhou, in Vancouver last December. Since then, Huawei has become a test case to measure not only the extent to which major Chinese entities can be independent of the Chinese Communist Party, if at all, but also the degree to which the United States can rally other nations to its side in taking action against Beijing for jeopardizing national security. The question remains, however, whether the Trump administration can succeed in convincing its traditional allies to view Huawei as a threat to exclude its equipment from global 5G networks.

Japan was one of the first countries to side quickly with Washington by banning Huawei as well as ZTE from its official government contracts in December of 2018, citing security risks as outlined by the United States. That view, however, has not been shared as widely as Washington had anticipated. There is growing speculation that the UK, as well as Germany, may well buck the U.S. trend and continue to incorporate Huawei technology into their respective 5G infrastructure.<sup>24</sup> As the battle between Huawei and the Trump administration continues, the question is whether a divide over Huawei and 5G technology could lead to a deeper divide between the United States and its security allies. For Tokyo, the price of continuing to side with Washington against Huawei without the backing of other major

industrialized nations is particularly high. First, it could hamper economic opportunities with China, which may be a blow for Japanese telecommunications and technology companies. Second, it may antagonize the Chinese leadership from adopting data protection practices that would benefit Japan in the longer term, and also decrease the CCP's willingness to embrace the CPTPP in the future.

## Japan's Future as a Stabilizing Force

The Trump administration has presented a unique opportunity for Japan to take on some of the roles that the United States has embraced in the Asia-Pacific region, most notably on trade. By succeeding in shepherding the TPP to evolve into the CPTPP and ensuring that it came into effect, Abe has been able to steer Japan to take on the role of champion of multilateralism and the rule of law. The fact that Tokyo has been able to sign an ambitious trade deal with the EU at a time when Washington continues to press for bilateral agreements is a landmark development since Trump took office. Yet, with the U.S.-China trade war remaining one of the biggest risks to growth worldwide, Japan's role in stabilizing the global economy has only increased. Whether or not Abe will have the ability to do so remains in question, not least because of uncertainty over how he can work together with the United States to achieve stability.

Steps have been made towards bilateral cooperation to address structural challenges in the global economy. On the trade front, trilateral efforts between Japan, the United States, and the EU to reform the WTO, have won strong domestic support in these countries and in other industrialized countries as well. Tokyo and Washington have coordinated closely in slowly fleshing out the Indo-Pacific strategy that would bring together like-minded nations to support a rules-based order, bringing forward some of the political objectives that the Obama administration had highlighted for the TPP.<sup>25</sup> Unlike calls for free trade, which have antagonized the anti-globalization movement, efforts to rein in China's unfair trade practices continue to be a popular political move at home, and to win support from the international community at large as well.

Yet, risks to a robust economic partnership between Japan and the United States remain. Economic nationalism continues to be a key factor driving U.S. trade policy, and the risk of pressing Tokyo for a bilateral trade deal that would hurt Japanese exports, especially in the critical automobile sector, could lead Japanese auto makers to reconsider their investments in the United States, which in turn would hurt the U.S. job market. Unlike the U.S.-Japan trade war of three decades ago, Japanese auto manufacturers are now heavily invested in the United States and support over 1.5 million jobs.<sup>26</sup> Cutbacks in investments into the United States would have a longer-lasting impact on the U.S. economy than forced reduction in imports of goods from Japan.

Another risk that could drive a wedge between Tokyo and Washington is how the threat of China as a rule-breaker is assessed. While the Abe administration has been quick to support the White House in pressing Beijing for structural reform including data security, Abe has also leveraged the U.S.-China trade war to improve relations with Beijing and hedge against the uncertainties resulting from the Trump administration. Tokyo's strategic vision remains to bring Beijing into the fold of the international liberal order and encourage it to

open markets as a means to ensure its own longer-term growth. The United States adding a provision that would effectively bar Japan from negotiating a free trade agreement with China as part of a bilateral deal would be a demand that Tokyo would not be able to swallow as easily as Mexico and Canada did.

As the United States gears up for the presidential elections in 2020, the White House may be under greater pressure to deliver results and portray a strong America. Japan's challenge will be to reassure the Trump administration that "America First" does not mean America alone, while making the case that the United States would benefit from a China that continues to prosper and be enticed to follow the principles of free and fair trade, assuming that this option is on the table.

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# The U.S. Indo-Pacific Strategy and Its Implications for U.S.-ASEAN Economic Governance Architecture

**Kaewkamol Pitakdumrongkit**

During his visit to Asia in November 2017, President Donald Trump announced his vision of a “Free and Open Indo-Pacific” as the U.S. approach to the region. The Department of State unveiled in detail the economic elements of the Indo-Pacific strategy in April 2018. These economic policies were reiterated by Vice President Mike Pence at the Asia-Pacific Economic Cooperation (APEC) CEO Summit in Papua New Guinea in November 2018. For instance, Pence maintained that Washington plans to “make bilateral trade agreements with any Indo-Pacific nation that wants to be our partner and that will abide by the principles of fair and reciprocal trade,” promote private sector investment, and assist regional states on sustainable infrastructure development.<sup>1</sup> On December 31, Trump signed into law the Asia Reassurance Initiative Act (ARIA) passed by the U.S. Congress earlier that month. ARIA further advances the strategy by mandating the executive branch to “develop a long-term strategic vision and a comprehensive, multifaceted, and principled United States policy for the Indo-Pacific region.”<sup>2</sup> Moreover, the text authorizes \$1.5 billion to “the Department of State, United States Agency for International Development [USAID], and, as appropriate, the Department of Defense . . . for each of the fiscal years 2019 through 2023, which shall be used” to achieve several objectives including ensuring “the regulatory environments for trade, infrastructure, and investment in partner countries are transparent, open, and free of corruption.”<sup>3</sup>

Against this backdrop, this chapter examines the effects of the U.S. Indo-Pacific strategy on the future of U.S.-ASEAN economic governance architecture. “Strategy” refers to “the collection of plans and policies that comprise the state’s deliberate effort to harness political, military, diplomatic, and economic tools together to advance that state’s national interest.”<sup>4</sup> Such a study is warranted for a few reasons. First, the jury is still out on the degree to which this strategy would align or clash with different approaches and policies supported by Southeast Asian governments. Clashes of ideas and policies can result in not only failed implementation of the U.S. strategy but also competing economic initiatives which could undermine the future of U.S.-ASEAN trade and investment ties. Therefore, this research is aimed at: 1) assessing how the U.S. Indo-Pacific strategy would interact with Southeast Asian nations’ policies to shape the future development of regional economic architectures, and 2) forging policy recommendations for the U.S. and ASEAN governments on how they could jointly pursue regional economic institution-building. The questions I explore include: 1) What are the economic components of the U.S. Indo-Pacific strategy? 2) How will this strategy and Southeast Asian countries’ economic agendas/policies interact to shape the future advancement of regional economic architecture? and 3) What should American and ASEAN governments do to foster cooperation and lessen conflict among their different policies regarding economic regionalism?

The chapter is organized as follows. The next part discusses the economic components of the Indo-Pacific strategy under the Trump administration. The second section examines the interactions between this strategy and the economic agendas of the Association of Southeast Asian Nations (ASEAN) to highlight the areas of complementarities and clashes. The last section provides policy recommendations for American and Southeast Asian governments to augment synergies and ameliorate clashes among their policies.

## The Economic Components of the Trump Administration's Indo-Pacific Strategy

Before discussing the economic elements of the U.S. Indo-Pacific strategy, it is worth noting that the Indo-Pacific as a concept of strategic thinking is not new. Coined by Gurpreet Khurana in his 2007 article titled “Security of Sea Lines: Prospects for India-Japan Cooperation” in *Strategic Analyses*, the notion refers to two strategic and political zones covering two oceans— the Indian and the Pacific. U.S. policymakers have long adopted this concept, e.g., the Department of Defense Indo-Pacific Command (previously the Pacific Command until the unit was renamed in May 2018), has been deployed across two oceans and viewed them as one geostrategic space. Moreover, the regional states have embraced the notions of “free” and “open” as seen in the spirit of APEC, a regional grouping in which the U.S. participates. At the 1994 APEC Leaders’ Summit in Bogor, Indonesia, the members endorsed “the long-term goal of free and open trade and investment in the Asia-Pacific [which] will be pursued promptly by further reducing barriers to trade and investment and by promoting the free flow of goods, services and capital among [the] economies.”<sup>5</sup> In addition, the Obama administration operationalized the concept by making India “a major pillar” of its Asia policy. This led to upgrading in 2015 the U.S.-India annual strategic dialogue to a strategic and commercial one as a platform to discuss bilateral relations at the highest political level.<sup>6</sup>

While Washington has leaned on the term “Indo-Pacific” to conceptualize the region and devise its foreign policies, the adoption of this term by the Trump administration differed in the following aspects. First, it was the first time that this idea appeared in national-level documents such as the 2017 National Security Strategy (NSS). Also, the Indo-Pacific strategy was cast on the assumptions that China is a revisionist state and Washington and Beijing are under conditions of a power contestation.<sup>7</sup> As the 2018 National Defense Strategy maintains, “China is leveraging military modernization, influence operations, and predatory economics to coerce neighboring countries to reorder the Indo-Pacific region to their advantage.”<sup>8</sup> Also, the NSS stresses that “China seeks to displace the United States in the Indo-Pacific region, expand the reaches of its state-driven economic model, and reorder the region in its favor.”<sup>9</sup>

The Trump administration’s Indo-Pacific strategy rests on two modifiers: “free” and “open.” The word “free” refers to freedom from coercion by other states, embracing the concepts of sovereignty, rules-based order, and dispute settlement. “Open” means open commons (in land, sea, air and cyber realms), open logistics (i.e. connectivity driving regional integration), open investment (i.e. investment enabling market economics to function), and open trade (i.e. free, fair, and reciprocal trade).

Economics play a key part in this strategy. Compared to previous administrations, the Trump cabinet focuses more on economic matters.<sup>10</sup> According to the 2017 NSS, “economic security is the U.S. national security.”<sup>11</sup> Not only are economics vital to U.S. national security at home, they also enable the state to project its power in the international system. As reflected in Trump’s remarks in December 2017, “[e]conomic vitality, growth and prosperity

at home is absolutely necessary for American power and influence abroad.”<sup>12</sup> In other words, the strong and prosperous U.S. economy can furnish Washington with resources which can be invested to augment its military capabilities and ability to project its clout internationally. Consequently, the state would tailor its “approaches to different regions of the world to protect U.S. national interests.”<sup>13</sup>

The economic components of the U.S. Indo-Pacific strategy cover trade, investment, and infrastructure/connectivity.<sup>14</sup> Regarding trade, the administration strives to promote “free, fair, and reciprocal” trade by lowering barriers. It views the principles of “fairness” and “reciprocity” as a foundation for commercial openness and upholding of a contract. Also, the word “fair” is largely defined in terms of the trade balance because Washington wants to redress its trade deficit with regional economies partially caused by the latter’s tariffs and non-tariff barriers.<sup>15</sup> In terms of how to achieve free, fair, and reciprocal trade, the administration plans to negotiate better international deals and to reform the multilateral trading system.<sup>16</sup> Washington has so far amended the terms of some existing free trade agreements (FTAs) to make them more favorable for its workers and firms. The United States-Mexico-Canada Agreement (USMCA) (previously known as the North America Free Trade Agreement (NAFTA)) and revised Korea-U.S. FTA (KORUS) are recent examples. While the U.S. pulled out of the Trans-Pacific Partnership (TPP) in January 2017, the administration said it “will continue efforts to build stronger, better, and fairer trading relationships” with TPP signatories which do not have a bilateral trade contract with the country.<sup>17</sup> Concerning the reform of the multilateral trading system, Trump expressed his willingness to work with like-minded economies to build a global trade system to increase the living standards of Americans.

On investment, the Trump cabinet aims at augmenting free and open investment via improving the investment climate, raising private sector participation, and ensuring that investment fosters entrepreneurship and innovation. Doing so will not only boost U.S.-ASEAN investment and trade but will also bring about prosperity for all involved. According to Deputy Assistant Secretary Alex Wong, Washington will support “more open investment environments, more transparent regulatory structures . . . so that the region is not only open to more U.S. foreign direct investment, but that indigenous populations, indigenous innovators, indigenous entrepreneurs can take advantage of the investment environments to drive economic growth throughout the region.”<sup>18</sup>

On infrastructure/connectivity, Washington aspires to promote good governance, high-quality infrastructure, best-value or cost-effective, and sustainable infrastructure development.<sup>19</sup> The administration plans to achieve these elements by: supporting multilateral financing institutions such as the World Bank and Asian Development Bank, reforming its development finance institutions, and enhancing partnerships with other states and institutions to identify, fund, and implement fiscally-sound projects.<sup>20</sup> Regarding the reform, Trump signed into law on October 5, 2018 the Better Utilization of Investments Leading to Development Act (or BUILD Act), which earlier enjoyed bipartisan support in both chambers. The act was purposed to consolidate U.S. development financial entities to boost the capacity of the state’s infrastructure assistance in the Indo-Pacific. For instance, it will create the United States International Development Finance Corporation (IDFC), which will subsume “the activities of the Overseas Private Investment Corporation (OPIC), USAID’s Development Credit Authority, USAID’s Enterprise Funds, and USAID’s Office of Private

Capital and Microenterprise.”<sup>21</sup> Moreover, this new mechanism will be granted “the ability to make equity investment, a doubling of the contingent liability ceiling to \$60 billion, and an extended operating authority.”<sup>22</sup> In short, the entity’s investment cap is set at \$60 billion, which is more than double OPIC’s current cap of \$29 billion. It is slated to function by the end of 2019.

In addition, Washington has been cooperating with other states on regional infrastructure building. For example, one objective of the “QUAD” (Australia, India, Japan, and the U.S.) is to fund connectivity projects that are properly designed and financially sustainable.<sup>23</sup> The grouping is pondering ways to set up financing schemes to meet Indo-Pacific connectivity demands.<sup>24</sup> Also, Washington, Tokyo, and Canberra, in July 2018 signed an arrangement to mobilize and support private sector investment in regional energy, transportation, tourism, and technology sectors.<sup>25</sup> On November 12, 2018, U.S. OPIC, Australia’s Department of Foreign Affairs and Trade, Australia’s Export Finance and Insurance Corp., and Japan’s Bank for International Cooperation endorsed an MoU to operationalize this trilateral partnership.<sup>26</sup>

Washington’s approach to connectivity is a response to China’s use of economic tools to achieve its foreign policy objectives via Belt and Road Initiative (BRI), which now has 57 members accounting for more than 30% of world GDP and 62 percent of its population.<sup>27</sup> Beijing “is using economic inducements and penalties . . . to persuade other states to heed its political and security agenda. China’s infrastructure investments and trade strategies reinforce its geopolitical aspirations.”<sup>28</sup> Specific to ASEAN, the 2017 U.S.-China Economic and Security Review Commission’s Report reveals that Beijing has gained geopolitical advantage in mainland Southeast Asian countries via its connectivity schemes and “Chinese dams on the Mekong River threaten the food security of 60 million people, creating significant stability risks.”<sup>29</sup> Therefore, the U.S. wants to offer an infrastructure alternative to regional economies.<sup>30</sup> Trump, at the 2017 APEC CEO Summit, posited that Washington’s effort will “better incentivize private sector investment in your economies, and provide strong alternatives to state-directed initiatives that come with many strings attached.”<sup>31</sup> Pence, at the 2018 APEC CEO Summit, reaffirmed that Washington’s approach is “a better option. We don’t drown our partners in a sea of debt. We don’t coerce or compromise your independence. The United States deals openly, fairly. We do not offer a constricting belt or a one-way road.”<sup>32</sup>

## Interactions Between Trump’s Indo-Pacific Strategy and ASEAN’s Economic Policies and Their Effects on U.S.-ASEAN Economic Governance

The interactions between the Trump administration’s Indo-Pacific strategy and agendas promoted by Southeast Asian nations differ by issue area. In terms of trade, Washington’s policies clash with those upheld by several ASEAN states. While the former tends to rely on trade bilateralism to advance regional trade governance, the latter opt for multilateral means. Illustratively, Trump insisted at the 2017 APEC CEO Summit that Washington will “make bilateral trade arrangements with any Indo-Pacific nation that wants to be our partner and that will abide by the principles of fair and reciprocal trade.”<sup>33</sup>

In contrast, ASEAN members tend to prefer trade multilateralism to advance regional architecture, as revealed by the 2017 Pew Research Center's survey showing that 45%, 72%, and 61% of Indonesian, Filipino, and Vietnamese respondents, respectively, disapproved of Washington's pull-out from TPP.<sup>34</sup> Some Southeast Asian diplomats doubt the U.S. ability to design other high-quality rules on a par with TPP, encompassing multiple stakeholders and issues.<sup>35</sup> To regional states, bilateral trade negotiations give bigger economies the upper hand, enabling them to shape the outcome in their favor. Such views were confirmed as policymakers watched how the KORUS renegotiation unfolded. Seoul was forced to make concessions such as extending the 25% U.S. tariffs on the former's trucks to 2041, measures initially to be phased out by 2021.<sup>36</sup> One-on-one talks are likely to allow Washington to arm-twist smaller economies to accept contract terms more favorable to itself. As a result, ASEAN nations are not keen to negotiate bilateral deals with the U.S., putting their countries at a disadvantage.<sup>37</sup>

Why do ASEAN nations prefer multilateral contracts? First, their economies are intertwined in transnational production networks. In 2017, 28.57% of total exports of all ASEAN states were intermediate goods.<sup>38</sup> This is a major reason behind the ASEAN Economic Community 2025 (AEC 2025), an economic integration project purposed to accomplish: "(1) a highly integrated and cohesive economy; (2) a competitive, innovative, and dynamic ASEAN; (3) enhanced connectivity and sectoral cooperation; (4) a resilient, inclusive, people-oriented, and (5) people-centered ASEAN; and a global ASEAN."<sup>39</sup>

The second factor is the future of the region's rising middle class, defined as households with per capita incomes between \$10 and \$100 per person per day in 2005 in terms of purchasing power parity.<sup>40</sup> This group is projected to grow more than 50% from 135 million (24% of ASEAN's population) in 2015 to 334 million (51% of the population) in 2030.<sup>41</sup> Such a rising middle class will increase opportunities for firms to provide more sophisticated or tailored products or services (e.g. customized healthcare, tourism), and give an additional impetus for ASEAN members to deepen economic integration.

Finally, China's structural reforms and middle class are likely to have positive effects on the region. Thanks to Xi Jinping's commitment to transform the country into a consumption-driven and services-driven economy over the next decade,<sup>42</sup> Southeast Asian states are enjoying a windfall from Beijing's move. For one thing, the number of Chinese tourist arrivals in the region quadrupled in the past ten years.<sup>43</sup> By 2035, 750 million individuals will enter the middle class, resulting in 100 million Chinese visitors to the region.<sup>44</sup>

ASEAN members' appetite for multilateral trade deals is evident in the two mega-trade blocs—the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and Regional Comprehensive Economic Partnership (RCEP). CPTPP is Trans-Pacific Partnership (TPP) minus Washington. This 11-member arrangement is aimed at liberalizing trade and investment in several realms, such as technical barriers to trade, sanitary and phyto-sanitary measures, and state-owned enterprises. Negotiations were concluded in January 2018, and the pact entered into force on December 30, 2018. CPTPP economies make up a market of 495 million people with a combined GDP of \$13.5 trillion.<sup>45</sup> At the time of this writing, four ASEAN nations (Brunei, Malaysia, Singapore, and Vietnam), are among the participants. Regarding RCEP, it is an FTA under negotiation since 2013 among all ASEAN members and six dialogue partners—Australia, China, India, Japan, New Zealand, and South

Korea. This deal attempts to consolidate the existing ASEAN+1 FTAs into a single contract. The deal is slated to be sealed by the end of 2019.<sup>46</sup> If concluded, RCEP will cover 46% of the global population and 24% of the world's GDP.<sup>47</sup>

Going forward, trade policies championed by the U.S. and ASEAN countries are likely to bifurcate. The Trump administration is likely to continue using the trade balance to define “fair” in its pursuit of “free, fair, and reciprocal” trade. Because the U.S. has a \$92 billion goods trade deficit with ASEAN economies collectively,<sup>48</sup> there exists little room for Southeast Asian parties, especially those running a trade surplus with Washington, to strike deals satisfying all involved. Also, the Trump cabinet will likely favor bilateral contracts while ASEAN states strive for multilateral ones. According to the 2019 survey of 1,008 Southeast Asian experts and stakeholders in policy, research, business, and civil society communities, conducted by the Institute of Southeast Asian Studies (ISEAS), more than one-third were positive towards CPTPP. In addition, 39.1%, 38.1% and 33.6% of Cambodian, Filipino, and Thai respondents, respectively, advocated for their countries joining the pact.<sup>49</sup> This mega-trade arrangement is likely to expand. The CPTPP parties, in January 2019, stressed that the pact “is open to all economies which accept these principles and are willing to meet the high standards of the agreement and confirmed their strong determination to expand the agreement through the accession of those new economies.”<sup>50</sup> At the time of this writing, several economies, including Indonesia, the Philippines, and Thailand, have expressed their desire to join.<sup>51</sup>

Regarding RCEP, critics argue that the deal in its current form is not as ambitious as TPP.<sup>52</sup> Therefore, it may not yield great economic gains to the region. However, one should note that this arrangement's quality can in the future be improved if its signatories agree to incorporate a “consulting mechanism” allowing RCEP to have a regulatory framework upgrade. In this way, its long-term value can rise. To sum up, the U.S. and Southeast Asian countries' trade agendas are running in the opposite direction with little prospect of policy convergence. This sets no clear direction concerning how U.S.-ASEAN trade governance will unfold.

As far as investment is concerned, while there has yet been no concrete program from the Trump administration, it can be argued that its Indo-Pacific policy direction is likely to complement ASEAN's agenda and boost U.S.-ASEAN investment ties and governance. It is mainly because these governments, in August 2016, endorsed the documents under the Expanded Economic Engagement (E3), which strives to deepen trade and investment ties and provide new business and job opportunities for U.S. and Southeast Asian economies.<sup>53</sup> The texts were U.S.-ASEAN Cooperation in Fostering International Investment, and U.S.-ASEAN Cooperation in Fostering Transparency and Good Governance.<sup>54</sup> This indicates their shared understanding of best practices in these areas. Moreover, ASEAN rules have been altered to better attract extra-regional FDI. In 2009, the ASEAN Economic Ministers adopted the ASEAN Comprehensive Investment Agreement (ACIA), aimed at creating “a liberal, facilitative, transparent and competitive investment environment in ASEAN.”<sup>55</sup> This scheme, enacted since 2012, allows non-ASEAN parties, including a U.S. enterprise, to reap benefits if it fulfils certain conditions such as owning or controlling the ASEAN legal entities, and conducting substantial business operations in the ASEAN economy in which it was first set up.<sup>56</sup> Washington's policies regarding investment can result in a higher number of U.S. enterprises establishing operations in the region, heightening investment in Southeast Asia.

These positive prospects notwithstanding, ASEAN members are increasingly concerned about the effects of certain Washington regulations on U.S.-ASEAN investment governance. The action by the Committee on Foreign Investment in the United States (CFIUS) in March 2018 is a case in point. CFIUS, an inter-agency committee tasked to investigate international transactions that can lead to foreign takeovers of American corporations and assess their impacts on U.S. national security, blocked the acquisition of U.S. chipmaker Qualcomm by Singapore's Broadcom.<sup>57</sup> While not directly referring to Beijing, CFIUS' letter to the companies postulated some risks associated with Broadcom's ties with third-party foreign entities.<sup>58</sup> Also, the committee has recently been empowered. Trump signed into law in August 2018, the Foreign Investment Risk Review Modernization Act (FIRRMA) earlier passed by the Congress in June 2018.<sup>59</sup> FIRRMA permits the mechanism to become more vigilant in stopping future foreign acquisitions of sensitive American technological innovations.

Moreover, a pilot program was launched on November 10, 2018, in which CFIUS reviews particular foreign investments in the U.S. private sector in 27 industries ranging from aviation to telecommunication. The program requires that investments that grant foreign investors "access to non-public information or afford power to nominate a board member or make other substantial decisions" to be under the agency's purview. CFIUS will then determine whether to approve the transaction within 30 days, or to open a full investigation.<sup>60</sup> Additionally, some questions remain to be answered, namely whether the committee's increased activism would lead it to investigate and decide on U.S. outbound investments to Southeast Asia and inbound "investments where a foreign company would not necessarily gain control of a U.S. firm . . . [as in] . . . joint ventures between U.S. and foreign companies, minority stake investments and transactions near military bases or U.S. government facilities."<sup>61</sup> These developments have raised uncertainties about the future of U.S.-ASEAN investment governance and relations. Strengthened CFIUS power and rules could potentially alter future takeovers of American businesses by Southeast Asian capitalists and cross-border investments among economies. In conclusion, although U.S. and ASEAN governments' approaches fostering regional investment are likely to synergize with one another, CFIUS empowerment has resulted in stricter regulations on transnational investment, causing Southeast Asian countries to worry about their implications for future investment governance.

In the realm of connectivity/infrastructure, the U.S. and Indo-Pacific nations' agendas are complementary. Washington's programs can alleviate the region's infrastructure financing gap. According to the Asian Development Bank, Southeast Asia will need \$2.759 trillion from 2016 to 2030 to fund its connectivity projects, or \$184 billion annually. However, the ASEAN Infrastructure Fund, the organization's key mechanism financing connectivity projects, can supply about \$485 million.<sup>62</sup> Such a financing deficit would slow progress for transnational connectivity projects, including the Trans-ASEAN Gas Pipeline and the ASEAN Power Grid.<sup>63</sup>

Also, the Trump administration's Indo-Pacific strategy will likely support the Master Plan for ASEAN Connectivity 2025 (MPAC 2025), hence improving U.S.-ASEAN infrastructure governance. Launched in 2016, MPAC 2025 envisages "a seamlessly and comprehensively connected and integrated ASEAN that will promote competitiveness, inclusiveness, and a greater sense of Community"<sup>64</sup> with a focus on five aspects: sustainable infrastructure, digital innovation, seamless logistics, regulatory excellence, and people mobility. This initiative rests on the principle of "open regionalism," an outward-looking and liberal

modality to regional economic integration. In other words, it seeks to embrace extra-regional players in order to expand the networks of collaboration,<sup>65</sup> as revealed by Latsamy Keomany, the first chair of the ASEAN Coordinating Committee on Connectivity, the entity tasked by ASEAN to oversee MPAC 2025 implementation. At the Consultation on ASEAN Connectivity with Dialogue Partners in Vientiane, Laos in October 2016, Keomany stressed that the program “will require partnerships with our Dialogue Partners and other external partners for effective implementation. We need an inclusive process that helps in defining the needs of ASEAN and the opportunities for our peoples and partners.”<sup>66</sup> Additionally, at the 51st ASEAN Foreign Ministers’ Meeting in Singapore, in November 2018, all members acknowledged the importance of working with “Dialogue Partners, external parties and international institutions, as well as other relevant stakeholders, to support the implementation of MPAC 2025 and other ASEAN Connectivity initiatives.”<sup>67</sup>

U.S. connectivity assistance gives ASEAN countries additional options, allowing them to conduct power balancing between Washington and Beijing.<sup>68</sup> Regional states’ strategic calculations were mainly triggered by increased concern over Beijing’s debt trap diplomacy undermining other nations’ sovereignty. This angst was intensified when they heard the stories of Sri Lanka and Laos. The Sri Lanka government, in late 2017, decided to lease to Beijing its Hambantota Port financed by Chinese loans, as it could no longer repay its debts. As a result, Merchants Port Holdings, a Chinese state-owned enterprise, is now operating the facility.<sup>69</sup> In Laos, the Kunming-Vientiane Railway has drawn criticism about debt sustainability. This project costs Laos about \$6.7 billion (about half of its 2016 GDP of \$13.7 billion).<sup>70</sup> Additionally, the contract enabled Beijing to expropriate Laos’ land for 50 meters on each side of the track. Such incidents heightened the probability of sovereignty compromise when regional states participate in BRI.<sup>71</sup> As shown in the ISEAS survey, 47% of Southeast Asian stakeholders thought that the scheme “will bring ASEAN member states closer into China’s orbit.”<sup>72</sup> 70% of the individuals from ASEAN states having BRI programs or striking such deals with Beijing, want their policymakers to “be cautious in negotiating BRI projects, to avoid getting into unsustainable financial debts with China.”<sup>73</sup> In addition, the fact China and Japan, in March 2019, agreed to launch talks about their infrastructure collaboration in third countries has not lessened regional states’ suspicion over BRI. Because such Sino-Japanese cooperation is at its initial stage, ASEAN governments decided to adopt a wait-and-see approach. They are keen to receive U.S. assistance to widen the range of programs to choose from, allowing them to move away from China’s sphere of influence and balance between the U.S.

High synergies between U.S. and ASEAN policies partially explain the Trump administration’s headway in regional connectivity collaboration. For example, Secretary of State Mike Pompeo, at the U.S.-ASEAN Foreign Ministers’ Meeting in Singapore, in August 2018, announced that \$113 million would be allocated as a “down payment” to finance new U.S. initiatives to bolster digital economy, energy, and infrastructure in the Indo-Pacific. This included \$10 million allocated to fund programs under the U.S.-ASEAN Connect. Established in 2016, this initiative aspires to enhance Washington’s economic engagement with ASEAN in four aspects: business, energy, innovation, and policy.<sup>74</sup> Also, the U.S.-ASEAN Summit, in November 2018, launched the U.S.-ASEAN Smart Cities Partnership to bolster the region’s digital economies.<sup>75</sup> According to Pence, this “will spur renewed American investment in the region’s digital infrastructure, advancing prosperity and security in Southeast Asia.”<sup>76</sup>

Washington is crafting a successor program after the five-year ASEAN Connectivity through Trade and Investment (ACTI) ended in 2018. ACTI has augmented Southeast Asian infrastructure construction, namely the ASEAN Single Window (ASW), sustainable energy, and Information Communication Technology (ICT).<sup>77</sup> Overall, U.S. infrastructure policies will likely continue to jive well with ASEAN's ones, not only by reducing financing gaps, but also by providing the alternatives to choose from, enabling states to manage great power dynamics. Such synergies could lead to enhanced U.S.-ASEAN connectivity governance in the future.

## Policy Recommendations

While the Trump administration's Indo-Pacific strategy and ASEAN's economic policies clash in trade while being complementary in investment and connectivity, there is room to improve U.S.-ASEAN economic governance. Both sides should do the following to better augment their collaboration on trade, investment, and infrastructure/connectivity.

### **Prioritize Cooperation on Investment and Infrastructure over Trade**

Agendas to advance international trade will likely continue to diverge, as one side insists on bilateralism while the other seeks multilateral means. Also, the U.S. emphasis on bettering its trade balance with its trading partners will tend to complicate negotiations of new deals. The prospect of Washington returning to (CP)TPP is slim. The sentiment on Capitol Hill has turned against it, as some chastised provisions, especially labor standards and environmental protection, arguing that these elements could render American businesses and workers worse off. As a result, Congress demanded these components be adequately resolved before the country rejoins the bloc.<sup>78</sup> U.S. and ASEAN policymakers should prioritize deepening cooperation in investment and infrastructure where is no obvious policy clash.

### **Investment Cooperation**

U.S. and Southeast Asian authorities should advance the existing U.S.-ASEAN Cooperation in Fostering International Investment and U.S.-ASEAN Cooperation in Fostering Transparency and Good Governance under the E3 scheme. Both sides should roll out concrete projects boosting transparency in cross-border investment, encouraging the involvement of the private sector, and ensuring that investment can encourage innovation and entrepreneurship. They should push forward the U.S.-ASEAN Trade and Investment Framework Agreement (U.S.-ASEAN TIFA) launched in 2006, which sets strategic frameworks and principles for trade and investment dialogue between Washington and other signatories. For instance, they should explore ways to harmonize different cross-border investment rules or improve the inter-operationality of different investment regulations under this framework. Doing so can help facilitate the transnational movements of funds investment among their economies.

### **Infrastructure/Connectivity Collaboration**

The Trump administration should immediately implement the BUILD Act. At the time of this writing, the cabinet is preparing to submit to Congress a reorganization plan. Also, because a new IDFC will consolidate the activities of several U.S. development finance entities, Washington should implement plans to coordinate among their related agencies,

increasing its ability to effectively develop finance instruments and to pursue U.S.-ASEAN cooperation on connectivity. Furthermore, because most connectivity projects are too large to be bankrolled by a single government or firm, U.S. and Southeast Asian officials should craft rules to facilitate joint ventures and private-public partnerships in regional infrastructure building.

It is laudable that USAID previously trained Southeast Asian policymakers on how to develop digital customs clearance systems, which contributes to a successful launch of ASEAN Single Window (ASW). ASW links the national windows of ASEAN economies to allow electronic data submissions for cargo clearance, hence curbing the cost of doing transnational businesses. On January 1, 2018, ASW went live, but only for five ASEAN members (Indonesia, Malaysia, Singapore, Thailand, and Vietnam). The U.S. could assist the remaining ASEAN countries in digitalizing their customs clearance, which would lead to the full operation of ASW. The next step would be to jointly create an e-platform expediting cargo clearance with the U.S. too.

Both sides should cooperate on building connectivity supporting e-commerce. As of January 2018, the region's Internet penetration rate, social media penetration, and mobile connectivity stood at 58%, 55%, and 141%, respectively.<sup>79</sup> Nevertheless, e-commerce represented about 3% of total retail transactions.<sup>80</sup> The American private sector plays a crucial role in building such infrastructure. Conglomerates such as Amazon, Apple, eBay, and Google have already supplied e-services and information technologies to regional economies.<sup>81</sup> Thus, U.S. and Southeast Asian governments should increase the participation of private enterprises to help develop e-connectivity. Given projects already carried out by their business communities, policymakers should help the firms to identify bankable projects in the region.

Additionally, U.S. and Southeast Asian officials should enhance cooperation on cybersecurity, as it has both security and economic implications. Enhanced online security ensures the privacy of users' personal information, boosting traders' and consumers' confidence when conducting e-transactions. This spurs e-commerce growth between U.S. and Southeast Asian economies. For instance, at the 6th ASEAN-U.S. Summit in Singapore, in November 2018, the leaders tabled the ASEAN-United States Leaders' Joint Statement on Cybersecurity Cooperation, pledging to achieve several goals, including encouraging "economic growth through policies that build trust and confidence in the digital economy, such as but not limited to frameworks that strengthen consumer protection, intellectual property rights, and cybersecurity, and promote effective personal data protection across jurisdictions, as well as policies in areas such as education and technology competency."<sup>82</sup> Although this is a step in the right direction, more work is needed, implementing specific policy actions.

### **Trade Cooperation**

Although U.S. and ASEAN members may not be able to negotiate and conclude multilateral trade deals in the short term, they should maintain regular formal and informal dialogues. Keeping communications warm can not only diminish the likelihood of misperceiving or misinterpreting one another's policies, which could escalate into a full trade war, but also could raise the prospect of collective action to move trade cooperation forward, developing new ideas for U.S.-ASEAN TIFA, which both sides have been working on since 2017.<sup>83</sup> In

addition, bearing in mind the prospect of U.S.-China decoupling, the discussions can help Washington and Southeast Asian nations find ways to restructure their transnational production networks to further tighten trade and investment ties.

Currently, there are two major formal platforms to foster dialogue: ASEAN Economic Ministers-U.S. Trade Representative Consultations, and ASEAN Senior Economic Officials-Assistant USTR Consultations, which convene annually. These meetings should be held more often to exchange views on economic matters, collectively searching for ways to boost U.S.-ASEAN trade. Admittedly, gathering ASEAN economic ministers and USTR more than once a year may be daunting, given time constraints. They may resort to teleconferences if face-to-face meetings are nonviable.

Beyond inter-governmental (“Track I”) gatherings, Washington and ASEAN member states can utilize “Track II” mechanisms consisting of think tanks and academics, and incorporate their inputs into the policymaking process. Track II has certain advantages—interactions tend to be informal and non-binding, providing an atmosphere for stakeholders to explore issues too sensitive to be discussed at Track I. Also, due to their informal nature, Track II platforms can serve as idea incubators in which participants can craft and test particular creative ideas and solutions for their problems. The recommendations from Track II entities can be forwarded to Track I to assist policy formulation. Regarding the institutions to be included in such Track II mechanisms, they could be drawn from the Network of East Asian Think-Tanks (NEAT) under the ASEAN+3 structure and Asian Think Tanks Network (ATTN). NEAT was founded in 2003, as a Track II unit making policy recommendations for the ASEAN+3 cooperation process. Set up in 2013, ATTN’s main goal is to enhance “systematic knowledge sharing among member think tanks, specifically on development experiences and policy lessons. . . [and raising] the think tank’s capacity to generate knowledge or provide policy advice on its domain.”<sup>84</sup>

If future dialogue helps Washington and ASEAN members to find common ground regarding how to enhance trade collaboration, these stakeholders should move on to discuss how to develop concrete programs to further advance the U.S.-ASEAN TIFA and E3. Under these frameworks, rules concerning collaboration in areas such as trade facilitation, harmonization of standards, and e-commerce can be strengthened. Moreover, the Trump administration should follow what ARIA recommends, which is seeking to “develop to negotiate a comprehensive economic engagement framework” with ASEAN.<sup>85</sup>

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- <sup>17</sup> Ibid.
- <sup>18</sup> Alex Wong, “Briefing on the Indo-Pacific Strategy.”
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The North Korean Economy and  
U.S. Policy: Stability Under  
“Maximum Pressure”

**Benjamin Katzeff Silberstein**

North Korea has been under international sanctions for several years. It is only under U.S. President Donald Trump's policy of "maximum pressure," however, that China, North Korea's most important trade partner, has begun enforcing these sanctions in a serious manner. Based on quantitative and qualitative data about North Korea's economy, this chapter shows that while the country has not been threatened by economic disaster or social collapse as a result of the sanctions, its economic situation under sanctions has been dire, particularly for those industries targeted by sanctions. Kim Jong-un claimed in mid-April 2019 that his country is unphased by sanctions, but the data tells a different story. The regime may come to be threatened by socio-political instability should foreign currency reserves dry up, but the U.S. may not be successful in maintaining the sanctions regime at its current strength for all that much longer.

In April 2017, the Trump administration summarized its foreign policy approach to North Korea. After months of mounting tensions over North Korea's nuclear and missile programs, the White House adopted a policy of "maximum pressure and engagement" towards the North Korean regime after a two-month strategy review.<sup>1</sup> This entailed pressuring the North Korean regime through harsh economic sanctions, while at the same time seeking engagement and dialogue. The end-goal was full abolishment of its nuclear arsenal. After the policy of "maximum pressure" was announced, the United Nations Security Council levied a wide range of economic sanctions on North Korea. These came to target its most important export goods, such as coal and other minerals, and banned member states from selling or otherwise transferring oil and fuel to North Korea in quantities above a certain volume, significantly limiting North Korea's ability to ensure its fuel supply. Through "maximum pressure," the Trump administration aims to squeeze the North Korean regime by targeting its economy, hoping that the economic pain inflicted upon North Korea will force the country to cede to U.S. demands for abolishing its nuclear weapons.<sup>2</sup>

To what extent are sanctions inflicting pain on the North Korean economy? This question often gets debated primarily along partisan lines. On the one hand, Trump and those who support his strategy tend to argue that "maximum pressure" was the chief cause for Kim Jong-un agreeing to the Singapore summit in June 2018. This line of reasoning assumes, in simplified terms, that the damage done to the North Korean economy as a result of sanctions has been dire enough to tip the scale regarding the regime's nuclear weapons. The Trump administration, however, regards the process as a road to something much more significant. It has stated continuously that through a negotiated solution to the nuclear issue, North Korea could become an equal member of the international community, not least as a trading partner—resulting in the prosperity that Kim Jong-un has long promised his people.<sup>3</sup>

On the other hand, some argue that the added sanctions under "maximum pressure" have had little to do with North Korea's willingness to negotiate with the United States. This reasoning, often but not always by critics of Trump's overall foreign policy and approach to North Korea, usually rests on an assumption that the damage done by the sanctions to the North Korean economy has not been strong enough to impact the regime's foreign policy direction.

In truth, we cannot know with any degree of certainty for what reasons the regime has played its diplomatic cards the way it has throughout the summits with the United States and South Korea. A serious analysis throughout the period of "maximum pressure," however, is crucial for a nuanced understanding of the current state of the North Korean economy, and the regime's strategic outlook during these negotiations. Based on both quantitative and qualitative data, this chapter argues that the sanctions that followed the inception of "maximum pressure" have not backed the regime into a corner, with no other option but to acquiesce to U.S. demands for negotiations and denuclearization. No data suggest a general, acute economic crisis in the country. At the same time, the North Korean economy has by no means gone untouched by the sanctions. Its exports to China have plunged along a timeline that roughly corresponds with geopolitical tensions between North Korea and the U.S. The country's economy is suffering very seriously as a result, but is not yet on the edge of catastrophe.

"Maximum pressure" under Trump bears one very significant success, from the point of view of the U.S. administration: China has, all available indicators suggest, implemented sanctions against North Korea to a much higher degree than in the past. Because China makes up 90 percent of its trade flow, the country's implementation makes or breaks any sanctions framework targeting North Korea. The reason for its tightened implementation is not necessarily the Chinese government's ambition to adhere to international norms and standards such as UN sanctions. Rather, the main difference this time is that tensions between the U.S. and North Korea reached so high at the zenith of Trump and Kim's war of words in 2017 that China perceived real risks to its strategic interests, likely fearing armed conflict on the Korean Peninsula.

Whatever China's reasons, the North Korea economy has been badly hurt by Chinese sanctions implementation, but not badly enough to plunge into crisis. Sanctions have caused the regime big losses in foreign currency income from lost exports of coal and other minerals, fishery products, and foreign labor. It continues to import some goods from China and other countries, and most likely, the regime's foreign currency assets are becoming increasingly depleted by the day. Sanctions have also made it difficult for the country to acquire sufficient amounts of fuel, as sanctions cap oil transfers by UN member states to North Korea. Even though both North Korea and other actors have routinely violated sanctions, sanctions impose a significant cost premium. Smuggling can make up for some of North Korea's losses, but they impose economic costs regardless: it likely has to pay more for imports, and gets paid less for exports, in compensation for the added risk.

Though North Korea is in an economically dire position, "maximum pressure" does not yet appear to have achieved its policy objectives, or to have realized its full potential. Estimates that North Korea's foreign currency reserves would dry up by the fall of 2018, for example, in hindsight appear to have been overblown.<sup>4</sup> The regime, due to its totalitarian governance system, has a high threshold for pain. For Trump's sanctions policy to reach its full potential, it would likely need to be in force for several more years, with the full cooperation of both China and Russia, an unlikely prospect.

## Methodology

This chapter uses a combination of quantitative and qualitative data to track the North Korea economy under the “maximum pressure” of sanctions. It focuses on the consequences of sanctions for the domestic economy. The quantitative data is sourced primarily from the *Daily NK* price index.<sup>5</sup> The *Daily NK* is an online news outlet run primarily by North Koreans who have resettled in South Korea (often known as “defectors”). They gather market price data for key commodities in North Korea on a bi-weekly basis, using contacts inside the country that report information such as market prices via cell phones.<sup>6</sup> This chapter uses market price data for rice, foreign currency (market exchange rates), and fuel, to analyze the economic impact of sanctions. The price data are, by no means, fully reliable, and must be carefully analyzed in context using complementary, qualitative information to create as full a picture as possible.

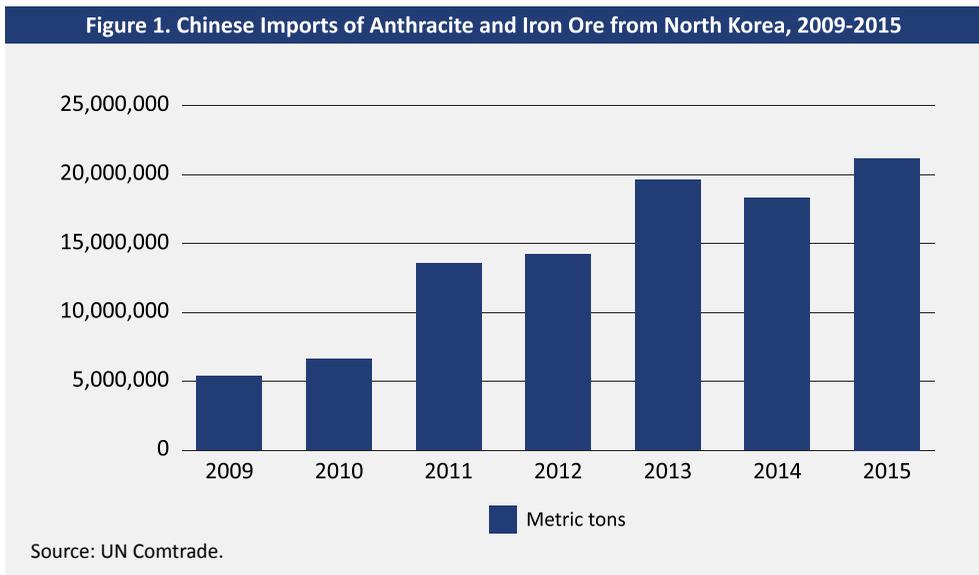
One of the most complicated issues when it comes to what market price data really tell us is that of cause and effect. Take gasoline prices, for example.<sup>7</sup> When gas prices spike in North Korea, as they have several times during the “maximum pressure” period, the cause could either be a decrease in supply, or an increase in demand. Without contextual analysis, it is impossible to conclude whether a price surge is caused by decreased Chinese supply, or by demand changes, such as increased hoarding either by North Korean civilians or the state. Moreover, U.S. policy and international sanctions are far from the only variable impacting the North Korean economy. Private supply of electricity, for example, has increased markedly in North Korea over the past few years, as increasing numbers of people are able to privately purchase solar panels for their homes.<sup>8</sup> North Korea, moreover, has long aimed to increase its energy independence by investing in techniques for turning coal into gasoline.<sup>9</sup> Such efforts may have increased during the latest round of sanctions, but they were not initially started as a result of the sanctions.

Changes in how the North Korean state manages the economy, too, may have become more urgently needed since the inception of harsher sanctions pressure.<sup>10</sup> Such changes would, however, likely have happened with or without the added sanctions pressure. As a final example, analyses of China’s coal imports from North Korea over the past two years contrasted with earlier periods in time are an important metric for surveying China’s sanctions implementation on North Korea. At the same time, China has long sought to decrease its coal imports in general, for both environmental and economic reasons.<sup>11</sup> In sum, it is important to understand whatever trends the numbers indicate in their proper context, drawing on a mix of qualitative and quantitative methods.

## Background: Sanctions on North Korea, between Relaxation and Implementation

To analyze the impact of U.S. actions under Trump on the North Korean economy, we must first understand the general context in which sanctions were imposed in 2017 and 2018. What mattered most during this period was not necessarily the sanctions themselves, but China’s perception that U.S. military action against North Korea was a real possibility. North

Korea has been under various forms of international sanctions since 2006, when the United Nations Security Council (UNSC) instituted them following North Korea's first alleged test of a nuclear weapon. These sanctions, unlike those currently in place, specifically aimed at preventing North Korea from acquiring crucial components for its nuclear and missile programs.<sup>12</sup> Since then, the UNSC has adopted several subsequent rounds of sanctions on the country, with the much more general aim of isolating its economy to choke off the funding for its nuclear and ballistic missile programs.<sup>13</sup> Particularly from 2016 onward, the international community took clear aim at North Korea's exports of coal and other minerals, its main source of hard currency revenue. North Korea's exports of such commodities had



increased vastly in the previous few years, and China was the almost exclusive buyer. Between 2009 and 2015 exports of anthracite and iron ore to China from North Korea increased by 293 percent (Figure 1).

Efforts by the UNSC to punish North Korea economically through sanctions were long undercut by Chinese refusal to implement the spirit, if not the letter, of the sanctions. The implementation pattern of UNSC Resolution 2270, for example, provides a pedagogical example. On January 6, 2016, North Korea conducted its fourth nuclear test. Only weeks later, on February 7, the country conducted a test of a long-range missile, through what it claimed was a satellite launch for peaceful means. In response, the UNSC adopted the hitherto strongest sanctions against its economy, taking direct aim at North Korea's coal exports. The resolution adopted on March 2 stated that "...the DPRK shall not supply, sell or transfer, directly or indirectly...coal, iron, and iron ore, and that all States shall prohibit the procurement of such material from the DPRK by their nationals."<sup>14</sup> The resolution, however, contained a provision excluding "[t]ransactions that are determined to be exclusively for livelihood purposes and unrelated to generating revenue for the DPRK's nuclear or ballistic missile programs."<sup>15</sup>

However, no one specified how, and by whom, it would be determined precisely what transactions were for livelihood purposes exclusively. Given the murky, non-transparent nature of North Korea's enterprise structures, it would seem a near-impossible task to ensure exactly which coal export revenues would go toward livelihood purposes or the weapons programs respectively. Following a long-established pattern, Chinese coal imports from North Korea did decrease significantly the very month sanctions were set to take effect, while international attention remained focused on the threat from North Korea. Only some months later, however, China's imports of North Korean coal soared, and in August of the same year, reached the highest levels hitherto on record.<sup>16</sup> Given the imprecise wording of the resolution's clause on humanitarian purposes, China could easily claim, and with some cause, that it was not actually obligated to halt any coal shipments from North Korea.

I, personally, in the summer of 2016, visited the border town of Dandong, on the bank of the Yalu (Amnok) river, across from the North Korean trading hub of Sinuiju. Around 70 percent of officially recorded trade between North Korea and China goes through the city.<sup>17</sup> Few of the people I spoke to, who were themselves involved in the border trade as consultants, truck drivers, trading company employees and the like, saw the sanctions instituted that year as a significant factor inhibiting or impacting trade between the two countries. The



Image 1. Trucks lined up to drive into the customs inspection area in Dandong, on their way to North Korea, late June, 2016. Photo: Benjamin Katzeff Silberstein.

overall tensions around North Korea's nuclear program were an impediment, said some, as was slumping Chinese demand for North Korean coal. Nonetheless, judging by the sheer number of trucks and trains crossing the bridge—admittedly a blunt and imprecise metric—no particular slump or lull could be spotted in Sino-DPRK trade at the time.<sup>18</sup> The total value of North Korea's mineral exports to China increased by 12 percent in 2016 compared with 2015, from \$1.16 billion to \$1.3 billion.<sup>19</sup>

Prior to the extraordinarily high tensions between the U.S. and North Korea starting around early 2017, economic sanctions on North Korea never had their intended effect since Chinese implementation was never fully consistent.<sup>20</sup>

## The Sanctions Framework and Maximum Pressure: Beijing's Changed Implementation Pattern

With the war of words between the U.S. and North Korea in 2017, things changed. In 2016 and 2017, North Korea conducted an unprecedented number of tests of missiles and nuclear weapons. Late in 2016, a South Korean assessment concluded that North Korea was in the final stages of developing a nuclear weapon.<sup>21</sup> Kim Jong-un stated in his traditional New Year's Address on January 1, 2017, that the country was in the "final stages" of preparing to launch an inter-continental ballistic missile (ICBM).<sup>22</sup> President-elect Donald Trump tweeted in response that North Korea's development of a nuclear weapon capable of reaching parts of the U.S. "won't happen."<sup>23</sup> North Korean missile tests and diplomatic and military posturing that followed led up to the announcement in early March 2018, of the first-ever summit between the leaders of the U.S. and North Korea.<sup>24</sup> A brief look back at the sanctions levied by the UNSC in 2017, however, is necessary in order to grasp the economic pressure that North Korea faced.

Following the country's fifth nuclear test, the UNSC passed resolution 2321 on November 30, 2016, placing a cap on member states' imports of coal and various other key export goods from North Korea.<sup>25</sup> Nonetheless, the status of China's implementation of the resolution remained unclear, and some news reports, albeit difficult to confirm, suggested that China continued to import some quantities of capped goods from North Korea.<sup>26</sup> On August 5, 2017, the hitherto strictest UNSC resolution ever on North Korea was passed, banning all of North Korea's exports of coal, iron ore, and seafood.<sup>27</sup> The resolution followed several North Korean tests relating to its ICBM-development, most notably on July 4, 2017, when it claimed for the first time ever to have successfully launched one with the capability of reaching the continental United States. The UNSC further tightened sanctions through resolution 2397, adopted on December 22, 2017, following further North Korean tests of both ICBMs and nuclear weapons.<sup>28</sup> Resolution 2397 capped member states' exports and "transfer[s]" of oil and fuel products to North Korea at 4 million barrels or 525,000 tons per year, roughly the quantity of crude oil that state-owned China National Petroleum Corporation (CNPC) is said to supply to North Korea.<sup>29</sup>

Chinese trade data for North Korea are often difficult to follow because of spotty publication patterns. It is also impossible to fully verify the accuracy of the data, as Beijing could choose strategically which numbers to publish in what form, and direct certain exports and imports to be recorded in a manner such that they do not display a violation of the caps set by the sanctions, even when, in practice, they go above such limits. Some data strongly suggest that Beijing has adapted trading patterns with North Korea more to its perceived national security interests, rather than sanctions themselves. For a granular understanding of how the Trump administration's sanctions policy has impacted North Korea, one needs to go down to the level of trade patterns for individual goods, as is briefly done below.

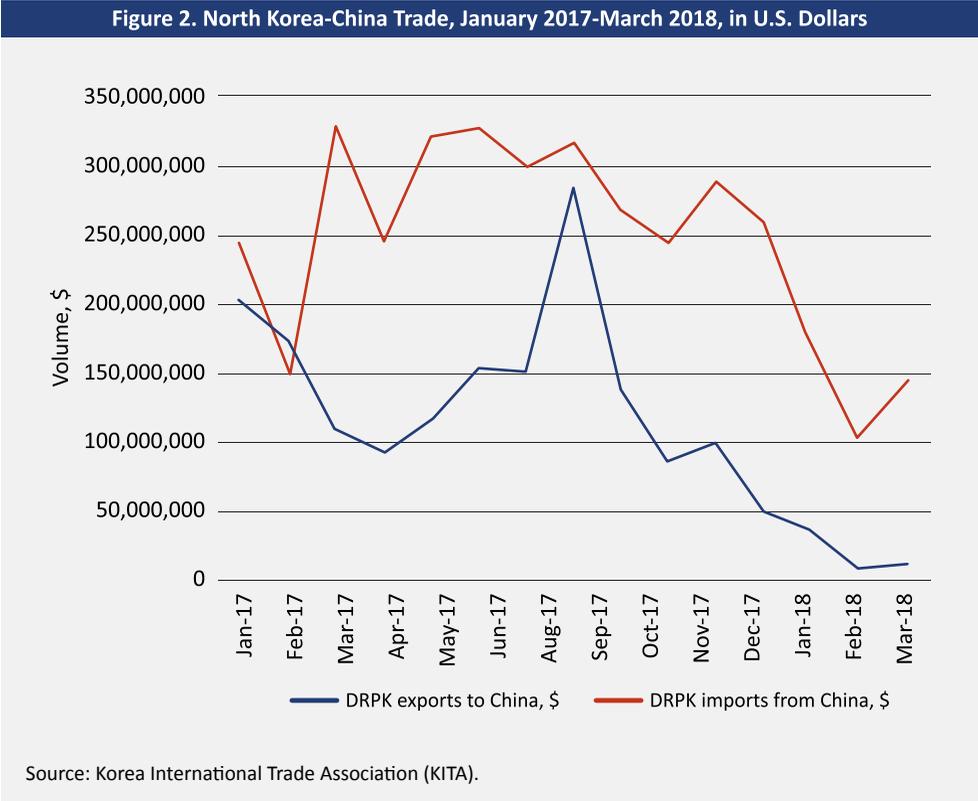
Despite some variation in the trade of certain goods, it is clear that, overall, sanctions have put a massive dent in North Korea's exports and foreign currency income throughout the period of "maximum pressure." What's crucial to remember, however, is that even though there might be a correlation in the timing of Beijing's drawing down on trade with North Korea and added sanctions frameworks, this does not mean that sanctions, in

their own right alone, caused Beijing's strengthened economic pressure on North Korea. As the review of past sanctions implementation patterns above shows, Beijing has often interpreted sanctions frameworks in rather liberal ways and made the most use possible of loopholes such as the "humanitarian exemption" for North Korea's coal export proceeds. What changed in the winter and spring of 2017 was that for the first time in decades, there seemed to be a real risk of war at hand on the Korean Peninsula.<sup>30</sup>

Whether or not the risk of war was real, however, does not matter for the purposes of this chapter. Rather, the most important fact is that from Beijing's vantage point, war did seem to be a real possibility. In contrast with past tensions around North Korea, the Trump administration took several tangible steps to back up its rhetorical posturing with real action.<sup>31</sup> The timing of Beijing's actions to pressure North Korea economically strongly suggests a correlation with U.S. action, rather than UN sanctions. In other words, Trump's aggressive rhetoric and threats toward North Korea in 2017 achieved something that few U.S. leaders before him did: it forced Chinese action and massively strengthened compliance in pressuring North Korea economically.

This is supported not least by the sequence of events. UNSC resolution 2397, imposing a ceiling on North Korean oil imports, was adopted in December of 2017. Beijing, however, took action to limit oil and fuel sales to North Korea much earlier than this. CPNC—a state-owned company—drastically reduced fuel sales to North Korea between May and June of 2017, and in late June, decided to suspend sales completely.<sup>32</sup> Though the decision was ostensibly taken on commercial grounds, Chinese fuel transfers to North Korea have long since occurred on a mix between commercial and political, concessionary terms.<sup>33</sup> Had Beijing wanted to continue selling fuel to North Korea even though the latter could not pay full market prices, it would have been able to do so. The timing of the decision coincided with a general heightening of tensions between the U.S. and North Korea, and with the specific inception of the U.S. policy of "maximum pressure," which was officially announced in mid-April 2017, with particular emphasis on the role of China in helping increase pressure on North Korea.<sup>34</sup> It is unlikely that China would have taken these strenuous measures to pressure North Korea were it not for U.S. actions and the ensuing tensions.

Throughout 2017, trade between North Korea and China fell substantially (Figure 2). North Korean exports to China, in particular, fell massively, first dropping by 37.7 percent for 2017.<sup>35</sup> Between January and September of 2018, they dropped by 59.2 percent, with exports falling by a whopping 90.1 percent. Out of the entire \$11.11 billion trade volume, \$10.11 billion consisted of exports by China to North Korea, according to Chinese customs figures,<sup>36</sup> a massive trade deficit that may, in essence, amount to an economic subsidy from China to North Korea. These figures may well have been moderated later as trade may have increased during the last few months of the year. One South Korean news outlet, *Chosun Ilbo*, reported in the summer of 2018 that Beijing had substantially increased fuel transfers and fertilizer exports to North Korea following Kim Jong-un's visit to China, in proportions that would amount to a breach of sanctions.<sup>37</sup> These news reports have not been confirmed by Chinese or other government authorities.



## The North Korean Economy under “Maximum Pressure”: Evidence from Market Price Data

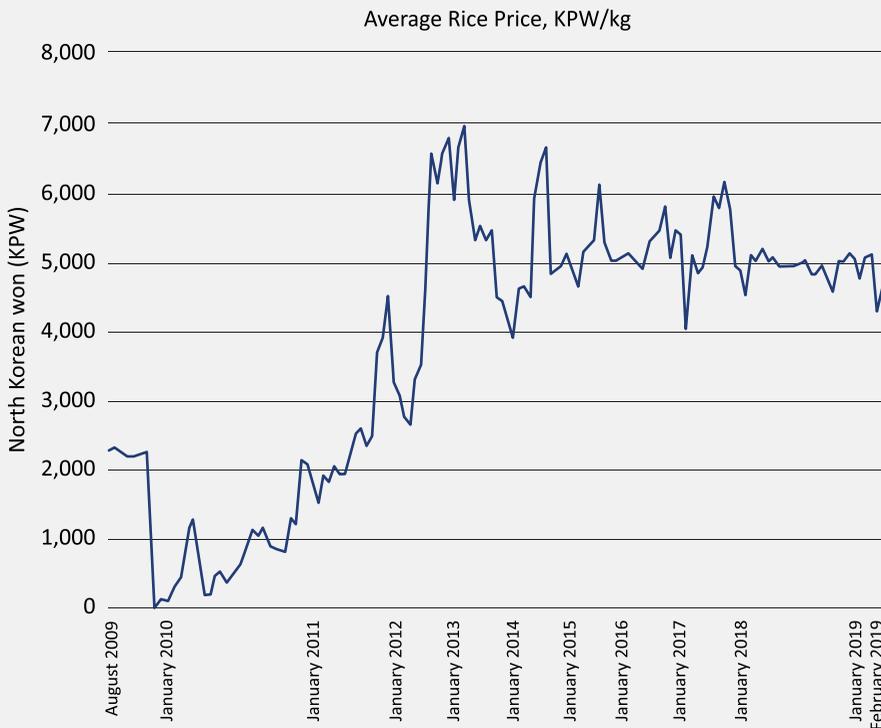
The consequences inside North Korea of this drastically harshened international economic environment under “maximum pressure” are interesting and somewhat contradictory between different sources of data. On the one hand, we have anecdotal information suggesting stark difficulties in several sectors of the economy, particularly in those targeted by the sanctions. On the other hand, there is little in the quantitative data—primarily, market prices inside North Korea—to suggest any general sense of crisis or massive shortages as a result of the sanctions. Rather than contradicting each other, however, these different forms of data paint a fairly nuanced picture of the trends and general state of things in the North Korean economy. That the sanctions—or, rather, China’s changed implementation patterns—have hurt the North Korean economy is difficult to dispute. Even with substantial, meaningful quantities of smuggling and sanctions evasion by partners in China and Russia, the extent to which the bulk of North Korean trade has been curbed by the sanctions is simply too great to have compensated to any meaningful extent for the shortfalls. At the same time, market price data suggest that the economy, particularly the market sector, hasn’t experienced any acute, drastic shortages.

An explicit purpose of the sanctions all along was: to hurt the sector of the economy entirely owned by the state, in order to choke off funding for weapons programs, while leaving the non-state sector as untouched as possible.<sup>38</sup> Yet, the two sectors are closely connected through various linkages, not least since likely hundreds of thousands of North Koreans are employed in sectors such as mining and textiles.<sup>39</sup> This section analyzes the most important market price data available, and the following one deals with qualitative, anecdotal but important evidence to assess the extent to which North Korea has been able to circumvent sanctions, as well as the state of the North Korean economy. All of the following market price data come from the Daily NK market price index.<sup>40</sup>

### Rice prices

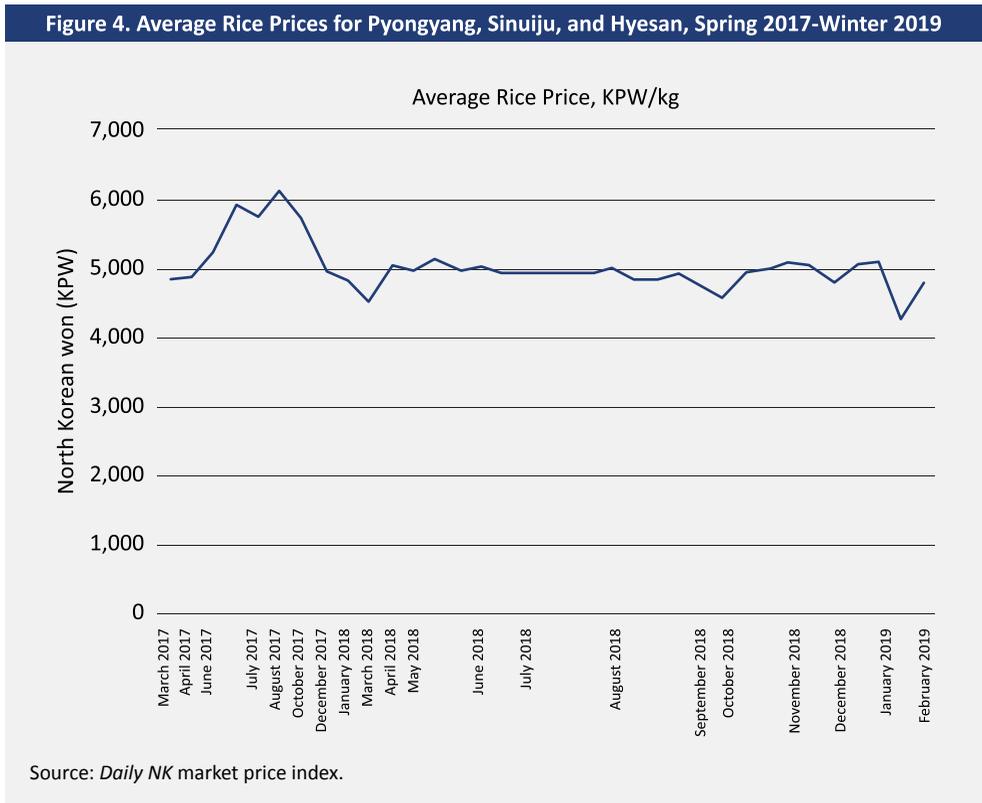
Because rice is the main staple of North Korean food consumption, it is often used as a general proxy for the level of food prices in the country. People consume a wide range of other goods as well, but given that virtually all North Koreans who can afford to do so consume rice, market prices for the good are the best resource to assess the country's food situation.<sup>41</sup> As demonstrated in Figure 3, rice prices have stabilized significantly over the past few years, and remained stable throughout the period of "maximum pressure."

Figure 3. Average Rice Prices for Pyongyang, Sinuiju, and Hyesan, 2009-2019



Source: *Daily NK* market price index.

Rice prices have ranged between 4,000 and 6,000 North Korean won (Korean People’s Won, KPW) since around 2015, and mostly remained at 3,000–7,000 or below since early 2012, when Kim Jong-un came to power (Figure 4). Harvests have tended to improve since 2010, according to estimates by the World Food Program surveying teams in the country.<sup>42</sup> Remarkably, prices have stabilized even further during the “maximum pressure” period.



There are a number of possible factors that can explain this stability. For one, sanctions never targeted food imports, and are not directly aimed at production factors for food, such as fertilizer. Nonetheless, such inputs have become scarcer as a result of sanctions, as the World Food Program has reported.<sup>43</sup> Regardless of the stability that the data appear to show, both sanctions and weather conditions very likely did cause shortages in North Korean food production both in 2017 and 2018. Anecdotal information supplants and re-enforces this picture. In early 2019, for example, citizens were mobilized to gather manure to be used for fertilizer. This is not a unique event, but reports from inside the country suggest that the scale of mobilization has been larger than usual.<sup>44</sup> Spare parts for agricultural machinery, moreover, became more difficult to import under sanctions, as did fuel and oil to power those machines. This past year’s harvest was reportedly heavily impacted by dry weather conditions, as a heat wave struck the Korean Peninsula between the spring and fall of 2018.<sup>45</sup>

Nonetheless, as the numbers show, no major disaster was ever at hand, at least as of the spring of 2019. The country's harvest, judging by the information currently available, was significantly worse in the marketing year of 2018-2019 than the previous year, and it may have decreased by almost a fifth overall. We do not know for sure, and high-quality data are scarce.<sup>46</sup> Nonetheless, a bad situation is not necessarily a disastrous one. A lower harvest does not necessarily translate into famine. For the millions of North Koreans already getting by on very little, however, even a relatively minor change in food availability could spell significant trouble. It is important not to be complacent about the potential for human suffering while trying to accurately assess the state of the North Korean food economy.<sup>47</sup>

Ironically, comparative underdevelopment cushioned some potential blows from sanctions. North Korean agriculture, for example, is poorly mechanized, and shortfalls in fuel and spare parts may have had a relatively marginal impact. Moreover, the country has continued to import rice from China, which may have partially alleviated some of the shortfalls caused by the bad weather and constrained fertilizer imports.<sup>48</sup> The most important stabilizing factor, however, for both 2017 and 2018, has likely been the changes in agricultural management instituted under Kim Jong-un.<sup>49</sup> Though the range and scope of these changes remain unclear, the state now lets farmers keep around 30 percent of their harvests for themselves, while allowing them to organize in smaller, likely more efficient, work units. According to reports from inside North Korea, these management changes have been a crucial factor in raising the efficiency of farming.<sup>50</sup> These productivity improvements are likely a key reason for food shortages seemingly not becoming acute, despite poor weather conditions. It is also possible that rice prices have not adjusted to the new supply levels yet, or that the government is using storage to compensate for the shortfall to keep market prices stable. Imports from China and improved efficiency in domestic farming are the two chief reasons why market prices for staple food have remained relatively stable throughout the sanctions period.<sup>51</sup> Though fertilizer is likely more difficult to import because of the sanctions, had there been a major, disastrous shortage, it would have been visible through spikes in the market price data.

However, it is also possible that the food price stability is not indicative of stable supply. Over the past few months, *Daily NK* has reported several times about factory closures in Pyongyang and other cities, as well as coal mines operating on reduced capacity, as a result of difficulties stemming from sanctions.<sup>52</sup> The state and market economies may be fairly separated in many respects. However, workers in state firms are market consumers. If consumers have less money they can spend on food, it does not matter if supply contracts. Sellers still cannot raise their prices to levels at which a majority of consumers cannot afford to purchase their goods. Food prices in North Korea, in other words, may already be at the so-called *reservation price* for what consumers are prepared to pay. Thus, even with supply decreasing, prices can still remain stable even though the economy is experiencing severe difficulties.

### Currency

Neither rice (including the central production factors for its farming), nor food in general, is targeted by the sanctions; however, currency is a different matter since the sanctions take explicit aim at the sources of income for the North Korean state. Given the steep decline in North Korean exports, the stability in North Korea’s market exchange rate for U.S.-dollars and Chinese renminbi (RMB) is perplexing. Because it is earning less foreign currency as a result of its exports dropping, the KPW should have depreciated against both the dollar and the RMB. Though we do not know for sure to what extent the state and market economies are interrelated, aside from a few isolated hikes, the exchange rates for both currencies have remained stable throughout the period of “maximum pressure.” As Figure 5 shows below, for the U.S. dollar, the past couple of years have even been an *unusually* stable period in comparative terms.

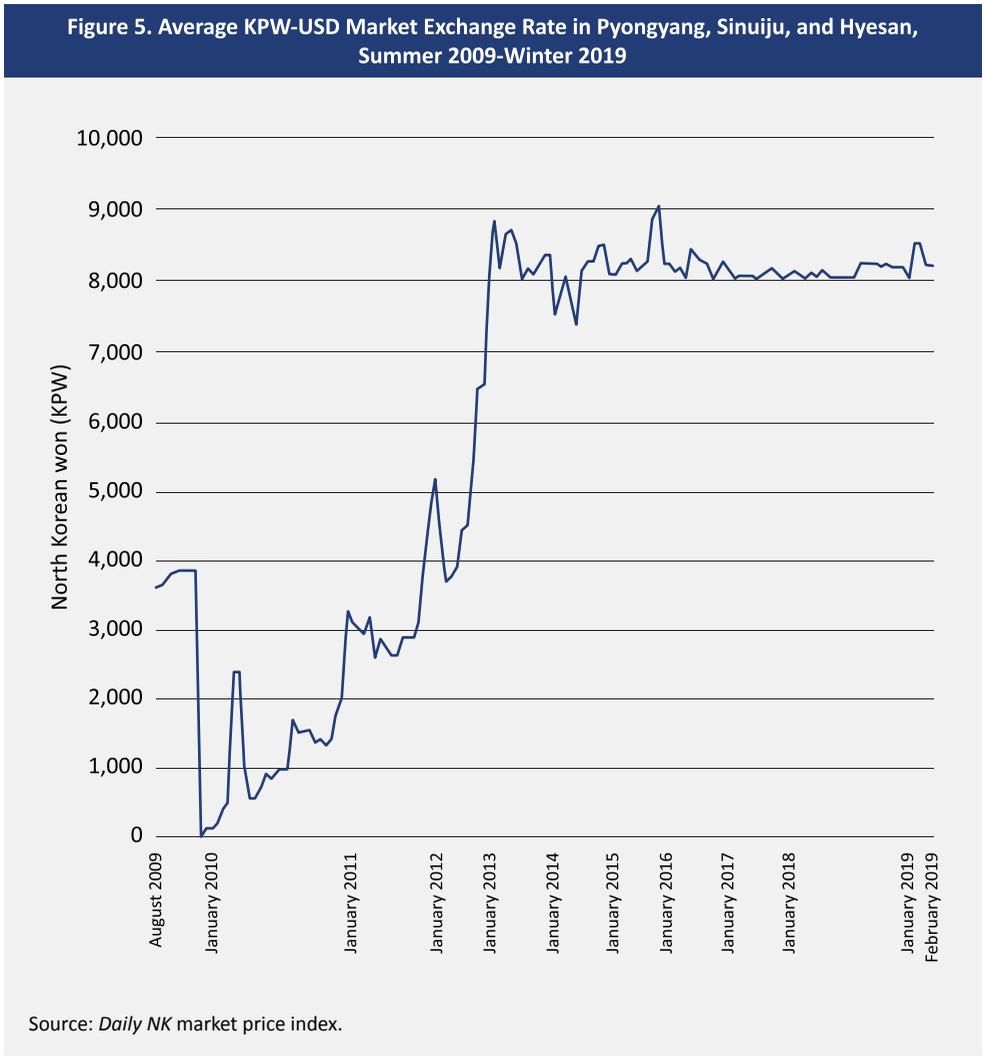
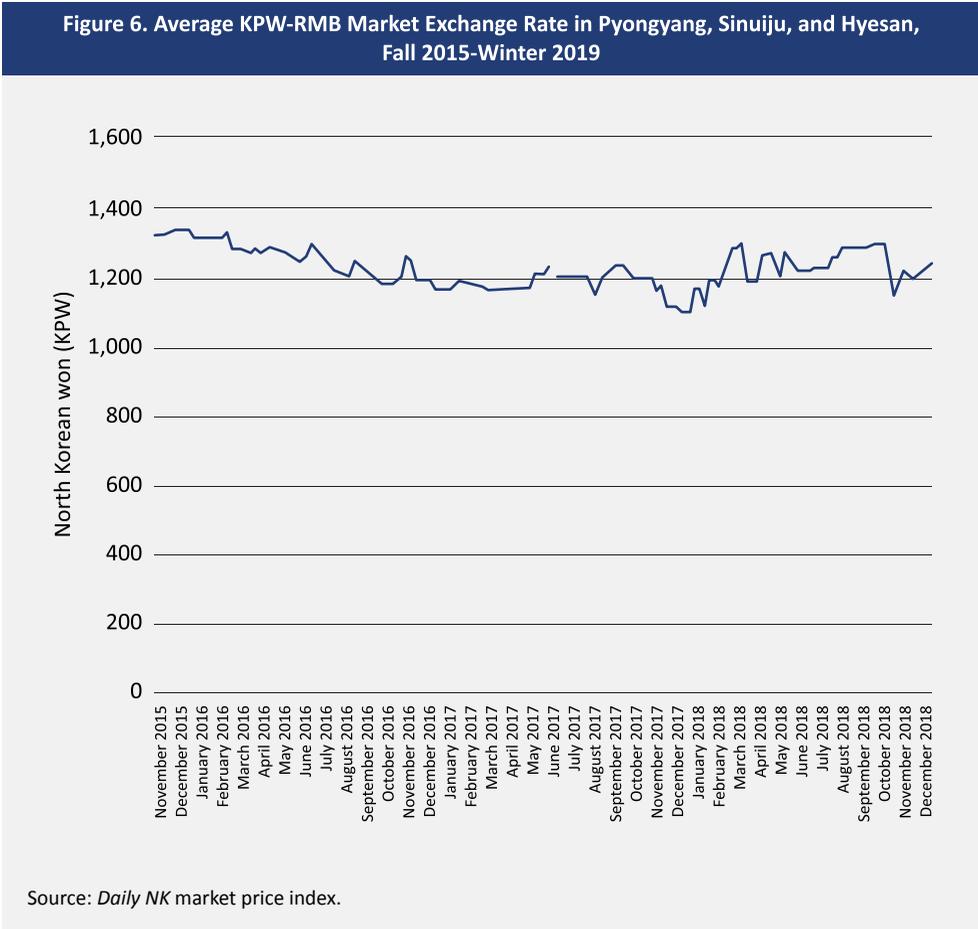
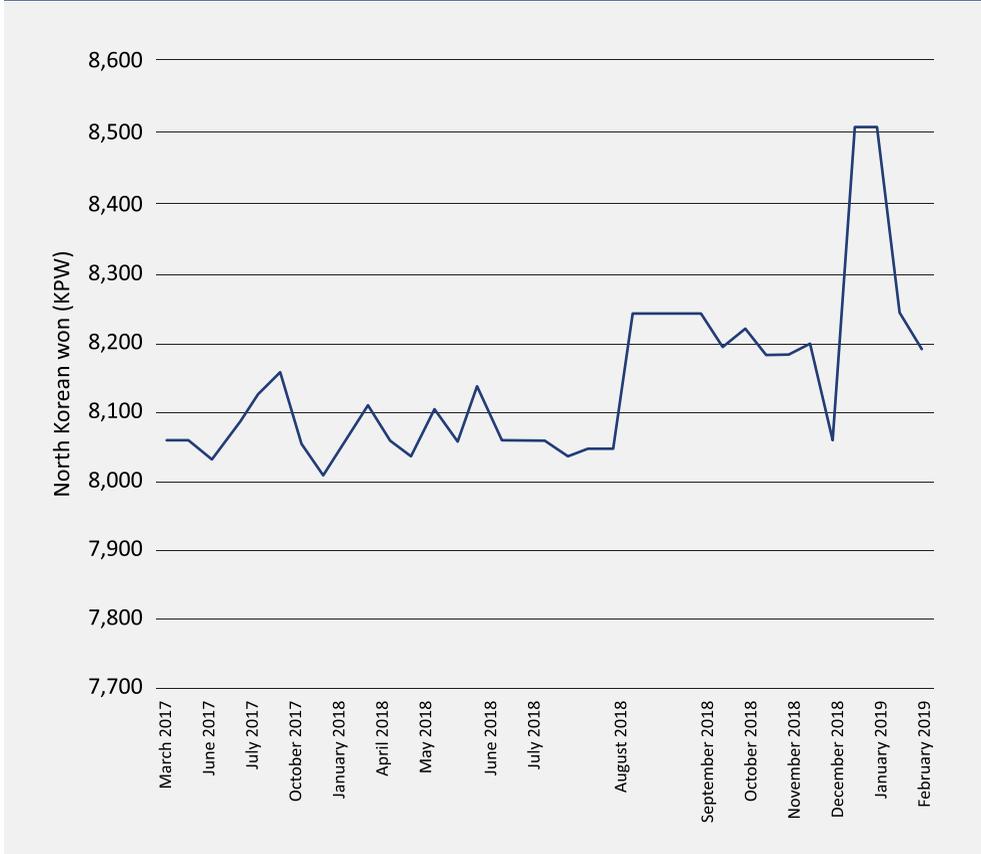


Figure 6 below shows that while the KPW is more volatile against the RMB than the dollar, the period of “maximum pressure” does not stand out in a particular way. The RMB generally fluctuates more than the dollar, even though it is likely the currency to which the KPW is pegged.<sup>53</sup>

Looking at the “maximum pressure” period in isolation, the impression is one of overall stability for the exchange rate against both the dollar (Figure 7) and the RMB (Figure 8).

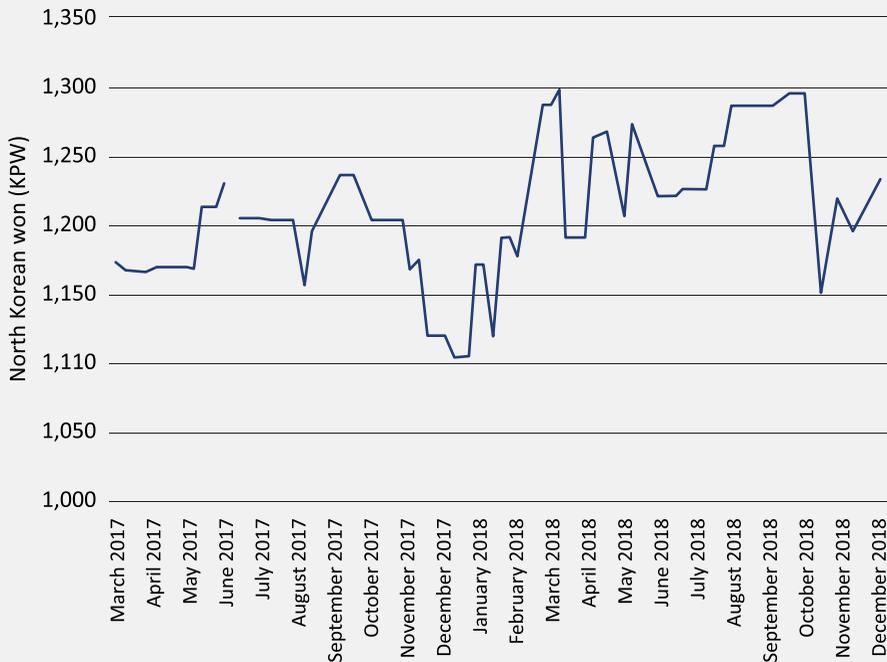


**Figure 7. Average KPW-USD Market Exchange Rate in Pyongyang, Sinuiju, and Hyesan, Spring 2017-Winter 2019**



Source: *Daily NK market price index*.

**Figure 8. Average KPW-RMB Market Exchange Rate in Pyongyang, Sinuiju, and Hyesan, Spring 2017-Winter 2019**



Source: *Daily NK market price index.*

The RMB has fluctuated quite significantly throughout the period of “maximum pressure.” It has not, however, gone outside of its ordinary span in any noteworthy way. None of this should be read as evidence that the currency situation has gone untouched by sanctions. Given the steep fall in trade with China, that cannot have been the case. The government may have taken measures to keep the exchange rate stable, such as contracting the supply of won, expanding the supply of foreign currency on the markets,<sup>54</sup> ordering state-owned enterprises that hold significant assets of foreign currency to keep these tight and not use foreign currency for domestic transactions, or a combination of such measures to stabilize the market. The most obvious possibility is that trade has not actually dropped in quantities as significant as customs data show. This may be true, but as the following section will show, smuggling and sanctions-evading trade could hardly make up for the great shortfalls in lost coal exports.

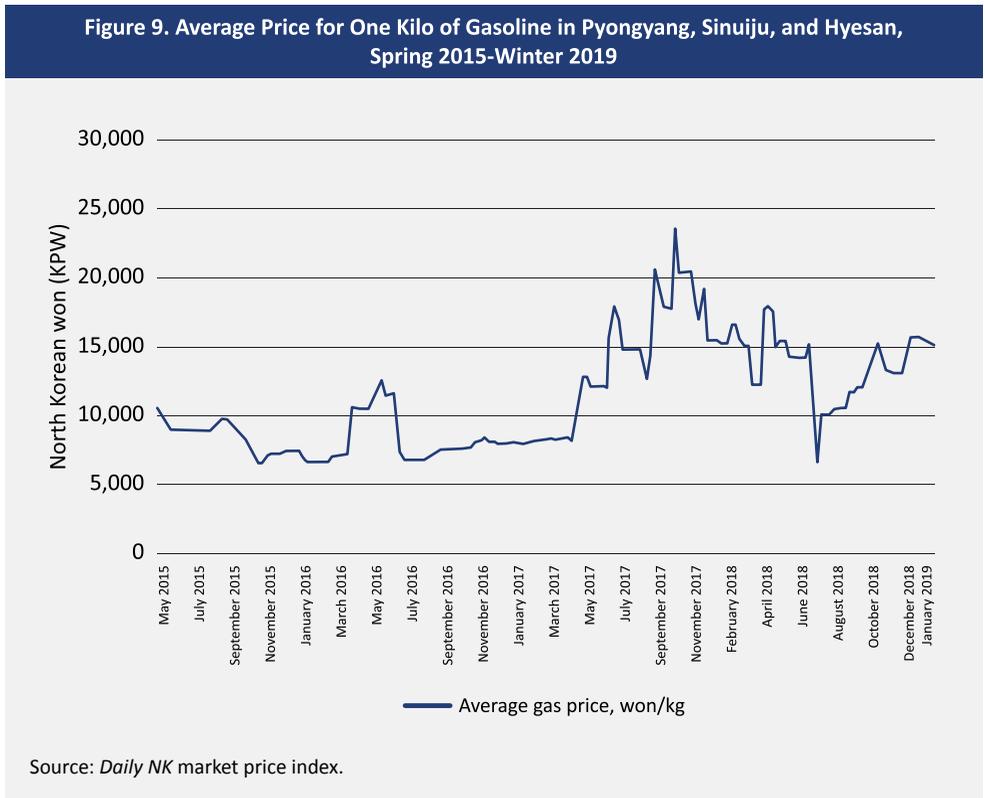
We can only speculate, but the data strongly suggest that whatever impact sanctions have had on the currency has not been strong enough to register in any visible way. In case the KPW had gone toward depreciating massively against the dollar or RMB, there are no measures within the reach of the government that would have been enough to stop it. Thus, the data on market exchange rates suggest a significant level of stability in the

economy under sanctions. The regime’s foreign currency reserves are likely shrinking fast, however. Should exports continue to be significantly lower than their imports, this may cause the state to soak up more foreign currency from the markets, causing a depreciation of the won against the dollar and RMB.

**Gasoline<sup>55</sup>**

Gasoline is the good that has seen the starkest impact from increased sanctions pressure. As with other goods, what truly matters is not sanctions themselves, but the extent to which China chooses to implement them. Fluctuations in the market price for gasoline follow along more neatly with geopolitical tensions than any other good for which we have market price data available. In the winter of 2019, prices appear to have settled into a new equilibrium adjusted to sanctions. This price level is higher than in normal times, to be sure, but also does not seem to reflect widespread shortages (Figure 9).

The steepest price increase on record came in the spring of 2017, around the same time that CNPC supposedly cut off commercial fuel sales to North Korea. Thereupon, prices climbed at several points of increased tension around North Korea’s nuclear program, almost certainly from a combination of China drawing down on its supply, and domestic demand increasing through a combination of hoarding and soaking up fuel by the military and the state.<sup>56</sup>



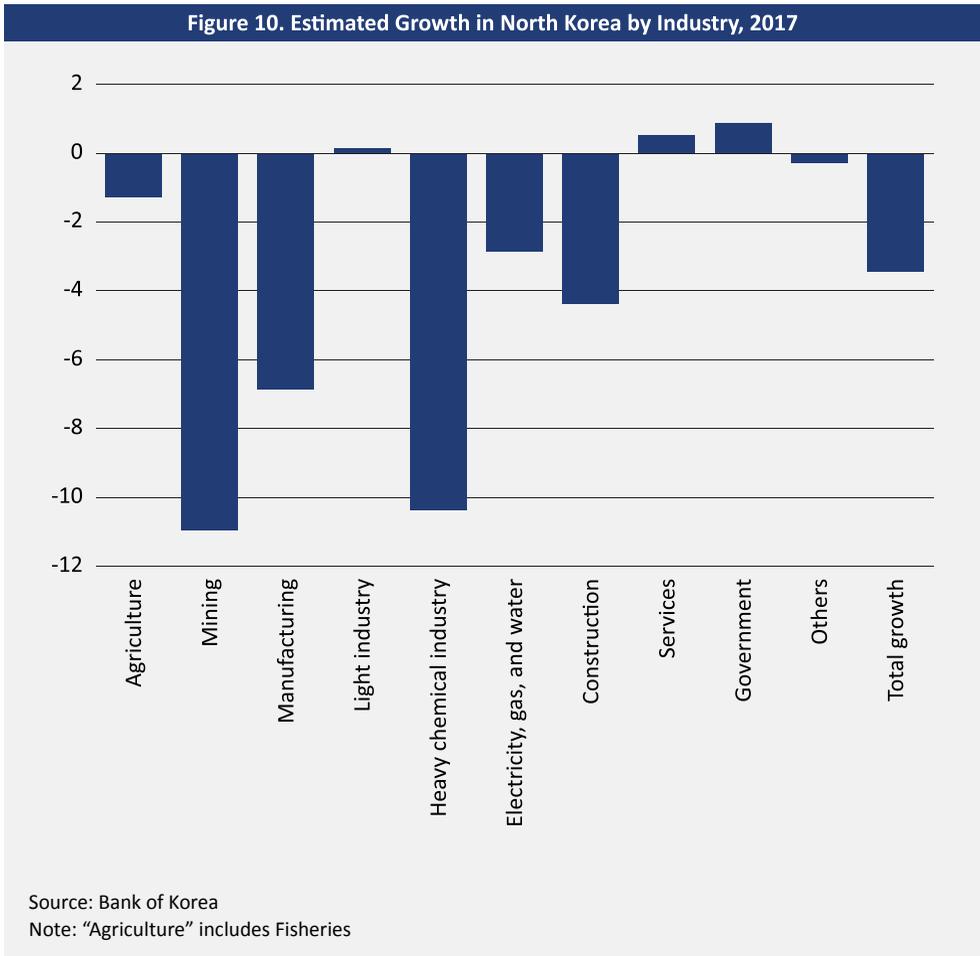
After several months of steep volatility, prices seem to have stabilized in a range between 12,000 and 15,000 won per kg, dropping as low as 8,560 per kg for one observation in the spring of 2019.<sup>57</sup> This is higher than the pre-sanctions fluctuations between 7,000 and 8,000 won/kg, but significantly lower than the high-points reached in the fall and winter of 2017, of around 20,000 won/kg, even hitting close to 24,000 won/kg at one point. While this new equilibrium under sanctions is likely strenuous for the sectors of the economy that rely heavily on fuel use, such as transportation and fisheries, it is likely not catastrophic. Had fuel costs increased to levels that severely constrained the functioning of the market system, for example, it would have been visible in market price data for rice and other goods. Ironically, North Korea's economic weakness is also its strength. Due to the relatively low rate of mechanization in agriculture, for example, higher fuel prices have a lower marginal impact on production costs than they would have in a more advanced economy. Transportation is already constrained by poor infrastructure, and long-distance travel is relatively uncommon compared to most other countries. Most people, particularly outside of Pyongyang, are not dependent on car or bus travel in their everyday lives. At the same time, the volatility of the fuel prices clearly shows that North Korea is vulnerable to sanctions pressure.

## The North Korean Economy under “Maximum Pressure”: Contextual Evidence

As much as the market price data suggest stability, they should not be interpreted to mean that North Korea has not suffered under “maximum pressure.” Certain sectors, such as coal, steel, textiles, and fisheries, have suffered immensely from Chinese enforcement of the ban on these goods being imported by UN member states. This, in turn, translates into shortages and hardship for localities such as Musan in the northeast, one of North Korea's largest sites for iron ore production.<sup>58</sup> The coal industry, too, has seen income decrease drastically as a result of China's sanctions implementation. This led to lower coal prices domestically, with positive side-effects for electricity consumers since its supply has become more abundant as a result of sanctions.<sup>59</sup>

The pressure on the industries under sanction seems particularly grim. This only makes sense given the steep drop in trade with China (Figure 10). It should come as no surprise that South Korean estimates of North Korea's economic situation show stark contractions in several key industries. The latest estimates from Bank of Korea, South Korea's central bank, cover 2017. Since North Korea-China trade contracted further in 2018, the situation likely got more difficult in that year. Bank of Korea releases little information about its methodology for calculating these figures, and the data should be read with skepticism since there is little North Korean data for these projections. These figures are best read as indicative of trends, not precise measurements.

The general trend and approximate magnitude make sense. Take the figure for the steep drop in mining; in the context of reports from inside the country of mines lying idle in the north of the country, this makes sense. What, precisely, this means in practice is difficult to say, but to get a sense of the proportions involved, consider the fact that major industrial plants and mines can each have tens of thousands, and sometimes 100,000, people employed.<sup>60</sup> When exports drop so steeply, huge numbers become unemployed or see their incomes drastically reduced. Many likely leave these industries to make a living



in the market economy, but a significant share probably remain unemployed. In the long run, because the state industries hit particularly strongly by the sanctions tend to have low productivity, their contraction may lead to productivity gains for the economy as a whole. In the immediate- to medium-term, however, sanctions have likely caused significant increases in unemployment, particularly in the northeastern rustbelt region.

Smuggling and illicit trade can make up only for a relatively small proportion of the losses from sanctions. Both Japan and the U.S. have publicized intelligence documenting, for example, illicit transfers of oil and fuel from primarily Chinese ships to North Korean ones. Such "ship-to-ship transfers" (STS) go around UN sanctions by not being recorded in trade figures. Throughout virtually the entire period of "maximum pressure," STSs have been reported relatively regularly. In December of 2017, for example, the U.S. urged the UNSC to blacklist ten ships that had been spotted conducting STSs transferring oil to North Korea.<sup>61</sup> Most recently, on January 18, 2019, Japan's Ministry of Foreign Affairs published pictures of "a vessel of unknown nationality" and a North Korea-flagged tanker conducting a transfer of fuel.<sup>62</sup> In early February of 2019, a report by a UN expert panel overseeing the implementation of sanctions on North Korea said that STSs had increased greatly throughout all of 2018, and according to one unnamed member state, North Korea had surpassed the import limit of 500,000 barrels of refined petroleum.<sup>63</sup> According to one news report, the

panel claimed that a total of 57,000 barrels of refined oil products had been transferred to North Korea. This may be a significant quantity, but it is still far below the cap of four million barrels per year. Smuggling, moreover, is expensive. Whatever quantities of oil and fuel North Korea can import through illicit transfers, it has to pay more than it ordinarily would, since the sellers are taking a greatly increased risk in violating UN sanctions. At the same time, whatever limited quantities of coal, minerals, and other sanctioned goods North Korea can sell through smuggling, it has to get paid less, because buyers need an incentive to continue purchasing its goods at this higher level of risk. Similarly, in 2018, intermittent reports suggested that both China and Russia continued to host North Korean labor despite this being banned by UNSC resolutions.<sup>64</sup>

While these events do constitute holes of sorts in the sanctions regime, their importance should not be overstated. Suppose China has exaggerated the drop of imports from North Korea between January and September of 2018, which it claimed was 90 percent. Even if the actual drop was only half that, it still would deal a massive blow to the North Korean economy. While loopholes may be a serious issue from a political point of view, the “maximum pressure” policy has still achieved its goal of inflicting significant harm on the North Korean economy even if that harm may not be enough to push North Korea to concessions on its nuclear program.

Finally, what about North Korea’s foreign currency reserves? No one outside the regime knows how large these reserves are, and the regime itself might not even know the precise figure. Foreign currency is crucial for the regime’s ability to supply the military and top-level administration with fuel and other necessary commodities, and the state may be partially using them to shore up exchange rate stability on the market. Moreover, at least part of the vast trade deficit with China is likely supported by foreign currency payments for imports. In early 2018, one South Korean estimate held that North Korea’s reserves of dollars would “dry up” by October of that year.<sup>65</sup> There is no evidence to suggest that this happened, but by all metrics, Pyongyang must be losing significant amounts of foreign currency by the day. Should reserves become particularly tight, the regime may increasingly turn to the private markets and civilian savings of RMB and forcibly confiscate increasing amounts. This could spark a true economic crisis, should significant shares of the population lose their trust in the market system.

## Conclusion

The Trump presidency has had a significant impact on the North Korean economy. For the first time in the history of sanctions against North Korea, China began to comply with UN sanctions and put serious economic pressure on North Korea. China’s reaction likely resulted from concerns that the U.S. may actually take military action and destabilize the region, rather than a genuine concern for sanctions compliance. Though sanctions pressure has not thrown North Korea into a disaster, it has posed difficulty for the regime’s main export industries. Sanctions have likely not had a distinct, causal impact on North Korea in the nuclear negotiations. After all, much of the North Korean system is designed to operate outside of the official framework of the global economy. It is clear, however, particularly given Kim Jong-un’s plans for economic development, that North Korea places a high priority on having sanctions scaled back.

Trump has stated that North Korea could become an “economic powerhouse” and hinted at the possibility of U.S. investments. This makes sense given North Korea’s abundance of cheap labor and natural resources. In practice, however, Trump’s vision for North Korea may seem more of a threat than a promise to the regime. Kim Jong-un clearly favors economic development that can be kept at bay from the rest of society, such as special economic zones. Should North Korea become ripe for foreign investment after a long process of denuclearization and normalization of its relationship with the international community, Chinese and South Korean firms would likely dominate among potential investors. Chinese firms that already have ties to North Korea know the business environment and could utilize contacts already developed. South Korean firms would have an advantage in language and government support, should a progressive government be in power in Seoul. Firms from these countries would also fare much better in North Korea’s totalitarian environment. There is currently nothing to suggest that any economic changes in North Korea would be followed by political reforms or liberalization.

At the present time of writing, a couple of months have passed since the anticlimactic summit in Hanoi between Kim and Trump. Surprisingly, North Korea appears to have demanded that all sanctions levied since 2016 be lifted.<sup>66</sup> Trump’s claim that North Korea demanded that *all* sanctions be lifted at once may not be literally accurate. As this chapter shows, however, those are the only sanctions that truly hurt the North Korean economy in any significant way. The inconclusive outcome of the summit means that for now, these sanctions remain in place. The Trump administration has vowed to keep them in place for now, and National Security Adviser John Bolton has even signaled that the U.S. may step up sanctions if North Korea doesn’t take steps toward denuclearization.<sup>67</sup> The question remains, however, how long the U.S. will be able to keep up the sanctions pressure up at its current level. As of June, sanctions pressure remained surprisingly intact, despite the lack of international consensus on policy on North Korea. The South Korean government is clearly frustrated by the lack of progress in talks between the U.S. and North Korea, and it seems as if Moon Jae-in expected an outcome from Hanoi that would allow his government to proceed with inter-Korean economic projects such as the tourism zone in North Korea’s Mt Kungang, and the Kaesong Industrial Complex near the 38th parallel dividing the two countries. Moon was scheduled to make a significant announcement the day after the Hanoi summit, likely announcing progress on one or both of these inter-Korean projects, but after the lack of progress in Hanoi, probably had to change his plans.<sup>68</sup> China, too, the most crucial factor when it comes to sanctions on North Korea, is likely becoming increasingly frustrated at the lack of clear progress in the talks, and the government is unlikely to be able or willing to keep the same level of sanctions implementation up for much longer in the absence of clear signs of progress. Should North Korea really be threatened by an economic crisis as a result of sanctions, China will likely both loosen up on implementation eventually, as it has in the past, while donating items such as food and fuel—and perhaps, covertly, foreign currency—to avoid social instability that could spill over into its own territory.

None of this, however, would be enough to keep Kim Jong-un’s constituents happy in the long run. Kim may not face the threat of losing a popular election, like leaders of democratic countries would fear. Still, he has staked much of his credibility on economic progress, and particularly the politically loyal upper-middle classes of “Pyonghattan,” the North Korean capital’s *nouveau riche*, likely expect their economic opportunities to continue growing. He

continues to promise economic improvement in public statements, and claimed in a speech to the Supreme People’s Assembly on April 14, 2019, that North Korea remains virtually unphased by sanctions, determined to go ahead with their current policy trajectory come what may.<sup>69</sup> Though a significant proportion—likely a majority—of North Koreans favor the nuclear program, it is doubtful whether the general public agrees with Kim’s assessment that the economic pain is a worthy price to pay. None of this is to say that social instability will arise anytime soon as a result of sanctions, but in the longer-term trajectory, Kim has strong reasons to worry. North Korea can certainly muddle through and weather the sanctions pressure for a long time, but the question is whether that is enough.

## Endnotes

- <sup>1</sup> Matthew Pennington, “Trump strategy on NKorea: ‘Maximum pressure and engagement,’” Associated Press, April 15, 2017, accessed February 6, 2019, <https://apnews.com/86626d21ea2b45c79457a873a747c452>.
- <sup>2</sup> The sanctions policies themselves are not the focus of this paper, and this description is, of course, a highly simplified one. For more on the aims and mechanisms of international sanctions on North Korea, see Stephan Haggard and Marcus Noland, *Hard Target: Sanctions, Inducements, and the Case of North Korea* (Stanford, CA: Stanford University Press, 2017).
- <sup>3</sup> Uri Friedman, “About That Movie Trailer Donald Trump Gave Kim Jong Un,” *The Atlantic*, June 14, 2018, accessed February 22, 2019, <https://www.theatlantic.com/international/archive/2018/06/trump-kim-jong-un-trailer/562697/>.
- <sup>4</sup> “N. Korea’s hard currency reserves expected to dry up by October: lawmaker,” Yonhap News, February 21, 2018, accessed February 10, 2019, <https://en.yna.co.kr/view/AEN20180221003000315>.
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**WHY DID THE HANOI SUMMIT FAIL  
AND WHAT COMES NEXT?  
COVERAGE IN FOUR COUNTRIES**

## Introduction

The summit on February 27-28 in Hanoi between Donald Trump and Kim Jong-un ended on a sour note, casting doubt on the one-year old diplomatic process that had produced an upbeat summit between the two in Singapore the previous June. Much speculation followed on what had gone wrong, who was to blame, and how diplomacy could be put back on track. Given the importance of the four countries caught between the U.S. and North Korea in setting the course for addressing the North Korean challenge, their media and journal coverage of the state of diplomacy after the Hanoi summit merits close attention, which is provided below.

The following chapters examine how the South Korean, Chinese, Japanese, and Russian media and journal articles have covered the Hanoi summit and its immediate aftermath. They tell us about the hopes and concerns of four countries and point to differences in thinking about the nature of the diplomacy between the U.S. and North Korea and the expectations for what will follow. Coverage ranges from anticipation of the summit in the first two months of 2019 to immediate reporting on what transpired on February 27-28 to interpretations over the next month or longer of the impact of the summit for U.S. and North Korean policy and for the geopolitics of Northeast Asia and, specifically, the foreign policies of each of the four countries.

Each chapter pays special heed to the apprehensions related to the talks or how they could leave one's country in dire straits, and to the range of responses to what is transpiring. Close attention is given to what one's own country should do either if progress is made in diplomacy or if a breakdown occurs. Also of interest is whether coordination with other states is sought.

The views presented in 2019 are rooted in thinking that dates, at the least, to when the crisis over North Korea's nuclear weapons arose in 2002-2003. In the 1990s, there was greater doubt about what was transpiring after the first North Korean breakout from International Atomic Energy Agency (IAEA) inspections, and the Agreed Framework set a course that generally held but was shrouded in great uncertainty, even as the most relevant states remained unclear about their own strategic priorities and approach. By the early 2000s, the responses of four states had mostly been clarified. Despite supporting denuclearization, China and Russia had chosen to blame the U.S. for taking too hardline a stance in managing the diplomacy. Japan, in turn, urged the U.S. to stay firm and, when it saw wavering, was critical of a lack of steadfastness. South Korea was the most torn over what to do, responding under progressive leaders with encouragement for more U.S. concessions to the North and under conservative leaders with wariness that U.S. steadfastness was in doubt.

In 2018-2019, Seoul's progressive administration has again become a booster of avid engagement, Tokyo's leadership has reasserted its opposition to U.S. flexibility that could be construed by the North as weakness, and Moscow and Beijing have doubled down on blaming the U.S. for being too inflexible despite having supported UN Security Council sanctions resolutions in prior years. Yet the challenge of responding to the new circumstances of Kim Jong-un opting for diplomacy and Donald Trump welcoming him in two summits and with upbeat rhetoric is like nothing seen before. One test of attitudes was after the Singapore summit, when both sides expressed hope, but a more telling test has arrived with the Hanoi summit, when the path ahead is left unclear.

The following ten questions can guide our examination of media responses in the four countries. 1) Who is trustworthy, i.e., who is responsible for past breakdowns in diplomacy and who is reliable in carrying out any new agreement? There is a clear difference in answers to this basic question, as some argue that Pyongyang has reason to be mistrustful and would respond well to confidence-building and reassurances. 2) Why did Kim come to the negotiating table, due to increased confidence from successes in developing and testing weapons or to increased pressure from sanctions that are squeezing his regime? Here too the responses are divided with ramifications for the timing and sequence of lifting sanctions. 3) Does a step-by-step deal that leaves the bulk of denuclearization for a later stage mean gullibility and “buying the same horse” one more time or is it a promising pathway to a “big deal” to resolve the problem that has been with us for more than a quarter century? This is another fundamental question raised often in the course of diplomacy and not new as a consequence of the responses to the Hanoi failure.

Questions specific to Hanoi or lingering from the Singapore summit are also being asked. 4) Is the decision by Kim Jong-un to put economic development on a par with military strength a sign of willingness to denuclearize or a way to get both guns and butter (byungjin) with no genuine denuclearization? Even some who doubt Kim’s will to denuclearize anticipate that a promising deal can be reached for other objectives, while skeptics expect trickery with a dire outcome. Five questions are often raised by commentators on the Hanoi summit outcome. 5) How should the results be assessed? 6) Who was to blame for the failure to the extent that it is recognized? 7) What should be done next? 8) What are the prospects for these talks through the remainder of Trump’s current term in office? 9) What spillover of the summit results affects other countries? Finally, 10) how do responses this time indicate what countries consider to be an ideal outcome?

After some initial spin, the prevalent assessment was that the summit was a failure, but for many this was better than if success had been proclaimed on the basis of what they were certain would be a bad deal. In other words, the breakup of the meeting has greater promise for eventual denuclearization or a sustainable outcome than if a deal of the sort being discussed had been reached. There are two clashing takes on this conclusion. In Japan and for conservatives in South Korea, failure means that more pressure can be exerted on Kim Jong-un, raising the chance that he will feel the pain and agree to denuclearization or at least a process that leads close to that outcome. For China and Russia, however, failure brings the U.S. one step closer to agreeing not only to a gradual process of step-by-step mutual concessions but also to the need for a multilateral process either by seeking China’s deeper involvement or by agreeing to something akin to the Six-Party Talks. Only the progressives in Seoul really wanted Hanoi to succeed in a big way. A modest agreement by Trump with little prospect for denuclearization, in the final analysis, could have worked for Chinese and Russian interests in producing an impasse ahead, given their assumptions about both the U.S. and North Korean positions in this process.

As for assigning blame, Trump is faulted for excessive belief in his own power of persuasion and for conducting diplomacy at odds with any expert’s advice, but most of the blame is given to Kim coming to the summit expecting Trump to cave on critical points rather than prepared for give-and-take by the two sides. Trump misjudged Kim’s motives and strategy, simplistically posing a stark choice between prosperity through a decision to denuclearize or isolation without economic improvement from refusing the offer before him. In fact, Kim’s choices are more varied, and his reasoning is more complex than Trump realized.

## Kimberly Kim, “South Korean Print Media on Why the Hanoi Summit Failed and What Comes Next”

As the dates approached, a hailstorm of news reports from Seoul hinted at the possibility of a “small deal” to be signed in Hanoi; North Korea would make progress on denuclearization, which would likely involve dismantling its Yongbyon nuclear facility and/or intercontinental ballistic missiles (ICBMs), and, in return, the U.S. would offer economic aid by easing sanctions, probably along with officially ending the Korean War and building liaison offices. At Stanford, U.S. special representative for North Korea Stephen Biegun’s comments hailed the possibility of a deal quite favorable to Kim. News delivered just prior to the summit, that South Korean president Moon Jae-in and Trump shared a positive outlook for the meeting over the phone, hyped the likelihood of a promising result in Hanoi.

As the date for the summit approached, conservative papers in Seoul blasted the potential “small deal” and Moon’s suggestion of seeking economic ties with Pyongyang as the main path to denuclearization. They expressed alarm that Trump, who is under pressure to show tangible progress this time, would have to set the denuclearization bar low so he could keep the concession bar low, and therefore proclaimed that the Hanoi summit was allegedly on course for a “small deal.” As for Moon, they condemned him for promising economic help, not even as a reward for completely abandoning nuclear weapons but as a way of urging Pyongyang to do so, and insisted that easing sanctions before the North completely denuclearizes means giving up on the end goal. The progressive press, echoing the Blue House, argued that if the summit concluded with a small deal, it cannot be rated as a failure since it is a part of a lengthy negotiation process. Unlike conservative editorials, which argued that Yongbyon is no longer Pyongyang’s main nuclear producing facility, progressive papers published stories stressing the significance of dismantling Yongbyon. It would break down the foundation of Pyongyang’s nuclear program and would serve to enable a “big deal.” Likewise, Moon’s assurances that Seoul would bear the costs of economic incentives to the North were approved by the progressive media, as a way to induce Trump to go forward and even acting as a down payment on the costs of unification. As the summit began hopefully, Moon was expecting to give a speech the next day celebrating the 100th anniversary of the March 1 independence movement, based on the denuclearization measures achieved in Hanoi to promote peace on the Korean Peninsula.

Some on the progressive side looked for a villain to blame for Trump’s “cold feet” in Hanoi: the Cohen hearings in D.C., a South Korean conservative party leader visiting Congress with warnings, or perhaps John Bolton’s intercession. Conservatives denounced Kim’s false commitment to denuclearize and the Moon administration’s incompetence. Kim had attempted to exact a complete removal of sanctions at the expense of dismantling a plutonium facility inside Yongbyon, nothing more than an old mass of scrap metal, one paper remarked. Thus, the sanctions regime against North Korea is the only way to corner Kim. Since the gap between the two sides has been confirmed, the prospects of resuming the negotiations remain uncertain. Another criticism was of poor intelligence, blaming the Moon administration for assuming a successful Hanoi summit to be a *fait accompli*. Progressive papers, while acknowledging the challenge, focused on reviving the dormant talks and the importance of Moon’s role as a mediator. They found hope in Washington’s

willingness to keep the momentum going and interpreted the breakdown in Hanoi as only a reminder about how tough it is to solve the issues at stake. They played up Moon's role, reporting that he and Trump discussed follow-up measures and decided to meet each other soon; one paper wrote that Trump asked Moon to actively play the mediating role.

As Moon prepared to meet Trump in Washington, the South Korean media's attention focused on how much Moon would be able to narrow the identified gap between Washington and Pyongyang and revive the negotiations, given his past performances of successfully doing so at every difficult step of the way. Three talking points were discussed at the summit: 1) a "top-down" approach is essential in the denuclearization process; 2) reopening the Kaesong Industrial Complex and resuming Mount Geumgang tours are premature, but giving humanitarian aid is acceptable; and 3) a third U.S.-North Korea summit may happen but will not be rushed. Yet there was scant concealment that Trump hung on to his position of seeking a "big deal" whereas Moon hoped for a "small deal." Conservatives, in particular, blasted Moon, saying that he earned nothing but got ripped off by Trump to purchase more U.S. military equipment and weapons owing to the summit. Conservative papers pointed out that Washington and Seoul could not find common ground and condemned the summit for ending without a joint statement. Meanwhile, they fixated on Kim's blame for Moon, whose middleman diplomacy is at risk, for being a meddling "mediator" and "facilitator," arguing that Seoul should be the responsible party, protecting the interests of the country. On the contrary, progressive papers appreciated what Moon achieved through his meeting with Trump, solidifying the U.S.-South Korea alliance and reconfirming the two presidents' commitment to accomplish denuclearization. One source paid attention to Trump's support for humanitarian aid, such as supplying food to North Korea, and appraised Washington's attitude toward Pyongyang as "neither hot nor cold." It added that Moon should meet with Kim to rekindle the talks.

## Gilbert Rozman, "Japanese Media: Why Did the Hanoi Summit Fail and What Comes Next?"

Japanese assessments of what to expect and then what really happened involve interpretations of North Korean intentions, the character of U.S. diplomacy, the role of South Korean diplomacy, the impact of China, and the geopolitical situation in Northeast Asia. The fate of North Korea looms very large for a nation fearful of a missile attack from it, cognizant of the absence of any settlement after 1945 of its claims against Japan's occupational conduct, and nervous about the regional balance of power and U.S. trustworthiness as an ally and nuclear umbrella, when the U.S. itself is quickly coming under threat from the North's nuclear weapons. There was considerable fear of negative outcomes from the summit. After the summit four general responses could be discerned: 1) Trump outfoxed Kim, has a strategy reassuring to Japan, and the outcome in sight is positive; 2) Trump erred in his diplomacy but has been brought to his senses and will now follow a course welcome in Japan, however uncertain the outcome; 3) the situation is growing more dangerous, Trump has no clue what to do, and Japan has to keep its eyes on other players; and 4) Trump will renew diplomacy, keeping Japan off balance in coordinating with the U.S. as Japan struggles with its isolation in this diplomacy.

Prior to the summit, the message from Japanese sources—right and left—was similar: do not be taken in by North Korea’s dialogue offensive. One editorial insisted that until the triad of nuclear weapons, missiles, and abductees was settled, sanctions remain in place. If agreement is reached, then Japan’s Abe Shinzo can look forward to forging an environment leading to a Japan-North Korea summit. It warned against a hasty deal, succumbing to the appeal of “success,” casting doubt on Trump’s trumpeting of test freezes, and pointing to Abe being asked to recommend him for the Nobel Peace Prize. The U.S. should press for accelerated working level talks, pressure should be maintained, and Moon Jae-in’s priority for North-South relations and exceptions to sanctions should not be followed, it advised. There was scant hope that a summit in Vietnam would tilt Kim Jong-un away from the Pakistan model to the Vietnam one, as Trump was proposing. The right asserted that no “political show” is needed, just sustained pressure. The left urged for continuing the talks on denuclearization, asking that Moon prove that this is his focus and that Trump not let election planning for 2020 lead him to rush to claim success.

Whether from the right or the left, coverage strongly doubted that denuclearization is on the table in U.S.-North Korea talks. South Korean critics of Moon’s policies as well as U.S. think tank voices skeptical of Trump’s apparent softness toward Kim Jong-un were numerous. The progressive press was also nervous about Moon’s eagerness to lift sanctions on the North early, warning that it would damage ties to the U.S. Progressives were pleased with the turn to negotiations and eager for a framework for regional peace and stability to ensue, taking seriously Kim’s intention to prioritize the economy, but they doubted Trump’s “political show” and called for improved Japan-South Korea ties despite Moon’s penchant for relaxing sanctions. They too viewed the Hanoi summit with concern that it could lead to Chinese and Russian moves toward North Korea not only undermining further sanctions pressure but altering the geopolitical environment in Northeast Asia.

Abe on February 20 expressed faith in Trump’s approach, equating it to complete, verifiable, irreversible denuclearization (CVID), and indicated his position of backing up Trump, while explaining that Japan has repeatedly called for talks with the North but has received no reply. Others in Japan had warned, however, that Trump has too much faith in himself and expresses satisfaction that there is no testing, as if that means a lot. Uncertain about Trump, all sides sought a firm posture unwilling to rush into a deal. Assuming that Kim had scant interest in shedding his nuclear weapons, Japanese saw Trump’s diplomacy as essentially a stunt for domestic politics, better than Moon’s approach with little regard for denuclearization but likely to prove abortive. There was no hiding concern that a Japan-U.S. gap over how to proceed was widening in the weeks preceding the summit. Nerves were on edge.

The overwhelming response in Japan after the summit was relief. A bad deal was averted. The real gap between the two sides has been exposed, and now, based on reality rather than false hopes, matters could proceed. But how? For *Sankei* readers it was a time to gloat that South Korea had been turned from optimism to despair. Moreover, the North’s “kingdom” has been revealed as never agreeing to denuclearization unless sanctions are greatly tightened. While mainstream coverage lavished praise on Trump for his handling of the summit, some saw a disaster narrowly averted due to Trump deciding to avoid the criticism that would have come raining down had he made the deal before him. Trump-style

diplomacy invited trouble: there was insufficient preparation, Singapore's shaky deal only opened the door to trouble. Putting stress on "deals" as one's foreign policy approach is a pathway to danger, one analyst warned. If the talks are extended, the opinion of Japan can be included; so, the summit ended in a good fashion for Japan. Yet, if a four-party framework evolves and excludes Japan, this would be a concern, readers are told.

Concern was spreading in Japan over Trump's ending of large-scale, joint military exercises with South Korea, weakening preparations in case of an incident on the peninsula. Whether this was due to a desire to encourage the North in negotiations or to cut U.S. expenses in South Korea, as Trump was seeking, the effect was disturbing. It could mean reduced pressure on the North and reduced U.S. commitment to its alliances in East Asia. The left agreed with the right that Trump was prone to hasty concessions, but it did not embrace him once he had drawn the line in Hanoi, preferring another path forward. Japanese media and the government viewed the summit through the eyes of the abductees' families, making coverage unique.

One interpretation is that the summit was a serious failure for Kim Jong-un, who is left at an impasse with nowhere to go, and loss of power in sight. Likewise, Moon has failed as a go-between and spokesperson for the North and transmitter of Trump's intentions to Kim, losing trust from both. His dream of "red reunification" and reunification with nuclear weapons is blown away, the article concludes. Another article blamed the summit failure on Kim's over-optimism and Trump's welcome steadfastness, assessing the breakdown as good for Japan. In contrast to South Korea's approach seeking carrots for the North to persuade Kim to change his ways, the Japanese sought more pressure to make Kim realize that the only path to economic growth is to cut a deal to include the abductee issue. The summit outcome was considered a blow to South Korea and vindication for Japan. Another Japanese outlook on the failure is that both sides made huge miscalculations, and the negotiating process must start again on a different track, not top-down.

By April 23, when Japan's foreign ministry issued the *Diplomatic Bluebook*, a softened approach to North Korea suggested that Japan was seeking an opening for talks. In place of language on the "grave and imminent threats" from nuclear weapons and missiles and a need for "maximizing pressure on North Korea," there was hope for a positive response on resolving the abductions issue, not "leveraging the international community's pressure on North Korea" to address it. *Sankei* warned against this shift in Japan's position, while blaming Putin for his words in meeting Kim, inflating Russia's presence, threatening the sanctions web, supporting North Korea's notion of stages, and calling for a return to the failed Six-Party Talks. *Sankei* differed from *Asahi*, which called on Abe to use multiple routes to arrange a summit with Kim, in opposing Japan taking a direct role in the diplomacy, and for striving to keep the talks going rather than standing firm. Japanese sources have hesitated to criticize Trump, but they were noticeably relieved with the outcome of the Hanoi summit. There is no sharp conservative-progressive divide. The shared message is that maximum pressure must be sustained until Kim Jong-un makes the decision to denuclearize. Criticism of Moon Jae-in is prevalent. Optimism prevails that pressure is working and will persist, forcing Kim to relent. In this process, Tokyo must find a way to become actively involved. Thus, the notable shift of late to opening the door for an Abe-Kim summit.

## Artyom Lukin, “The View from Russia: Why Did the Hanoi Summit Fail and What Comes Next?”

With regard to the Korean Peninsula’s nuclear problem, Russia’s commentariat traditionally splits into three groups. The first includes specialists who are more or less neutral toward North Korea. The second is formed by experts who sympathize more with Pyongyang and tend to blame Washington and American allies for anything that goes wrong on the peninsula. The third school, now almost extinct in Russia, represents liberal and pro-Western pundits who loath the North Korean regime and view it as a major threat to international, and Russian, security. Most of the Russian commentators sounded moderately optimistic prior to the two-day summit, expecting that at least something would come out of it. That the second Kim-Trump rendezvous failed to produce any deliverables came as a somewhat disappointing surprise to most Russian observers. Still, the general mood remained cautiously optimistic even after Hanoi’s apparent failure, with the majority of Korea watchers believing diplomacy between Pyongyang and Washington would continue and might eventually succeed. The Russian commentary on the Vladivostok summit was generally positive, hailing the symbolism of Moscow’s return to the major leagues of Korean Peninsula geopolitics. At the same time, many experts pointed out that, beyond displaying the decorum of the traditional Russia-North Korea friendship, the Kim-Putin summit produced modest outcomes.

Lukin first reviews what he calls neutral commentary. One view is that Kim Jong-un miscalculated by pinning too much hope on his ability to secure major unilateral concessions from Donald Trump during face-to-face talks and having neglected the lower-level negotiations. In much the same vein, despite the lack of preparations at the working level, the U.S. side hoped to achieve a breakthrough at the summit talks. Even so, the Hanoi summit was not a failure, but rather a temporary setback. Both sides are committed to more dialogue, having already managed to make some progress in negotiations, somewhat narrowing the gap that existed in their positions. Until recently Washington had no intention to earnestly negotiate with the North and only waited for the regime to collapse, but the U.S. stance may be changing.

Parsing Kim’s keynote speech to the Supreme People’s Assembly, one analyst finds an encouraging sign that he refrained from making any overt threats to the U.S. If events should take a grim turn, however, the blame could not be put entirely on Pyongyang, as its proposals for the phased and gradual “action for action” approach to denuclearization are quite reasonable, readers are told. Another analyst gives three reasons for failure in Hanoi, all rooted in U.S. domestic politics. Even in the absence of an agreement, the status quo basically suits Trump as long as Kim refrains from nuclear and missile tests and the sanctions regime remains in place. Trump emerged from Hanoi as a firm negotiator who staunchly defends American interests, and was spared a barrage of criticism. Thus, continuation of the dialogue post-Hanoi depends more on Trump than on Kim. Trump could aim for a third summit with Kim when he feels more confident in terms of the domestic political

situation. For a third observer, Pyongyang is extremely keen to continue negotiations with the U.S., but it will put pressure on Trump to do so. Pyongyang's current main aim is negotiations with Trump, rather than ratcheting up tensions. Negotiations should lead not to full denuclearization, but some limitations on the North's nuclear weapons in exchange for political and economic concessions.

Also, there is the view that Beijing is the winner. After Hanoi, the U.S.-North Korea negotiations are doomed to drag on without any results, unless Trump asks Xi for assistance and mediation. Beijing would be happy to oblige, but only in exchange for American readiness to accommodate Chinese wishes. The effect of sanctions on North Korea and whether sanctions determined Kim's behavior at Hanoi is a controversial issue with split views, but almost all agree that no amount of economic hardship would force denuclearization.

Pro-North Korea commentary is even more one-sided. It depicts Pyongyang as an existential survivor that needs nuclear weapons for deterrence and self-defense, and it puts the onus on the U.S., seeing Washington, not Pyongyang, as a villain and the main destabilizing force in Northeast Asia. Even though the North Koreans are eager for rapprochement with the Americans, they are unlikely to abandon China, as the U.S. is aiming. The U.S. insistence on a "big deal" at Hanoi is no more than a negotiating tactic. The only realistic path toward denuclearization is an incremental, phased process, one writer insists. One source sees Trump's turn from threatening a military strike against Pyongyang to holding the first summit with the North Korean leader as largely a forced move. Moon Jae-in's perseverance in the cause of inter-Korean détente and the negative international sentiment concerning military actions against North Korea that threatened a nuclear war played their part. U.S. allies were unwilling to become involved in new reckless U.S. escapades in North Korea. In contrast, North Korea is genuinely interested in a détente with the U.S. In Hanoi, Pyongyang had the right to expect that stopping nuclear tests and eliminating the Punggye-ri nuclear test site would result in the lifting of at least some of the sanctions. Washington, however, continued to insist on keeping all sanctions in place until North Korea's complete nuclear disarmament.

The solution is a return to the format of the Six-Party Talks based on a stage-by-stage approach. Guarantees of non-proliferation by the North of its missile and nuclear technologies and putting a freeze on its missile program could be discussed, but not total denuclearization. The U.S. is mostly concerned with North Korea's ICBMs. Pyongyang could stop developing ICBMs, freeze production of nuclear materials, and open its nuclear facilities for international inspections. In exchange, Washington should officially recognize North Korea, establish diplomatic relations, exchange embassies, curtail military activities close to its borders, scale back and ultimately lift the sanctions, and provide economic and energy aid to the North. Lukin next turns to what he labels "anti-DPRK commentary." He singles out one author who openly criticizes North Korea as an inhumane, totalitarian regime which cannot be trusted and sees an irreconcilable gap, making failure in diplomacy inevitable. A deal would be fundamentally detrimental to the nuclear non-proliferation regime and would harm the interests of Russia as one of its main guarantors and beneficiaries.

The Vladivostok summit was inevitable since Russia is an important and generally friendly neighbor as well as a great power with a veto at the UN Security Council. Post-Hanoi, when the diplomatic process with Washington—and Seoul—stalled, Kim’s calculations, and schedule, changed. There were few major world leaders with whom Kim could have meaningful meetings. He had already been to China four times and another visit there would underscore Pyongyang’s excessive reliance on Beijing. So, Russia looked like the most logical choice. He could expect a warm reception that would boost his international and domestic prestige and demonstrate that Pyongyang had close friends beyond China and Cuba. For Putin the aim was to symbolically re-affirm Russia’s traditional great-power role as a major player on the Korean Peninsula, whose influence on Korean affairs might be smaller than that of the U.S. and China but bigger than that of Japan. Kim’s stakes in this summit were higher, given that the prospects for ending the U.S.-led economic isolation of North Korea significantly dimmed after Hanoi. It seems few, if any, concrete agreements or decisions were made. Putin sounded non-committal regarding any new political, diplomatic, and economic support for North Korea. Kim apparently failed to get Putin to commit to any substantial aid to the North. Moscow was unwilling to unilaterally relax the sanctions. One indirect indication that Kim was not entirely happy with the summit’s outcome was his decision to cut short his visit to Vladivostok and depart earlier than initially planned.

There were few signs that the Kremlin sought to be a spoiler on North Korea. Meeting with Kim, Putin was hardly interested in antagonizing Trump. Russia is invested in preserving the global non-proliferation regime, no less so than the U.S. Yet, Russia is quite realistic that North Korea’s full denuclearization is nearly impossible in the foreseeable future, which Putin stressed in Vladivostok. Leaving quickly for Beijing, Putin showed that his North Korea policy is subordinated to Moscow’s quasi-alliance with China. Moscow seems to have tacitly recognized that most of East Asia, including the peninsula, is China’s sphere of influence. In recent years, Russia’s policies with respect to the North have been closely coordinated, and aligned, with China’s, and Moscow has generally been playing second fiddle. Thus, the Putin—Kim rendezvous was a side-show in the continuing saga between Pyongyang and Washington. Russia seeks to score diplomatic points by demonstrating its relevance, while North Korea tries to do the same by showing it has options. Russia could, however, be an indispensable partner in a broader conversation on security mechanisms in Northeast Asia, including offensive weapons and missile defense systems, although the current lack of this broader conversation makes a solution to the North Korean nuclear issue nigh impossible.

## Danielle Cohen, “Chinese Media: Why Did the Hanoi Summit Fail and What Comes Next?”

Chinese media sources reflect a widespread propensity in 2019 to reassure the U.S. while not compromising vital national interests on the Korean Peninsula. The Kim Jong-un turn to diplomacy has been heartily welcomed. Trump’s embrace of Kim has been heartily endorsed. Moon Jae-in’s bold moves to straddle the two sides and find a way to build momentum is strongly approved. After praising the Singapore summit’s accomplishments, Chinese faced the uncomfortable reality of failure in Hanoi with calls for redoubling efforts to put diplomacy back on track, repeating idealistic assertions about how the differences could be bridged while mostly leaving implicit the true objectives of a deal that Pyongyang

was expected to be willing to accept and China would consider suitable for satisfying, after several stages, its geopolitical aspirations. Chinese optimism is premised on notions about limits to North Korean demands, on North Korean willingness to denuclearize in return for conditions that are left vague, and on often unstated assumptions about how the peninsula would evolve during the process of denuclearization and how the U.S. military presence would change.

Chinese sources give the clear impression that the Hanoi summit was not a failure despite its abrupt ending, and furthermore that the diplomatic process is moving in a direction that is not unfavorable to China even as the status quo is rather tolerable. Compared to 2017 when war was on the horizon with China having little say, and the first half of 2018 when trilateral diplomacy appeared unpredictable with China again on the sidelines, the impasse after the Singapore summit and especially after the Hanoi summit suggests to Chinese observers that there will be no way to bypass China. With frequent Sino-North Korea exchanges now occurring and scant likelihood that Washington and Pyongyang will realize a “big deal,” China anticipates a long, convoluted process in which its voice will be important. Yet, Chinese sources have little to say about the details of the process since another major theme is that China seeks to remain a secondary actor in round one, which is centered on denuclearization and sanctions relief. China can wait as North Korea sends delegations to examine economic reforms or restructuring, as they prefer to say, and the U.S. eventually appreciates that it must work through China. What is not said in Chinese sources suggests a hidden strategy more than doubt about what to do. It also indicates a kind of G2 approach, letting Seoul and Pyongyang wrestle with challenges they are unlikely to resolve and waiting for the U.S. approach to recognize the futility of a bilateral or trilateral approach with Seoul as the complexities of lesser deals with some sanctions relief lead Washington to seek more coordination with Beijing. Eventually, China will assert its hegemonic leadership over North Korea, readers can assume, but this will come after a Sino-U.S. arrangement in the region is reached, for which this crisis offers an opportunity. In this reasoning, Seoul has played a positive, facilitating role, but it is not very consequential. Waiting—real strategic patience—is required. In the meantime, Chinese publications urge both Washington and Pyongyang to do more to keep diplomacy alive, while China will not relax sanctions to give the latter a way out or provoke the former when a trade agreement is its most immediate priority.



South Korean Print Media on  
Why the Hanoi Summit Failed  
and What Comes Next

**Kimberly Kim**

Since the first historic summit meeting between U.S. President Donald Trump and North Korean leader Kim Jong-un last June in Singapore yielded a two-page joint agreement without a clear definition of or a timeline for denuclearization, expectations and misgivings further escalated for the second U.S.-DPRK summit, which was officially announced during Trump's State of the Union address to be held on February 27 and 28 in Vietnam. As the dates approached, a hailstorm of news reports from Seoul hinted at the possibility of a "small deal" to be signed in Hanoi; North Korea would make progress on denuclearization, which would likely involve dismantling its Yongbyon nuclear facility and/or intercontinental ballistic missiles (ICBMs), and, in return, the U.S. would offer economic aid by easing sanctions, probably along with officially ending the Korean War and building liaison offices. This forecast partially stemmed from the political plight Trump faced in Washington due to the impending Mueller report with a Democrat-controlled House and the 2020 election nearing, meaning that he would have to show some progress in nuclear negotiations with Kim so as to break through the ongoing domestic challenge. Against this backdrop, Stephen Biegun, the U.S. Special Representative for North Korea, said at Stanford University<sup>1</sup> in late January, "President Trump is ready to end this war [the Korean War]. It is over. It is done." This was followed by remarks from Secretary of State Mike Pompeo during an interview<sup>2</sup> with CBS in mid-February, "It's our full intention of getting a good outcome in exchange for relieving those sanctions [economic sanctions.]" Such comments hailed the possibility of a deal quite favorable to Kim. News delivered just prior to the summit, that South Korean president Moon Jae-in and Trump shared a positive outlook for the meeting over the phone, hyped the likelihood of a promising result in Hanoi between Washington and Pyongyang.

Moon, during the phone conversation<sup>3</sup> with Trump, suggested his vision of inter-Korean economic cooperation as one of the "corresponding measures" that could be awarded to Kim, lessening the burden on Washington's shoulders, if North Korea gives up its nuclear program and, according to the Blue House, Trump gave a positive response. Moon reportedly said that South Korea is "ready to take over the role of undertaking anything from reconnecting railways and roads between Seoul and Pyongyang to other inter-Korean economic projects."<sup>4</sup> Such an approach was brought up earlier during an interview which the special adviser to the South Korean president, Moon Chung-in, had with *JoongAng* in January,<sup>5</sup> right after Kim Jong-un's New Year's address came out; he proposed incremental economic exchanges, limited to only between Seoul and Pyongyang, to bring about the North's denuclearization, and said, "economic exchanges between the two Koreas can exceptionally be exempted from the target of UN sanctions as the two Koreas of the same ethnic group have a special relationship with each other."

## Coverage before the Hanoi Summit

Conservative papers in Seoul blasted the potential "small deal" and Moon's suggestion of seeking economic ties with Pyongyang. *Donga* reported on February 18 that the U.S. president seems to have lowered the expectations for the second summit;<sup>6</sup> the article referred to Trump's remarks during his announcement of a national emergency at the U.S. southern border on February 15, "No more rockets going up. No more missiles going up. No more testing of nuclear," and "We just don't want testing," implying that he may now aim for a small deal, only getting rid of the ICBMs that can hit the U.S. mainland. Citing the same remarks, *Chosun* chimed in<sup>7</sup> that "in-no-rush" Trump mentioning halting North

Korea's tests, not dismantling its nuclear weapons and missiles, as a primary goal, raises concern that the second Trump-Kim meeting may result in a "low-level" agreement to freeze, not completely scrap, Pyongyang's nuclear and missile programs. *Munhwa* released an article<sup>8</sup> also on February 18 titled, "Despite only nine days remaining, format and content of the summit still a 'blank slate,'" arguing that a pressed-for-time situation with little or no preparation before the summit only benefits Kim; Trump, who is under pressure to show tangible progress this time, would have to set the denuclearization bar low so he can keep the concession bar low, and therefore, the Hanoi summit is allegedly on course for a "small deal."

As for inter-Korean economic cooperation, *Donga* reported on February 21<sup>9</sup> that Moon's financial commitment—basically asking the U.S. not to worry about money and to make headway on denuclearization—was an impetuous pledge that would cost Seoul a minimum of 103 trillion won to a maximum of 111 trillion won, according to the National Assembly Budget Office. *Chosun's* editorial<sup>10</sup> dated the same day also condemned Moon for promising economic help, not even as a reward for completely abandoning nukes but as a way of urging Pyongyang to do so and insisted that easing sanctions before the North completely denuclearizes means giving up on the end goal. *Joongang*<sup>11</sup> cast a similar concern through an editorial on February 22, that Moon, by impatiently setting joint economic projects afloat (which would only be feasible after Pyongyang's denuclearization process advances far enough), while North Korea has not taken the first step towards denuclearization, can bring down the denuclearization hurdle, and only improves North Korea's negotiating position. It also claimed that Moon's message could have given Trump room to claim, "I will just make a deal with Pyongyang and dump the rest on Seoul."

Progressive papers' general reaction to "a small deal is not enough" was closely aligned with what the Blue House argued a day before the summit; a Blue House spokesperson, who used to write for *Hankyoreh*, said that the concepts of a small deal and a big deal cannot be mechanically segmented, as the boundary dividing the two terms is unclear. The spokesperson claimed that the idea of a small deal is included in the idea of a big deal and intimated that even if the summit concludes with a small deal, it cannot be rated as a failure since it is a part of a lengthy negotiation process. A similar perspective can be found in a *Hankyoreh*-published column<sup>12</sup> written in January by its Washington correspondent titled, "Small deal on North Korean nuclear isn't small." According to the column, many have already acknowledged the fact that North Korea declaring all of its nuclear weapons, materials, and facilities at once, the U.S. immediately lifting sanctions as a response, and the two countries establishing diplomatic relations, would be ideal but realistically impossible and, therefore, an incremental "action for an action" approach is the only solution. The column draws on statements made by U.S. Congressman Brad Sherman, chairman of the Subcommittee on Asia and the Pacific under the House Committee on Foreign Affairs, advocating freezing the North's missile technology and allowing a limited number of its nuclear weapons, while closely surveilling those weapons, as more realistic than seeking its denuclearization. In addition, the report draws on statements by Sheila Smith, who argues that if Pyongyang would not agree to provide a list of its nuclear inventory, it would be important for the two sides to build trust through a nuclear freeze and ICBM dismantlement, and create a way to advance to the next step. Against dominant skepticism in Washington, *Hankyoreh* claimed that a few American experts are pushing for realistic and practical remedies.

Another theme of the “small deal versus big deal” debate concerned North Korea’s Yongbyon nuclear facility—which Kim reportedly agreed to concede in Hanoi—and how highly it should be valued. Unlike conservative editorials in Seoul, which have argued that Yongbyon is no longer Pyongyang’s main nuclear producing facility, progressive papers published stories with the opposite angle, stressing how significant the step of dismantling Yongbyon is. *Hankyoreh*, on February 18,<sup>13</sup> released an analysis on the Yongbyon nuclear facility and wrote that, despite its deterioration, Yongbyon has long been the heart and symbol of North Korea’s nuclear development and, therefore, tearing it down tops the list of denuclearization measures. *Kyunghyang*, on February 21,<sup>14</sup> also defended the argument that if Trump and Kim were to successfully come to an agreement to destroy Yongbyon, which is capable of producing both plutonium and highly-enriched uranium, it would be highly meaningful, breaking down the foundation of Pyongyang’s nuclear program, and would serve to enable a “big deal.”

With respect to the joint economic projects between the two Koreas, progressive papers welcomed Moon’s suggestion; it can serve as one of the “corresponding measures” meeting Kim’s demands, without financially and politically costing the Trump administration much; so that the U.S. president approves. *Hankyoreh* wrote on February 20<sup>15</sup> that Moon flattered Trump to pave the way for joint economic projects and basically asked Washington to leverage Seoul in order to earn “sanctions relief” first, through the Hanoi summit. Moon took what Trump said into account, “They [North Korea] have really taken advantage of the United States. Billions of dollars have been paid to them. And we won’t let that happen.” Yet, Moon provided a shield for Trump to pacify the American critics who oppose Trump’s second meeting with Kim, the paper argued. *Hankyoreh* also paid attention to the details of United Nations Security Council Resolution 2375, adopted on September 11, 2017, “Joint ventures or cooperative entities, in particular those that are non-commercial, public utility infrastructure projects that do not generate a profit” are possible as long as they have been “approved by the Committee in advance on a case-by-case basis” and referred to the project of connecting railways and roads and modernizing the related facilities, whose groundbreaking ceremony took place in December 2018 but could not proceed further due to the sanctions. *Kyunghyang*’s editorial<sup>16</sup> on April 20 wrote that Moon and Trump, a week ahead of the Hanoi summit, specifically discussed potential compensation that could be awarded to Kim, which is unprecedented, enhancing the possibility of the summit’s success. The editorial claimed that Moon’s suggestion was timely, giving Trump more options to choose from so that he could entice Kim to denuclearize. *Kyunghyang* argued that regardless of what Washington has to offer Kim as a “corresponding measure,” inter-Korean economic projects are something Seoul has to be committed to; it is not ladling out money to Pyongyang, but paying for our share of the unification cost in advance, which could also be a way out of a stagnant economy and a steppingstone to a completely unified nation, one Korea.

## Coverage on Hanoi and Shortly After

Day one of the Hanoi summit appeared to be cruising toward an agreement, signaled by the two leaders’ firm handshake for the first time in eight months since the Singapore summit. While seated face-to-face, Trump flattered Kim<sup>17</sup>, saying, “It’s an honor to be with Chairman Kim. It’s an honor to be together,” and added, “I thought the first summit was a

great success and I think this one hopefully will be equal to or greater than the first.” Kim cordially responded, “I’m confident that there will be an excellent outcome that everyone welcomes, and I’ll do my best to make it happen.” The two leaders also had a social dinner with their top aides that evening and even then, it seemed like Trump could go back home with something to tweet about, calling it a victory, and Kim could boast about keeping a promise he made to his hungry people, on North Korea’s economic development. However, Trump left the table empty-handed on the second day; he held a press conference with Secretary Pompeo and flew back to Washington, cancelling a scheduled working lunch and joint agreement signing ceremony with Kim. The news caught every stakeholder off guard, including Moon, who was expected to give a speech on the next day celebrating the 100th anniversary of the March 1st Independence Movement, based on the denuclearization measures achieved in Hanoi to promote peace on the Korean Peninsula. During the press conference,<sup>18</sup> Trump said, “Basically, they [North Korea] wanted the sanctions lifted in their entirety, and we [the U.S.] couldn’t do that,” to defend his reason for leaving. As soon as the press conference ended, a great majority of editorials and political commentators from Washington and Seoul chimed in with Trump’s contention that “No deal is better than a bad deal” and held Pyongyang accountable for the diplomatic failure. Although North Korean foreign minister Ri Yong-ho held a press conference later that day on behalf of Kim and rebutted what Trump said, claiming that his delegation asked for partial, not entire, sanctions removal, the general public response was that Trump did the right thing. Approximately two hours after the news on “No deal in Hanoi” broke, the Blue House held a briefing on what Trump and Moon shared over the phone and said that the U.S. president asked for Seoul’s engagement as a mediator between Washington and Pyongyang.

In the meantime, some raised the argument that explosive testimony before Congress by Trump’s former fixer and lawyer, Michael Cohen, while the summit was taking place in Hanoi, might have influenced the collapse. Considering that the testimony was viewed as detrimental to Trump and his presidency, many skeptics insisted that the U.S. president was too distracted to stay focused on a deal with Kim in the first place; as Trump, on March 3, basically admitted with a tweet<sup>19</sup> that the Cohen hearing, “may have contributed to the ‘walk’” while abroad, his “righteous walk away” was immediately frowned upon, especially in Seoul. Moon Chung-in picked the Cohen hearing as one factor that contributed to the collapse in Hanoi; yet, he named Seoul’s main opposition party leader Na Kyung-won’s latest visit to Washington as another, blaming what Na said to members of the U.S. Congress, including Nancy Pelosi, the speaker of the House, that she opposes ending the Korean War, a peace declaration, and inter-Korean economic projects. Another contributor to the “no deal,” who surfaced over time, was John Bolton, the U.S. national security adviser, long-recognized as a hawk. South Korean media outlets, especially the progressive ones, alleged that Bolton’s sudden appearance at the negotiating table without a counterpart during an expanded meeting on the second day, might have had a negative impact on the summit at the last minute. Former unification minister Chung Se-hyun went as far as to insist that the result in Hanoi was an “intended failure” and called Bolton out, asserting that he played a critical role, the villain, and set the denuclearization bar high, which eventually killed the negotiations.

Conservative papers’ immediate reaction to the diplomatic collapse was to denounce Kim’s false commitment to denuclearize and the Moon administration’s incompetence. *Chosun’s* editorial on March 1<sup>20</sup> wrote, if there is anything to be learned from the Hanoi summit, it is

that we found out Kim's words, that he would give up his nuclear program, have no fidelity. The editorial also denounced Kim for attempting to exact a complete removal of sanctions at the expense of dismantling a plutonium facility inside Yongbyon, nothing more than an old mass of scrap metal, adding that Kim must have assumed that Trump would accept his offer as the U.S. president was facing political challenges at home. *Chosun* persisted in its view that the sanctions regime against North Korea is the only way, at the moment, to corner Kim and drive him to abandon his nukes, and negotiations should resume with an understanding that Kim, at least for now, will not let go of his nuclear arsenal.

*Segye's* editorial<sup>21</sup> released on the same day, concurred with *Chosun* and wrote that the reason why the Hanoi summit failed is obviously because Kim, who had no intention to denuclearize, blindly asked for the lifting of sanctions; since the gap between the two sides has been confirmed, the prospects of resuming the negotiations remains uncertain. *Segye* lastly criticized Moon's timely ill-fitting pledge to consult with Washington on resuming Mount Geumgang tours and reopening the Kaesong Industrial Complex, in his address on the 100th March 1st Independence Movement Day, which meant that he will push for sanctions relief against the North, and also criticized that such a commitment was out of touch with reality.

Another criticism, voiced mostly by conservative papers, was over the Blue House's lack of intelligence regarding the summit. *Joongang*, on March 4,<sup>22</sup> referred to the "Hanoi mystery" and blamed the Moon administration for assuming a successful Hanoi summit to be a fait accompli. It cited what one of the Blue House key officials said, "No staff members made a report on the possibility of the summit ending without an agreement," and "the overall atmosphere was rather hopeful ahead of the summit." While the Blue House preached "a small deal is part of a big deal," just one day before the summit, which presumably emanated from a concern that the deal in Hanoi would result in something small, Washington actually sought a big, package settlement.

According to *Joongang*, Blue House spokesperson Kim even said, just 30 minutes before the collapse was reported, that he would deliver an official statement after Moon watched the joint signing ceremony with his top aides, which shows that communications between Seoul and Washington were out of sync. With a similar tone, *Chosun's* opinion piece<sup>23</sup> on March 21 questioned the Blue House's capability of reading the situation back then, as its spokesperson laid out positive remarks such as "Inter-Korean dialogue will kick into high gear," on the day the summit ended with no deal. Foreign Minister Kang Kyung-wha told the National Assembly's Foreign Affairs and Unification Committee on March 18 that she was informed of the possible no-deal scenario and reported the information to the Blue House right away but refused to answer specifically when she became aware of and was briefed on the scenario, owing to Seoul's relationship with Washington; in response to the question, whether Seoul was forecasting the lack of a deal, Blue House spokesperson Kim Eui-kyeom merely said, "We were briefed on every possibility." *Chosun* cited a Japanese government official, "Striking a deal in Hanoi was said to be difficult from the working-level stage in Pyongyang and I was briefed on the first day of the summit after the social dinner that the deal won't likely be made," and, therefore, "I was surprised to hear spokesperson Kim's optimistic statement on the next day." On this basis, it criticized the equivocating foreign ministry and Blue House and characterized the current U.S.-ROK alliance as one that exists in name only.

In contrast, progressive papers in Seoul, while acknowledging the challenge, focused on reviving the dormant talks and the importance of Moon's role as a mediator. *Kyunghyang's* editorial on February 28<sup>24</sup> wrote that it is regrettable that the summit fell apart but a half-baked pessimistic view should be avoided. As Trump said that he would continue maintaining a good friendship with Kim, and Pompeo said that he hopes the denuclearization talks with Kim resume in a few weeks, Washington showed its will to keep the momentum going. The editorial also argued that the breakdown in Hanoi should just be taken as a reminder about how tough it is to solve North Korea's nuclear issue, and called for the Moon administration's mediating efforts to help the talks revive. *Hankyoreh*, on March 1,<sup>25</sup> reported what Pyongyang's state-run newspaper, *Rodong Sinmun*, released and wrote that Kim's message after the lack of a deal in Hanoi, is clear: continued talks and negotiations. To be more specific, *Hankyoreh* argued, it is a call for a third summit through productive dialogue under the principle of "step-by-step, simultaneously parallel actions," as well as a call to achieve a trade between "denuclearization and corresponding measures" in accord with the two sides' level of confidence. The report underlined that *Rodong Sinmun* did not express any anti-American sentiments but put a positive spin on the summit, with a comment, "It was a meaningful opportunity to develop the relations between North Korea and the U.S. to the interests of their people." Both *Kyunghyang*<sup>26</sup> and *Hankyoreh*<sup>27</sup> on February 28, each with headlines playing up Moon's role, reported that Moon and Trump discussed follow-up measures and decided to meet each other soon; *Hankyoreh* additionally wrote that Trump asked Moon to actively play the mediating role between Washington and Pyongyang and share what the two Koreas discuss after talking to Kim.

## Follow-up Coverage of the U.S.-ROK Summit

Since the failure of the Hanoi summit, and throughout all of March, Washington and Pyongyang have fought a war of nerves. North Korea gave a sign of restoring its Tongchang-ri rocket launch site in early March and threw a tantrum through a press conference on March 15, in which it was said<sup>28</sup> that Kim is considering quitting talks with Trump. North Korea also arbitrarily left the inter-Korean liaison office on March 22, the day when Trump undid the yet-to-be-announced, additional large-scale sanctions<sup>29</sup> against the North via Twitter<sup>30</sup>; North Korean officials returned to the liaison office four days later, but the U.S. Treasury Department announced that newly-added penalties on two Chinese shipping companies accused of doing business with Pyongyang were kept in place. Meanwhile, two long-standing U.S.-ROK joint military exercises, Key Resolve and Foal Eagle, were called off and replaced by a smaller-scale exercise named Dong Meng, causing concern in Seoul, especially among the conservatives, that the U.S.-ROK alliance has weakened. In a bid to save the lost U.S.-DPRK talks and strengthen the uneasy U.S.-ROK alliance, Moon departed to Washington to have his seventh summit meeting with Trump on April 11. South Korean media's attention was on how much Moon would be able to narrow the identified gap between Washington and Pyongyang and revive the negotiations, given his past performances of successfully doing so at every difficult step of the way. Another point to watch for at this summit was, considering the distinct views Washington and Seoul have regarding how to accomplish denuclearization, how the two sides would form a consensus while not hurting the U.S.-ROK alliance.

Three talking points were mainly discussed at the summit: 1) a “top-down” approach is essential in the denuclearization process; 2) reopening the Kaesong Industrial Complex and resuming Mount Geumgang tours are premature but giving humanitarian aid is acceptable; and 3) a third U.S.-DPRK summit may happen but will not be rushed. However, against the designed purpose, some experts commented that after the Hanoi summit had exposed the difference in opinion regarding how to tackle the North Korean nuclear issue between the two leaders, as Trump hung on to his position of seeking a “big deal” whereas Moon hoped for a “small deal,” as an incremental step by partially easing sanctions and taking denuclearization measures accordingly, little had changed. South Korean conservatives, in particular, blasted Moon, saying that he earned nothing but got ripped off by Trump to purchase more U.S. military equipment and weapons owing to the summit. In North Korea, Kim gave a speech<sup>31</sup> at the 14th Supreme People’s Assembly on April 12, the first official statement directly from the leader since the Hanoi summit, calling on Trump to offer acceptable terms by the end of the year and for Moon to stop playing the “officious mediator”; Kim added that he is open to a third summit with Trump but only on the understanding that Washington changes its course. In response to Kim’s address, Trump tweeted<sup>32</sup> in less than 24 hours, “A third summit would be good in that we fully understand where we each stand” and “I look forward to the day, which could be soon”; Moon, during his meeting with senior secretaries on April 15, proclaimed that he is now ready for another inter-Korean summit as soon as the North is ready for the meeting.

Conservative papers pointed out that Washington and Seoul could not find common ground, and condemned the summit for ending without a joint statement. *Chosun* wrote on April 12<sup>33</sup> that Moon suggested a so-called “good enough deal,” in which Trump and Kim agree on comprehensive denuclearization measures first, and once North Korea takes action to dismantle some of its key nuclear facilities, including Yongbyon, the U.S. eases sanctions correspondingly, step-by-step, but Trump insisted on a “big deal” and “comprehensive agreement” exchanging Kim’s complete dismantlement of the regime’s nuclear program for sanctions relief; Moon invited Trump to visit Seoul, but there has been no agreement reached yet on such a visit. Furthermore, while Moon sought a third U.S.-DPRK summit to take place as early as possible, Trump replied he will not hurry the event as it demands a stepwise procedure. *Donga*<sup>34</sup> shared a view analogous to that of *Chosun* on the next day; Trump’s comment that reopening the Kaesong Industrial Complex and resuming Mount Geumgang tours would be inappropriate until Pyongyang denuclearizes, was a de facto rejection of Moon’s “good enough” suggestion. *Munhwa* wrote on April 13<sup>35</sup> that Moon’s middleman diplomacy is at risk, as Kim raised his voice against Moon, blaming him for being a meddlesome “mediator” and “facilitator,” and argued that Seoul should be the responsible party, protecting the interests of the country. Kim also said in his speech that “Seoul should end its dependence policy on foreign forces and subordinate all to improving inter-Korean relations” and according to *Munhwa*, Kim’s message was to urge Moon to be on his side, not sandwiched between Washington and Pyongyang, escalating a challenge for Seoul to meet the expectations from both sides.

On the contrary, progressive papers appreciated what Moon achieved through his meeting with Trump, solidifying the U.S.-ROK alliance and reconfirming the two presidents’ commitment to accomplish denuclearization. *Hankyoreh* wrote on April 12<sup>36</sup> that Moon rebooted the peace process, a relay of talks between the U.S. and ROK, to the two Koreas, to finally, the U.S. and DRPK. According to the report, Trump asked Moon to share as

quickly as possible what he discusses with Kim when the leaders of two Koreas meet for the first time since the Hanoi summit. *Hankyoreh* expected that Moon would send an envoy to North Korea before long, share the U.S.-ROK summit results with Kim, and propose an inter-Korean summit so that the meeting could be leveraged to move on to the next U.S.-DPRK dialogue. *Kyunghyang's* editorial<sup>37</sup> on the same day claimed that the greatest outcome from this summit was that Moon was assured of Trump's will to continue the denuclearization talks with Kim. While holding on to his preference for a big deal, Trump said, "There are various smaller deals that maybe could happen" and "You can work out step-by-step pieces," which showed some possible room for flexibility, *Kyunghyang* argued. The editorial also paid attention to Trump's support for humanitarian aid, such as supplying food to North Korea, and appraised Washington's attitude toward Pyongyang as "neither hot nor cold." It added that Moon should meet with Kim to rekindle the talks and suggested that a summit take place on April 27 or close to that day, as it would mark the one-year anniversary of the Panmunjom Declaration.

Now, with the ball back in Kim's court, he recently took another long train ride to meet with Russian president Vladimir Putin on April 25. The first encounter between the two strongmen in Vladivostok sent a message to the world, and especially to Trump, that Kim has more friends to team up with than just China, and Putin can wedge himself into this complicated nuclear negotiation in order to benefit from his position as one of the main stakeholders. On top of that, Chinese president Xi Jinping will reportedly pay a visit to Pyongyang in May, and this supposition was backed by a former North Korean diplomat who defected to South Korea in 2016, Thae Yong-ho.<sup>38</sup> With a fast-paced and unprecedented level of boisterous diplomacy in Northeast Asia putting the Korean Peninsula in the spotlight, Moon is calling for another inter-Korean summit, presumably to give new impetus to a third U.S.-DPRK summit and, eventually, to pave the way for a nuclear-free Korea, if things go according to the agenda envisioned by Moon and the progressive media of South Korea.

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# Japanese Media: Why Did the Hanoi Summit Fail and What Comes Next?

**Gilbert Rozman**

Japanese coverage of the diplomacy between Donald Trump and Kim Jong-un as well as the broader spectrum of international relations over North Korea has been intensive over the first months of 2019. Assessments of what to expect and then what really happened involve interpretations of North Korean intentions, the character of U.S. diplomacy, the role of South Korean diplomacy, the impact of China, and the geopolitical situation in Northeast Asia. Each development over this period has been scrutinized closely, often with an addendum: What does it mean for Japan? The fate of North Korea looms very large for a nation fearful of a missile attack from it, cognizant of the absence of any settlement after 1945 of its claims against Japan's occupational conduct, and nervous about the regional balance of power and U.S. trustworthiness as an ally and nuclear umbrella, when the United States itself is quickly coming under threat from the North's nuclear weapons. Below, the views on the political right range from *Sankei Shimbun* to the establishment-oriented *Yomiuri Shimbun*, and on the political left from *Asahi Shimbun* to *Tokyo Shimbun*. While editorials figure heavily into the analysis, much of the regular news coverage also serves to differentiate Japanese sources.

What negative outcomes does Japan fear from the success or failure of ongoing diplomacy over North Korea? In recent coverage we can identify at least eight worrisome outcomes: 1) failure of the talks resulting in a war scare beyond what occurred in 2017; 2) suspension of U.S.-DPRK talks and China as well as Russia breaking with the UN sanctions regime, fueling prospects of three-way coordination with China taking the lead; 3) discord about how to proceed with damaging U.S.-ROK relations, weakening the U.S. military presence in South Korea at a cost to Japan's defense; 4) South Korea splitting with the U.S. on the North and raising the specter of inter-Korean nationalism deemed hostile to Japan; 5) success of the talks based on "America First," agreeing to a deal on denuclearization (as a process) that leaves Japan's concerns about missiles and abductees aside, isolating Japan; 6) success of the talks leading toward reunification, also strengthening national identity versus Japan; 7) a new geopolitical framework replacing the talks, as the U.S. retreats from the region; and 8) a period of instability, where Trump only delays making decisions and Japan is left frustrated.

Four general responses to the Hanoi Summit and its early aftermath could be discerned in Japanese publications: 1) Trump outfoxed Kim, has a strategy reassuring to Japan, and the outcome in sight is positive; 2) Trump erred in his diplomacy but has been brought to his senses and now will follow a course welcome in Japan, however uncertain the outcome; 3) the situation is growing more dangerous, Trump does not know what to do, and Japan has to keep its eyes on the other players; and 4) Trump will renew diplomacy, keeping Japan off balance in coordinating with the U.S. as Japan struggles with its isolation in this diplomacy.

When anticipating what should come next, sources understandably suggest what their own government should do. Many in Japan emphasize the abductions issue and willingness to offer economic assistance when that along with denuclearization and missiles is addressed. One can discern how Abe Shinzo should proceed in diplomacy with each of the leaders active in the region. Of course, most attention centers on how he should deal with Trump or the alliance.

## The Background to the Hanoi Summit

Speeches by Trump and Abe at the United Nations in late September reflected the mood in the aftermath of the Singapore summit. Trump was all confidence on the prospects both of denuclearization and rapport with Kim Jong-un, claiming that their meeting had been very productive.<sup>1</sup> At that time, Moon Jae-in was predicting a second Trump-Kim summit by year's end, suggesting that Kim was seeking sanctions relief, and also an end-of-the-war declaration and humanitarian assistance.<sup>2</sup> Abe in New York now called for a summit with Kim, reacting to the North-South summit that month, where Kim had said that at an appropriate time such dialogue should occur, as transmitted by Moon. While North Korean media insisted that the abductee issue had been completely settled, Japan was conducting lower-level talks seen as a start to reopening the issue, along with talks about normalization of relations and economic assistance if the U.S.-DPRK talks advanced well. *Yomiuri* editorialized in favor of this effort, stressing the abductee theme, while acknowledging the importance of close Japan-U.S.-ROK coordination.<sup>3</sup> *Yomiuri* also editorialized skeptically about Moon's meeting with Trump in New York a week after his summit with Kim in Pyongyang that: the North is promising too little, planning to keep its nuclear weapons, and not agreeing to necessary steps such as a declaration of its nuclear weapons. Suspension of military exercises has made it harder to meet the military challenge, which has not diminished, and they matter for the stability of the whole region, the editorial made clear. Do not be taken in by North Korea's dialogue offensive, it warned in conclusion.<sup>4</sup> For the half year after Singapore, this was the outlook.

A *Yomiuri* editorial on February 22 warned against an easy compromise, insisting that until the triad of nuclear weapons, missiles, and abductees was settled, sanctions remain in place. If agreement is reached, then Abe can look forward to forging an environment leading to a Japan-North Korea summit. The editorial warned against a hasty deal, succumbing to the appeal of "success," casting doubt on Trump's trumpeting of test freezes, and pointing to Abe being asked to recommend him for the Nobel Peace Prize.<sup>5</sup> The U.S. should press for accelerated working level talks, pressure should be maintained, and Moon Jae-in's priority for North-South relations and exceptions to sanctions should not be followed, it advised.

As Kim Jong-un and Trump approached their second summit, the models they had in mind were different. One looked to Pakistan, accepted as a de facto nuclear weapons state; the other to Vietnam, successful in economic opening without threatening arms build-ups.<sup>6</sup> The former model considered arms reduction agreements to be a means to remove the U.S. nuclear umbrella and leave Japan and South Korea at the mercy of the North's short- and mid-range missiles.<sup>7</sup> The latter was encouraged by articles on North Korea's treasure house of natural resources and vast, latent economic power.<sup>8</sup> There was scant hope that a summit in Vietnam would tilt Kim Jong-un away from the Pakistan model as Trump was proposing.

Complaining that there is no progress to denuclearization, *Sankei* was frankest in asserting that if the summit is a "political show," we do not need it, adding in an advocacy piece that pressure must be sustained to the end, finding the North-South talks strange, and reacting to Trump's insistence that he is in no hurry about denuclearization.<sup>9</sup> *Tokyo Shimbun*, at the

other end of the political spectrum, was eager to keep the talks on denuclearization going, asking that Moon Jae-in prove that this is his focus and that Trump not let election planning for 2020 lead him to rush to claim success, while it added that Abe wanted to resolve the abduction issue himself even if he asked Trump to raise the issue.<sup>10</sup> Whether on the right or the left, coverage strongly doubted denuclearization is on the table in U.S.-DPRK talks.

Experts cited in the U.S. and South Korea were similarly clear about the North's intentions. Choi Kang argued that Japan has two roles: to influence U.S. policy on the basis of good bilateral ties and to influence North Korea by reserving economic cooperation until after the abductee issue is resolved and keeping up pressure on it.<sup>11</sup> Chun Yungwoo was insistent that North Korea be judged by its denuclearization actions, warning that if an exception were made, as in allowing sanctions relief for the Kaesong industrial park, the sanctions system would collapse.<sup>12</sup> South Korean critics of Moon's policies as well as U.S. think tank voices skeptical of Trump's apparent softness toward Kim Jong-un were widely cited in the press.

The progressive press was also nervous about Moon's eagerness to lift sanctions on the North early, warning that this would damage ties to the U.S. Meanwhile, both China and the U.S. link cooperation on North Korea to their trade talks, seeing progress in U.S. talks with Kim as good for Sino-U.S. relations.<sup>13</sup> Japanese progressives were pleased with the turn to negotiations and eager for a framework for regional peace and stability to ensue, taking seriously Kim's intention to prioritize the economy, but they doubted Trump's "political show" and called for improved Japan-South Korea ties despite Moon Jae-in's penchant for relaxing sanctions.<sup>14</sup> They too viewed the Hanoi Summit with concern that it could lead to Chinese and Russian moves toward North Korea, not only undermining further sanctions pressure but altering the geopolitical environment in Northeast Asia. Russia was especially eager to proceed, seeking South Korea's involvement too. Sergey Lavrov's presence in Ho Chi Minh City on March 25 and his meeting with Wang Yi a day later, just before the summit, renewed calls for sanctions relief in stages.<sup>15</sup> No newspaper advocated making common cause with either Beijing or Moscow. China was blamed for seeking to ease sanctions and urging U.S.-North Korea talks that would lead to that outcome with scant denuclearization. Russia was blamed for seeking to gain influence over North Korea, also focusing on eased sanctions.<sup>16</sup> There was scant hope that Japanese diplomacy with either would be constructive in this context; they were working against Japan's national interests.

Abe on February 20 expressed faith in Trump's approach, equating it to "Complete, Verifiable, Irreversible Denuclearization" (CVID), and indicated his position of backing up Trump, while explaining that Japan has repeatedly called for talks with the North but has received no reply.<sup>17</sup> Others in Japan had warned, however, that Trump has too much faith in himself and expresses satisfaction that there is no testing, as if that means a lot.<sup>18</sup> Uncertain about Trump, all sides sought a firm posture unwilling to rush into a deal.

Assuming that Pyongyang had scant interest in shedding its nuclear weapons, the Japanese saw Trump's diplomacy as essentially a stunt for domestic politics, better than Moon's approach with little regard for denuclearization and likely to prove abortive as reality set in and sober voices in the U.S. government got their way. The war scare of 2017 had passed, but there were few ideas about what to do except to ratchet up international pressure, involve Japan in direct talks, and negotiate more patiently with fewer top-down intrusions. Left on the margins, the Japanese could agree on strongly communicating to Trump the

importance of denuclearization and not cutting a deal, such as troop cuts in South Korea, impacting Japan.<sup>19</sup> As the Japanese obsessively watched Trump's moves with Kim Jong-un, the looming trade war gave them cause to consider linkages between Trump's diplomacy with Kim and with Xi Jinping.<sup>20</sup> When Kim visited Xi on January 8, there was talk of Xi playing the "North card" in an attempt to get a better trade deal from Trump. The China angle was foremost in thinking.

As the summit drew near, Japanese conservatives, as reflected in *Yomiuri*, were concerned that the U.S. was shifting to a stage-by-stage approach to denuclearization with a growing possibility of even catering to Moon's desire to loosen the sanctions and reopen Kaesong.<sup>21</sup> The paper editorialized that Trump should prepare carefully for the summit, make strong demands, and press for fuller enforcement of the sanctions regime.<sup>22</sup> Even in regular articles, there was no hiding concern that a Japan-U.S. gap over how to proceed was widening in the weeks preceding the summit.<sup>23</sup> Nerves were on edge in these final weeks.

## The Aftermath of the Hanoi Summit

The overwhelming response in Japan after the summit was relief. A bad deal was averted. The real gap between the two sides has been exposed, and now, based on reality rather than false hopes, matters could proceed. But how? For *Sankei* readers it was a time to gloat that South Korea had been turned from optimism to despair. Moreover, the North's "kingdom" has been revealed as never agreeing to denuclearization unless sanctions are greatly tightened, which the paper proposed to the international community with Japan taking the lead, demanding the full triad of changes. Yet, the threat remains of the U.S. cutting a deal to get intercontinental ballistic missile (ICBM) relief and of South Korea still rushing for North-South reconciliation, repeating past mistakes, as readers were told.<sup>24</sup> Japan will await direct talks with Kim on the abductees, but a complete squeeze of that country is best for achieving that goal as well as other goals. Already Kim has been put in a tough spot, which *Sankei* assumes to be the best way for countries to proceed.

As others, Japanese were nervous before the summit about Trump prioritizing the semblance of success for 2020 election purposes and to change the negative narrative about him in D.C., while paying attention to stories of divisions within his administration. Satisfaction was taken with the results, listening to Japan and not leaving it weakened on the abductions issue, listening to the South Korean voices concerned about the alliance, and acting in accord with a strategy eyeing the regional situation.<sup>25</sup> Trump had rejected comprehensive sanctions relief and only a limited closure of Yongbyon and stuck to the logic that pressure to denuclearize should not be relaxed. In their ten-minute phone conversation just afterward, Abe offered his complete support and was pleased that his request on February 20 for Trump to raise the abductee issue was granted.

While mainstream coverage lavished praise on Trump for his handling of the summit, some saw a disaster narrowly averted because Trump decided to avoid the criticism that would have come raining down had he made the deal before him. Trump-style diplomacy invited trouble; there was insufficient preparation, and Singapore's shaky deal only opened the door to trouble. Putting stress on "deals" as one's foreign policy approach is a pathway to danger, one analyst warned.<sup>26</sup> In an adjacent op-ed, Fujisaki Ichiro, former ambassador to the United States, wrote that talks should continue with full international pressure kept on

the North. If the talks are extended, Japan's opinion can be included; therefore, the summit ended in good fashion for Japan. Yet, if a four-party framework evolves and excludes Japan, this would be a concern. Thus, Japan should press China and Russia that it is time to act together. Kim Jong-un is not interested in a U.S. security guarantee but in sanctions relief and economic cooperation. The U.S. is acting as a representative of international society, but later South Korea, Japan, and China would be expected to provide economic assistance, and Japan should stick to its three-legged principles for doing so. There is a role for Japan, just not at the present stage of talks apart from close U.S. coordination, while awaiting an opportunity for direct dialogue with the North. Sanctions pressure must be kept.<sup>27</sup>

Concern was spreading in Japan over Trump's ending of large-scale, joint military exercises with South Korea, weakening preparations in case of an incident on the peninsula. Whether this was due to a desire to encourage the North in negotiations or to cut U.S. expenses in South Korea, as Trump was seeking, the effect was disturbing.<sup>28</sup> It could mean reduced pressure on the North and reduced U.S. commitment to its alliances in East Asia, but Japanese officials insisted that in walking away from the summit Trump was keeping up the pressure and his commitment was not diminished.

On the left, the failure was anticipated based on Trump's thirst for a victory for domestic politics, as Kim proved more wily.<sup>29</sup> Yet, note was also made of U.S. national security advisor John Bolton's growing influence, leading to a harder U.S. line and to China and South Korea offering a softer landing to North Korea, giving it a perceived alternative. While the Japanese government is happy that no compromise deal was reached, it should dangle economic assistance in return for progress on the abductee issue.<sup>30</sup> Furukawa Katsuhisa insisted that it is time for Japan to take a leading role in what must be a long-term negotiating process, in contrast to the rushed approach the U.S. was taking.<sup>31</sup> The left agreed with the right that Trump was prone to hasty concessions, but it did not embrace him once he had drawn the line in Hanoi, preferring another path forward.

On March 1, *Asahi* editorialized that Trump was correct to hold back from excessive concessions. Advance preparations were insufficient, and Trump's diplomacy is an experiment in gambling—a dangerous approach. Yet, even as the North turns to blaming the U.S., we must avoid a return to tensions on the peninsula, the paper says, adding that the U.S. should quickly change its way of negotiating so that real talks can proceed. It leaves unclear what is a realistic U.S. policy. According to one account, the two sides had agreed to open offices in each other's capitals and to accept an end-of-war declaration, but the talks floundered quickly on the denuclearization and sanctions tradeoff.<sup>32</sup> Much news from U.S. think tanks was soon relayed on North Korean actions contrary to denuclearization, whether building on sites or preparing for an ICBM test.<sup>33</sup>

A March 1 *Yomiuri* editorial blamed North Korea, insisting that its demands were hard to accept. It accepted Trump's explanation for the breakdown, noted that the abstract agreement reached in Singapore left complete denuclearization unclear, and insisted that a deal must also include elimination of missiles. Further, it doubted that the North would be swayed by the lure of becoming an economic great power since it would find large-scale investment and trade hard to reconcile with a closed system. The article made clear that

Japan fully supports the position Trump took, despite fears from U.S. experts that he might yield, and urges deeper coordination for a comprehensive three-part agreement in which the third leg of abductees would be Japan's responsibility.<sup>34</sup>

Japanese media and the government viewed the summit through the eyes of the abductees' families: Abe meeting with them on February 19, Abe beseeching Trump to press Kim Jong-un on the subject by phone on February 20, and the disappointment of the families showcased on March 1, when Trump agreed to pay a state visit on May 26 and be the first foreign leader to meet the new emperor. This theme made Japanese news coverage distinctive.

Despite early claims of success, North Korea from March 7 has been issuing warnings to the U.S., and Bolton has refocused claims to success on defending U.S. interests and insisting that the possibility remains that the North will trade complete denuclearization for a bright economic future, i.e., this was no failure. Japanese minister for foreign affairs Taro Kono on March 1 indicated Japan's full support for Trump's decision in Hanoi. Yet, the biggest U.S. disappointment was the absence of a promise for real progress toward complete denuclearization. Four stages are required: a freeze, then a complete declaration, then comprehensive inspection, and finally dismantlement. So far, there has only been a testing freeze with declarations of intent to do more, but no real denuclearization. Asking for removal of sanctions for the civilian economy is actually close to a complete removal. Yet, the article stresses that what the U.S. sought in Hanoi had a high possibility of leading to a rupture. North Korea had excessive expectations as it reported at home prior to the summit, and it was shocked by the outcome.

Not acknowledging failure, it did not blame Trump but pointed to the Democrats, the Cohen testimony, and the Russia investigation as tying his hands. The problem was not bilateral but internal to the U.S. Yet, Kim faces a big loss of prestige at home and delay in fulfilling economic promises. After a pause, failure was admitted at home amid warnings of a new path to securing sovereignty and the national interest. Preparations are now seen at a missile test site as well as repair work at another site, but Trump insists that personal ties with Kim are very good and that he would be surprised and disappointed should missile tests resume. Both sides claim that the ball is in the other side's court.

The article reports on activities abroad for liberating North Korea, suggesting that the U.S. may be behind them, beginning a soft power strategy to that end. Having lowered Kim's prestige, not only are economic sanctions being applied, but in and out of North Korea political, psychological, and information war to isolate the regime and change it is starting, the article suggests. If this were done, not only would weapons of mass destruction problems be resolved, but abductees from Japan and South Korea would be returned. Perhaps that is the Trump administration's plan. In brief, this involved raising Kim's expectations in the first summit and watching him convey them internally; dashing them and lowering his prestige; then in response to no progress in denuclearization, intensifying sanctions; and finally with new sanctions and pressure, capitalizing on mass discontent with psychological warfare and other means. In this process ties to Japan will strengthen. Yano Yoshiaki views this as a strategy to overthrow the regime through what he calls soft power, ruling out the use of

military power as too risky due to Kim's weapons and the Chinese and the Russian response. Yano even suggests that if the strategy works in this case, the U.S. may use it to overthrow China's communist system, taking the trade war as but the first salvo in this endeavor.

On March 8, *Gendai Business* focused on the difficult situation Kim is in after the Hanoi summit ended precipitously and whether he or Moon Jae-in can recover. Kim did not meet with Xi Jinping when his train passed by Beijing, as he would have if the talks had been successful. They met in January in close coordination for the fourth time, and after their meeting before the Singapore summit in 2018, Kim was emboldened from Xi's influence, to the point that the meeting with Trump had to be postponed. Not reporting a failed result to Xi suggests a loss of face for Kim and makes the failure even more complete. Especially fatal was the great fanfare before the summit inside North Korea that sanctions would be loosened by news of failure seeping into the country when the media was still reporting that talks would proceed. As a god-autocrat, Kim is especially vulnerable to the reaction. The article doubts that Kim will resume testing since that would lead the U.S. to resume its hard line or that denuclearization is now on the table, since that would be an admission of his failure. Sanctions will arouse popular dissatisfaction, shaking loyalty in the leader. Not having met with Xi Jinping, China's assistance is doubtful. Kim Jong-un is left at an impasse with nowhere to go, and loss of power in sight.<sup>35</sup> As for Moon Jae-in, who had appealed to the world for sanctions relief, he is seen to have totally misread Kim Jong-un. Kim's response to Trump has removed the possibility of the sanctions' relief Moon sought, and Moon has failed as a go-between and spokesperson for the North and transmitter of Trump's intentions to Kim, losing trust from both. His dream of "red reunification" and reunification with nuclear weapons are blown away, the article concludes.

JBPRESS on March 8 blamed the summit failure on Kim's over-optimism and Trump's welcome steadfastness, assessing the breakdown as good for Japan.<sup>36</sup> The worst-case outcome for Japan would have been a deal that only removed North Korea's ICBMs with nuclear weapons still aimed at Japan. The reason the talks collapsed is that the U.S. distrusts North Korea's words on denuclearization as it keeps developing its arsenal. Yet, much of mass media was surprised at the collapse, having looked at the trees but missed the forest and having had little faith that the U.S. would cut a good deal as it relaxed sanctions and that Trump would stick to making America great again. The U.S. has strong determination on denuclearization. Unless the North promises to give up the weapons it already has, the fate of the talks is to collapse.

The North's goals in the talks are sanctions relief and regime survival—which goes first? The author thinks denuclearization will take time and is inevitable to a degree, but a full declaration of what it possesses is a precondition. Kim's aims are regime survival, for which nuclear weapons are important, as well as unification led by North Korea. Trump's basic policy is "America First," use of overwhelming military force to suppress conflict or peace through strength at a time of the revival of great power competition, and no real compromise with North Korea despite minor concessions to draw it into negotiations. North Korea's promises mean little; verification is necessary at all stages. Despite confused messages from the Trump administration, now the process is functional, centering on CVID. Fortunately, Bolton joined the Hanoi talks, and his hardline position on regime change and denuclearization first reflects where things stand. Once pictures of him there were shown, "I was at ease," writes the author. The worst-case scenario for Japan is a unified Korea with

nuclear weapons, posing a military threat and arousing a debate on nuclear weapons in Japan, splitting the country. For now, Japan must rely on the U.S. and succeed by earnestly persuading it to seek CVID, writes Yokoyama Keisan.

On March 13 JBPress revealed what it called the secret U.S. strategy behind the stoppage in U.S.-North Korea summit negotiations, even as both sides made clear their desire for talks to resume.<sup>37</sup> Pompeo indicated that some time will be required to get the talks going again, and there was talk on both sides of progress made and expectations of further meetings. Yet, the real outcome was a rupture in ties, readers are told. In return for his dismantling the Yongbyon nuclear facility, Kim sought to rescind the five UN sanctions resolutions imposed since 2016, while Trump called for dismantling all facilities. Kim resisted, saying that relations of trust are insufficient.

Why talks were halted was explained differently by the two sides. The U.S. side demanded a level of denuclearization the North would not accept, while the North eyed removal of sanctions well beyond what the U.S. would accept, readers are told. Yet, the North insisted that it had only sought sanctions relief for the civilian economy and living standards, would have left in place six of the eleven Security Council resolutions, and would have committed to a written document permanently halting both nuclear and long-range missile testing. Yet, the U.S. demanded that more than Yongbyon be closed. Later, Bolton asserted that Trump had appealed for a big deal including all types of WMD and ballistic missiles. The article adds that Kono blamed the North for the breakdown, saying that the Trump administration has continuously called for complete denuclearization as well as the elimination of missiles. Given clashing accounts, it is difficult to judge which is correct, but the article suggests that Trump was on a “fishing expedition.”

In contrast to South Korea’s approach of seeking carrots for the North to get Kim to change his ways, Japan sought more pressure to make Kim realize that the only path to economic growth is to cut a deal to include the abductee issue.<sup>38</sup> The summit outcome was considered a blow to South Korea and vindication for Japan.<sup>39</sup> Throughout the process suspicion of Moon Jae-in has been conspicuous and that remains pronounced in the mid-spring of 2019.

Another Japanese outlook on the failure is that both sides made huge miscalculations, and the negotiating process must start again on a different track, not top-down. Trump exaggerated his deal-making power, and expectations were excessive for Kim to make concessions.<sup>40</sup> Summits are not supposed to be so poorly prepared, and failure can have dire consequences, as can the rush to make a deal with someone whose appetite for getting more will only be whetted, as in Munich prior to World War II. Now an impetuous Trump may lose interest, and the security situation in East Asia will become even more unsettled. At least that is better than a deal to spare the U.S. from ICBMs, leaving Japan exposed. The answer is not cooperating with China or Russia, which sympathize with North Korea on sanctions relief, but direct talks between Japan and North Korea, not occurring now due to Abe’s inadequate diplomatic skill, argued *Tokyo Shimbun*.<sup>41</sup>

While Chinese called on Japan to keep pressing for a cooperative approach with Beijing and Seoul, Japanese concluded that now Kim Jong-un is in a tough position, making him consider greater concessions instead of tricking Trump, and that anti-Trump forces and Japan had not wanted the Trump approach ignoring human rights and rushing to a weak deal.<sup>42</sup>

By April 23, when Japan's foreign ministry issued the *Diplomatic Bluebook*, a softened approach to North Korea suggested that Japan was seeking an opening for talks. In place of language on the "grave and imminent threats" from the North's nuclear weapons and missiles and the need for "maximizing pressure on North Korea," there was hope for a positive response on resolving the abductions issue, not "leveraging the international community's pressure on North Korea" to address it.<sup>43</sup> In response, *Sankei* warned against this shift in Japan's position, while blaming Putin for his words in meeting Kim, inflating Russia's presence, threatening the sanctions web, supporting North Korea's notion of stages, and calling for a return to the failed Six-Party Talks. Turning to China and Russia as his reserves, Kim is taking the wrong approach, only delaying making a choice for denuclearization.<sup>44</sup> *Sankei* differed from *Asahi* in opposing Japan taking a direct role in the diplomacy and for striving to keep the talks going, rather than standing firm.

An article explained why North Korea "hates" Pompeo, referring to an April 18 statement,<sup>45</sup> On February 27 of the five items on a draft deal, only one stood in the way—the facilities beyond the Yongbyon complex, which the U.S. side, apart from Trump, insisted be part of a "small deal." Trump seemed ready to sign a joint declaration, one Japanese source alleges, before Pompeo led him out of the meeting area with the warning that if Trump did so, he would lose the 2020 presidential election. Later, Trump insisted on a "big deal," even adding biological weapons not discussed at the working level. To North Koreans, Pompeo's intercession was to blame. Given this impression, Kim could still be happy with his personal relationship with Trump. To criticize Trump, however, risked returning to the mutual invectives of 2017, inserting name-calling of the supposedly infallible Kim deemed the worst offense by the North. Even so, the article sees flux in North Korea with people no longer willing to suffer, but as markets have spread along with cell phones, the falsity of the government narrative is exposed, foreboding the end of the Kim Jong-un system.

An *Asahi Shimbun* editorial on April 26 insisted that the North has no way out of its isolation but the path of denuclearization.<sup>46</sup> Worrying about the message in Hanoi that this was the only way forward, Kim was trying in the Kim-Putin summit to suggest another way out, but it is hopeless, as Putin made clear after the summit, although in 2018 he had called for relaxing sanctions and shown understanding for why the North had developed nuclear weapons. The editorial called on Abe to use multiple routes to arrange a summit with Kim too, including working with four countries at the G20 summit to get across Japan's position on the North Korean issue.

A *Yomiuri* editorial that day was more concerned that Russia would complicate the process of denuclearization between Washington and Pyongyang.<sup>47</sup> It cited Putin's remarks at a press conference following the summit on guaranteeing the North Korean system and the impact on the process of adding China and Russia. Hoping that direct talks with Trump can avoid the need of complete denuclearization or involvement of China and Russia can do so, Kim is not making the tough decisions. The editorial ends with a call for Russia to meet its obligation to send back North Korean laborers by year's end, as if it doubts Russia's commitment to keeping sanctions.

## Conclusion

Japanese sources have hesitated to criticize Trump, but they were noticeably relieved with the outcome of the Hanoi summit. There is no sharp conservative-progressive divide. The shared message is that maximum pressure must be sustained until Kim Jong-un makes the decision to denuclearize. Criticism of Moon Jae-in is prevalent. Doubts about China and Russia are evident. Yet, optimism prevails that pressure is working and will persist, forcing Kim Jong-un to relent. In this process, Tokyo must find a way to become actively involved. Thus, the notable shift of late to opening the door for an Abe-Kim summit fits into this sense of hope, however artificial it might appear. After all, Japan has been left on the sidelines and has the least optimism that Kim Jong-un will agree to denuclearize or that a step-by-step deal would not unravel soon.

On the far right, *Sankei* expresses strong pessimism that South Korea, China, and Russia are committed to the sanctions regime and to denuclearization. On the left, *Asahi* is the most optimistic regarding diplomacy, and encourages Abe to join the fray, if possible. Leading the mainstream response, *Yomiuri* at least feigns optimism, putting Trump's policy choices in the best possible light and anticipating that Abe can hold firm to his position on abductees, as Kim comes to realize that Japan should be drawn into the diplomatic whirlpool. The divisions are not as sharp as in South Korea and the United States, as the Japanese know they have little chance to play a major role in the current stage of diplomacy engaging the other five parties

## Endnotes

- <sup>1</sup> *Yomiuri Shimbun*, September 26, 2018, 1.
- <sup>2</sup> *Yomiuri Shimbun*, September 27, 2018, 9.
- <sup>3</sup> *Yomiuri Shimbun*, September 29, 2018, 3.
- <sup>4</sup> *Yomiuri Shimbun*, September 26, 2018, 3.
- <sup>5</sup> *Yomiuri Shimbun*, February 22, 2019, 3.
- <sup>6</sup> *Asahi Shimbun*, February 26, 2019, 1-11.
- <sup>7</sup> *Sankei Shimbun*, February 26, 2019, 6.
- <sup>8</sup> *Yomiuri Shimbun*, February 26, 2019, 9; *Mainichi Shimbun*, February 23, 2019, 2; *Tokyo Shimbun*, February 28, 2019, 24.
- <sup>9</sup> *Sankei Shimbun*, February 26, 2019, 2.
- <sup>10</sup> *Tokyo Shimbun*, February 26, 2019, 5.
- <sup>11</sup> *Nihon Keizai Shimbun*, February 26, 2019, 9.
- <sup>12</sup> *Yomiuri Shimbun*, February 21, 2019, 7.
- <sup>13</sup> *Mainichi Shimbun*, February 26, 2019, 3.
- <sup>14</sup> *Asahi Shimbun*, January 8, 2019, 14.
- <sup>15</sup> *Tokyo Shimbun*, February 26, 2019, 12.
- <sup>16</sup> *Yomiuri Shimbun*, February 28, 2019, 9.

- <sup>17</sup> *Yomiuri Shimbun*, February 21, 2019, 2.
- <sup>18</sup> *Mainichi Shimbun*, February 26, 2019, 3.
- <sup>19</sup> *Asahi Shimbun*, January 23, 2019, 16.
- <sup>20</sup> *Sankei Shimbun*, January 9, 2019, 2.
- <sup>21</sup> *Yomiuri Shimbun*, January 27, 2019, 2.
- <sup>22</sup> *Yomiuri Shimbun*, February 8, 2019, 3.
- <sup>23</sup> *Yomiuri Shimbun*, January 27, 2019, 7.
- <sup>24</sup> *Sankei Shimbun*, March 1, 2019, 1-3.
- <sup>25</sup> *Yomiuri Shimbun*, March 1, 2019, 1-2.
- <sup>26</sup> *Yomiuri Shimbun*, March 1, 2019, 7.
- <sup>27</sup> Ibid.
- <sup>28</sup> *Yomiuri Shimbun*, March 5, 2019, 3.
- <sup>29</sup> *Asahi Shimbun*, February 28, 2019, 3.
- <sup>30</sup> *Asahi Shimbun*, March 1, 2019, 3.
- <sup>31</sup> *Asahi Shimbun*, March 1, 2019, 19.
- <sup>32</sup> *Yomiuri Shimbun*, March 5, 2019, 2.
- <sup>33</sup> *Yomiuri Shimbun*, March 8 and 9, 2019, 3.
- <sup>34</sup> *Yomiuri Shimbun*, March 1, 2019, 3.
- <sup>35</sup> “‘Rekishiteki daishittai’ o miseta Kim Jong-un to Moon Jae-in ni, kono saki akarui mirai wa nashi,” *Gendai Business*, March 8, 2019.
- <sup>36</sup> “Tsuyoi ishi o shimeshita Beikoku to amaku misugita Kitachosen,” JB Press, March 8, 2019.
- <sup>37</sup> “Beicho shuno kaidan chudan no haigo ni himerareta Beikoku no senryaku,” JB Press, March 13, 2019.
- <sup>38</sup> *Sankei Shimbun*, March 1, 2019, 7.
- <sup>39</sup> *Yomiuri Shimbun*, March 1, 2019, 9.
- <sup>40</sup> *Asahi Shimbun*, March 1, 2019, 1-2.
- <sup>41</sup> *Tokyo Shimbun*, March 1, 2019, 1.
- <sup>42</sup> *Asahi Shimbun*, March 1, 2019, 13.
- <sup>43</sup> *Asahi Shimbun*, April 24, 2019.
- <sup>44</sup> *Sankei Shimbun*, April 26, 2019.
- <sup>45</sup> *Asahi Shimbun*, April 24, 2019.
- <sup>46</sup> *Asahi Shimbun*, April 26, 2019.
- <sup>47</sup> *Yomiuri Shimbun*, April 26, 2019.





Why Did the Hanoi Summit  
Fail and What Comes Next?  
The View from Russia

**Artyom Lukin**

This chapter provides an overview of Russian expert commentary found in Russia's media during the run-up to the Trump-Kim summit in Hanoi and in its aftermath, covering the period of January to April 2019. The chapter also covers Kim's first meeting with Vladimir Putin that took place in Vladivostok in late April. With regard to the Korean Peninsula's nuclear problem, Russia's commentariat traditionally splits into three groups. The first includes specialists who are more or less neutral toward North Korea. The second one is formed by experts who sympathize more with Pyongyang and tend to blame Washington and American allies for anything that goes wrong on the Korean Peninsula. The third group, now almost extinct in Russia, represents liberal and pro-Western pundits who loath the North Korean regime and view it as a major threat to international, and Russia's, security.

Similar to Western media, the Russian press has extensively covered the preparations for the Hanoi summit, the event itself, and its outcomes. The tone of the Russian reporting did not differ much from that of the world's media. Most of the Russian commentators sounded moderately optimistic prior to the two-day summit, expecting that at least something would come out of it. That the second Kim-Trump rendezvous failed to produce any deliverables came as a somewhat disappointing surprise to most Russian observers. Still, the general mood remained cautiously optimistic even after Hanoi's apparent failure, with the prevailing majority of Russia's Korea watchers believing diplomacy between Pyongyang and Washington would continue and might eventually succeed.

The Russian commentary on the Vladivostok summit was generally positive, hailing the symbolism of Moscow's return to the major leagues of Korean Peninsula geopolitics. At the same time, many experts pointed out that, beyond displaying the decorum of the traditional Russia-DPRK friendship, the Kim-Putin summit produced modest outcomes.

## Neutral Commentary

Georgy Toloraya, former diplomat posted to Pyongyang and Seoul and now an academic, is probably Russia's most prolific commentator with respect to Korean affairs. According to Toloraya, Kim Jong-un miscalculated by pinning too much hope on his ability to secure major unilateral concessions from Donald Trump during face-to-face talks and by having neglected the lower-level negotiations. In much the same vein, despite the lack of preparations at the working level, the U.S. side hoped to achieve a breakthrough at the summit talks. This should serve as a good lesson for the future.<sup>1</sup>

Toloraya argues that the Hanoi summit was not a failure, but, rather, a temporary setback. He points out that, importantly, Kim and Trump remain committed to further dialogue. Toloraya believes that the sides have already managed to make some progress in negotiations, somewhat narrowing the gap that existed in their positions. Toloraya sees the current situation as rather unpredictable and precarious, with the potential of reversing to a crisis mode at any moment. However, he is cautiously optimistic, seeing hope for positive dynamics and even a breakthrough. Until recently Washington had no intention to earnestly negotiate with the North and only waited for the Pyongyang regime to collapse, but, also, according to Toloraya, the U.S. stance may be now changing. The Trump administration may be harboring the desire to turn the DPRK from foe into partner, chiefly on an anti-Chinese basis. If Pyongyang becomes instrumental to the U.S. strategy of balancing China in the

Asia-Pacific, Washington could turn a blind eye to North Korean nuclear weapons. Toloraya sees the idea of using North Korea to help counterweigh China as not only belonging to Trump but also being embraced by the American establishment. That said, the Russian analyst is skeptical that Kim Jong-un would buy into this anti-China plan, at least for now.<sup>2</sup>

Parsing Kim's keynote speech to the Supreme People's Assembly, the DPRK rubberstamp parliament, Toloraya notes as an encouraging sign that the North Korean supreme leader refrained from making any overt threats to the U.S., such as resuming nuclear or intercontinental ballistic missile (ICBM) tests that many observers feared would have been Pyongyang's response to the American inflexibility at the Hanoi summit. Toloraya interprets the economic part of Kim's address, in which he emphasized the need for even more self-reliance, as an indication that the DPRK leadership has realized that the sanctions are unlikely to be lifted any time soon. Toloraya points out Kim's fairly harsh rhetoric with respect to the South Korean leadership, which was called upon to be guided by the "nation's interests" and to act in unison with the North, rather than subordinating to the "external forces." He views this as an attempt to exercise psychological pressure on Moon Jae-in and adds that such rude tactics would hardly inspire Seoul to act on the North's behalf. That Kim gave Trump "until the year end" to come up with proposals that could be acceptable to Pyongyang, Toloraya sees as another pressure tactic by the North Korean leader. Kim is well aware that the year 2020 will be dominated by elections both for Trump and Moon. Another tense standoff with North Korea is something they hardly want to confront during an election season. Yet, a return to a war scare around the Korean Peninsula looks quite realistic. If, in the end, the events take such a grim turn, Toloraya argues, the blame could not be put entirely on Pyongyang, as its proposals for the phased and gradual, "action for action" approach to denuclearization are quite reasonable.<sup>3</sup>

Konstantin Asmolov agrees with Toloraya, viewing Hanoi as a temporary setback, rather than as a complete failure. Asmolov gives three possible, mutually non-exclusive explanations for why the sides failed to reach an agreement. All of them mainly have to do with American domestic politics. First, there is the White House national security advisor John Bolton, whose excessive demands to the North during the second day of the Hanoi talks might have killed the chance for an agreement. Asmolov characterizes Bolton as a "typical representative of the messianic thinking common to the American establishment, which resembles the mindset of the Islamic fanatics or Comintern activists." Such people do not negotiate—they present ultimatums. The second explanation, according to Asmolov, can be found in the strong resistance by the national security bureaucracy and by many influential experts to Trump's policy of engagement with the North. They view Trump's North Korea policy as either utterly incompetent or as a waste of time because the North cannot be trusted and has never intended to denuclearize. Third, Trump's decision to walk out of the summit with no agreement was pre-determined by the atmosphere created by the U.S. mainstream liberal media in the run-up to Hanoi, which kept saying that Trump would be willing to sign a deal with Kim, even if it involved unilateral concessions by the U.S., in order to paint it as a major foreign policy victory. Trump realized that under such circumstances, any deal with Pyongyang would be portrayed by his domestic enemies exclusively as an attempt to boost his sagging political fortunes. Therefore, he chose to refrain from making an agreement with Kim, which, short of Pyongyang's full surrender, would inevitably be lambasted by Trump's opponents as a sell-out of American national interests. At the same

time, even in the absence of an agreement, the status quo basically suits Trump as long as Kim refrains from nuclear and missile tests and the sanctions regime remains in place. As a result, Trump emerged from Hanoi as a firm negotiator, who staunchly defends American interests. Asmolov thinks that Trump's decision to walk out of the talks with Kim did work as intended, sparing him a likely barrage of criticism from his political opponents.

Asmolov believes that continuation of the post-Hanoi dialogue depends more on Trump than on Kim. He forecasts that Trump could aim for a third summit with Kim when he feels more confident in terms of the domestic political situation. Asmolov argues that Kim, too, continues to be interested in negotiations with the U.S. Kim might even make some goodwill gesture in order to underscore his willingness for engagement and invite reciprocal moves from Trump. At the same time, the Hanoi summit had a negative impact on inter-Korean relations, leading to further delays in the South-North projects and contributing to a decline in Moon's approval ratings.<sup>4</sup>

Andrei Lankov, currently based at Kookmin University, is convinced that Pyongyang is extremely keen to continue negotiations with the U.S. The DPRK's leadership will never completely abandon nuclear weapons, but they are ready for some compromise and are, in fact, eager for it. This is why Pyongyang is signaling that, unless Washington shows willingness to negotiate based on reasonable mutual concessions, the DPRK could create major problems for Washington and personally for Trump. One obvious way of putting pressure on Trump post-Hanoi would be to resume the launches of long-range ballistic missiles. Since late November 2017, Pyongyang has been observing a self-imposed moratorium on such launches. Speaking through First Vice Foreign Minister Choe Son-hui, the DPRK leadership sent a message that the moratorium may be reversed. Resumption of ballistic flights would be a big blow to Trump, who has hailed the absence of North Korean missile activities as his major achievement.

According to Lankov, Pyongyang does not want to significantly escalate the tensions on the peninsula, fearing Trump's unpredictability. The North Korean leadership well remembers how Trump threatened war in 2017 and probably was serious about it. If escalation happens now, it may not be as dangerous for North Korea as it was back in 2017. China has returned to its traditional policy of providing low-profile support to the DPRK, while South Korea is presently ruled by the leftist nationalists who favor engagement and peaceful coexistence with the North. That said, Pyongyang's current main aim is negotiations with Trump, rather than ratcheting up tensions. Negotiations should not lead to full denuclearization, but to some limitations on the North's nuclear weapons in exchange for political and economic concessions from the U.S. It remains to be seen, Lankov notes, whether Trump will get Pyongyang's message that his reliance on hard-liners such as Bolton could cost him dearly.<sup>5</sup>

Igor Pankratenko identifies Beijing as the main beneficiary of the Hanoi summit. Pankratenko argues that China's apparent non-interference in the Pyongyang-Washington diplomacy is deliberate deception. In reality, Beijing closely follows the North Korean-U.S. dialogue. More than that, the Chinese are writing its script. Pankratenko claims that Beijing seeks to use its influence over North Korea as leverage in its all-important relationship with Washington. Pankratenko goes as far as to suggest that, during his visit to Beijing in January 2019, Kim Jong-un received guidelines from Xi Jinping on how to conduct talks with Trump. The Chinese wanted the Hanoi summit to fail, and they succeeded in that. After Hanoi, the

U.S.-DPRK negotiations are doomed to drag on without any results, unless Trump asks Xi for assistance and mediation. Beijing would be happy to oblige, but only in exchange for American readiness to accommodate Chinese wishes in the ongoing trade talks.<sup>6</sup>

The effect of sanctions on North Korea and whether sanctions determined Kim's behavior at Hanoi is a controversial issue on which Russian commentators, even those who belong to the neutral group, do not have a uniform opinion. The article in *Izvestiya* written by Natalya Portyakova claims that the North's economy has been noticeably deteriorating due to the impact of crippling sanctions.<sup>7</sup> Oleg Kiryanov has a different opinion. He notes that the economic situation in North Korea, albeit not excellent, is bearable, allowing Kim Jong-un to patiently wait, probably until the arrival of the next U.S. president, if Pyongyang meets no success in dealing with Trump.<sup>8</sup> Lankov emphasizes that the situation with the sanctions is mixed. On the one hand, the currency exchange rate as well as the price of rice and other essentials remain relatively stable. On the other hand, there are mounting indirect signs of troubles in the economy, with a serious food crisis as a distinct possibility.<sup>9</sup> Lankov believes that the worsening economic situation, caused by sanctions, led the North Korean delegation to put the issue of sanctions relaxation at the top of the agenda. Regardless of the extent the sanctions may or may not be impacting the North's well-being, almost all commentators are convinced that no amount of economic hardship would force the regime in Pyongyang to renounce its nuclear program.

## Pro-DPRK Commentary

This group includes prominent Russian experts who exhibit varying degrees of pro-North Korean sympathies, depicting Pyongyang as an existential survivor that needs nuclear weapons for deterrence and self-defense. They tend to put the onus on the U.S., seeing Washington, not Pyongyang, as a villain and the main destabilizing force in Northeast Asia. Alexander Zhebin views Trump's efforts at engagement with the North as part of a larger strategic plan, in which denuclearization may not necessarily be the main goal. Writing a few weeks prior to the Hanoi summit, Zhebin refers to some unnamed American think tanks close to the U.S. government, which allegedly have drawn up a blueprint to strengthen American positions in Northeast Asia by building a new security system there. This system would involve American security guarantees to both South and North Korea. The objective is to form a "trilateral partnership" that would, firstly, preclude Chinese domination of the Korean Peninsula; secondly, create a counterbalance to China in the Asia-Pacific; and, thirdly, reassure Japan. According to Zhebin, the U.S. strategists count that Pyongyang, despite some recent normalization with China, would be receptive to this plan because it deeply distrusts Beijing and fears its rise. Trump's "maximum pressure" campaign, combined with promises of security and prosperity underwritten by the U.S., should persuade the Pyongyang regime to accept this plan. However, Zhebin is doubtful that such a plan will work with Pyongyang. Even though the North Koreans are eager for rapprochement with the Americans, they are unlikely to abandon China, which was underscored by Kim's trips to Beijing prior to his summits with the U.S. and ROK presidents. Furthermore, Zhebin argues, the Trump administration's interference in the Venezuelan crisis against the Maduro regime cannot but signal to Pyongyang that similar techniques might be used elsewhere.<sup>10</sup>

In his post-Hanoi comments, Zhebin opined that North Korea, albeit interested in talks with the U.S., is wary of any far-reaching deals with Trump because after Trump leaves, either at

the end of his election term or as a result of impeachment, the next administration could easily reverse all agreements made by him. As Zhebin notes, the North Koreans have had enough negative experience of such a kind when U.S. presidential administrations have changed in the past.<sup>11</sup> Still, Zhebin thinks that even after the Hanoi talks fell apart, the two sides retain a stake in the continuation of dialogue. They have some mutual interests, which makes future progress possible in the negotiations.<sup>12</sup>

In early February of 2019, Alexander Vorontsov gave a relatively upbeat forecast for the second U.S.-DPRK summit. He predicted that the meeting in Vietnam could provide a significant impetus toward bilateral normalization. However, Vorontsov hedged his bets by pointing out that the U.S. policy toward North Korea is made at two levels, which creates a lot of uncertainty. On the one hand, there is the presidential policy of Donald Trump who seems eager to establish friendship with Kim. On the other hand, there is “the policy of the U.S. establishment” many of whose members insist on a hard line with North Korea and demand its full denuclearization before removal of sanctions. The establishment also worries that rapid rapprochement with North Korea will undermine Washington’s alliance with Seoul. Vorontsov opined that, given his unpredictability and unorthodoxy, Trump could afford to do something during the summit that would go against the bureaucracy’s wisdom.<sup>13</sup>

As it later turned out, Trump was either unwilling or unable to overrule his lieutenants at the Hanoi summit who apparently demanded much bigger concessions from Kim, partly proving Vorontsov’s assessment about Washington’s two-level North Korea policy. After Hanoi, Vorontsov still saw opportunities for diplomacy, including a third Trump-Kim summit. South Korea’s Moon was to play the key mediating role in the U.S.-North Korea dialogue. The U.S. insistence on a “big deal” at Hanoi—the North’s immediate denuclearization in exchange for the removal of sanctions and normalization of political relations with the U.S.—is, according to Vorontsov, no more than a negotiating tactic. The only realistic path toward denuclearization is an incremental, phased process.<sup>14</sup>

Gleb Ivashentsov, Russia’s former ambassador to Seoul, and current vice president of the Russian International Affairs Council, published an essay in March 2019 in which he reflects on the causes of the Korean nuclear problem and possible paths to its solution.<sup>15</sup> Ivashentsov argues that the problems on the Korean Peninsula have two main components. The greatest emphasis is placed on North Korea’s nuclear crisis, but there is another component, the inter-Korean crisis, with the Korean nation being split into two separate states for over seventy years. Should Pyongyang abandon its nuclear program, this action, in and of itself, would not put an end to the North-South confrontation. At the same time, inter-Korean normalization could provide a powerful impetus to resolving the nuclear problem since North Korea’s nuclear missile program is a result of the confrontation between the two Koreas, with the U.S. siding with South Korea for over six decades.

Ivashentsov sees Trump’s turn from threatening a military strike against Pyongyang to holding the first summit with the North Korean leader as largely a forced move. Moon Jae-in’s perseverance in the cause of inter-Korean détente and the negative international sentiment concerning military actions against North Korea that threatened a nuclear war, played their part. On the other hand, U.S. allies were unwilling to become involved in new reckless U.S. escapades in North Korea, with that unwillingness clearly manifested in

Vancouver where a ministerial-level meeting was held in January 2018 between the states that had participated in the Korean War as part of the UN forces in Korea. Ivashentsov sees North Korea as being genuinely interested in a détente with the U.S. He suggests that future North Korea-U.S. relations could achieve the level of today's U.S.-Vietnam ties when the war is remembered, but that memories of the past do not hinder partnership in the present. He speculates that this might have been the thought behind the decision to choose Hanoi as a venue for the second North Korea-U.S. summit.

Explaining why the Hanoi talks fell apart, Ivashentsov puts the responsibility squarely on Washington. Pyongyang had the right to expect that stopping nuclear tests and eliminating the Punggye-ri nuclear test site would result in the lifting of at least some of the sanctions. Washington, however, continued to insist on keeping all sanctions in place until North Korea's complete nuclear disarmament. Ivashentsov also emphasizes Trump's precarious domestic situation and asks: is Kim Jong-un interested in going all in on Donald Trump, given the latter's favorable attitude toward the North Korean leader? Ivashentsov believes it is in Kim's interest to delay any specific agreements to insure himself against Trump's successor reneging on all the commitments, just like Trump today is withdrawing from the agreements concluded by his predecessors.

Envisioning a way forward, Ivashentsov advocates a return to the format of the Six-Party Talks (the two Koreas, the U.S., China, Russia, and Japan), which should be based on a stage-by-stage approach using the "action for action" principle. He proposes that North Korea's nuclear program should be separated from its missile program. The DPRK's nuclear status is enshrined in its constitution and this currently appears to be non-negotiable for Pyongyang. At the same time, guarantees of non-proliferation by the North of its missile and nuclear technologies and putting a freeze on its missile program could be discussed. The exacerbation in North Korea-U.S. relations in 2017 was primarily prompted by the North Koreans developing a missile that could deliver a strike against the continental U.S. According to Ivashentsov, the U.S. is mostly concerned with North Korea's ICBMs. Pyongyang could stop developing ICBMs, freeze production of nuclear materials, and open its nuclear facilities for international inspections. In exchange, Washington should officially recognize North Korea, establish diplomatic relations, exchange embassies, curtail military activities close to its borders, scale back and ultimately lift the sanctions, and provide economic and energy aid to the North. Ivashentsov further argues that a peace treaty on the Korean Peninsula should be signed by the two independent sovereign states, North Korea and South Korea, possibly with guarantees provided by the five permanent members of the UN Security Council: Russia, China, the U.S., the UK, and France.

Ivashentsov concludes that achieving complete trust on the Korean Peninsula is hardly possible in the foreseeable future, but that a certain degree of confidence is a feasible goal. Despite the limited nature of their results, the summits in Panmunjom, Pyongyang, Singapore, and Hanoi could serve as starting points in moving toward lasting solutions.

## Anti-DPRK Commentary

Vassily Mikheev is one of the very few senior Russian experts who openly criticize the DPRK as an inhumane, totalitarian regime which cannot be trusted. Commenting in the run-up to the Hanoi summit, Mikheev predicted that the Trump-Kim second meeting would probably

produce some declaration but no specific deliverables. Mikheev sees an irreconcilable gap between Washington and Pyongyang's positions. The U.S. demands full denuclearization while North Korea views nuclear weapons as the only reliable guarantee of its security. According to Mikheev, Pyongyang seeks for itself something akin to the Indian status, which is *de facto*, albeit not *de jure*, recognition as a nuclear-weapons state. North Korea wants to split the process of denuclearization into multiple stages in order to rake in rewards, such as sanctions relaxation, for each of them. Mikheev believes there is a risk that Trump might agree to North Korean proposals for a step-by-step process. If it happens, Mikheev argues, it will be a big mistake of American diplomacy. Pyongyang will cheat on denuclearization and, in the end, will consolidate its nuclear status, resulting in the Indian option. Mikheev holds that such a scenario will be fundamentally detrimental to the nuclear non-proliferation regime and will harm the interests of Russia as one of its main guarantors and beneficiaries. Russia, Mikheev asserts, has always been against North Korea gaining a nuclear status.<sup>16</sup>

## The Vladivostok Summit of Putin and Kim

On April 24-26, 2019, Kim Jong-un made his first official trip to Russia and held a meeting with Vladimir Putin on Russky Island in Vladivostok. Kim's first visit to Russia was supposed to take place much earlier: in May 2015 the Kremlin expected him for the celebrations marking the 70th anniversary of the victory over Nazi Germany, but, in the end, Kim chose to stay home. Had Kim come to Moscow then, it would have become his first foreign visit as North Korea's supreme leader. In hindsight, Kim's failure to make an appearance at Moscow's Victory Day parade in 2015 looks like a prescient move to save his first foreign trip for China, even though Pyongyang's political relations with Beijing were at their nadir back then. For all the twists and turns of the Sino-North Korean relationship, the leadership in Pyongyang was likely aware all the time that China was, and would remain, the North's main benefactor. Eventually it was to Beijing that Kim Jong-un paid his first foreign visit, in March 2018, in an obvious show of deference to China's Xi Jinping.

However, sooner or later, Kim's trip to Russia was inevitable. Russia is an important and generally friendly neighbor as well as a great power with a veto at the UN Security Council. Also, in terms of maintaining a dynastic tradition, both Kim's father and grandfather visited the Soviet Union and Russia multiple times. Kim had a standing invitation since May 2018 when Russian foreign minister Sergey Lavrov visited Pyongyang and, on behalf of Putin, invited the North's supreme leader to come to Russia. According to some reports in the Russian press, the Kremlin began pushing for Kim's visit after the announcement of the first U.S.-DPRK summit, which came as a surprise to Moscow.<sup>17</sup>

Throughout 2018 and up to the Hanoi summit Kim was too busy pursuing summit diplomacy with the United States, South Korea, and China. He apparently did not have much time left for Russia, relegating relations with Moscow to his lieutenants and diplomats. Post-Hanoi, when the diplomatic process with Washington—and Seoul—stalled, Kim's calculations, and schedule, changed. There were few major world leaders with whom Kim could have meaningful meetings. He had already been to China four times and another visit there would underscore Pyongyang's excessive reliance on Beijing. So, Russia looked like the most

logical choice for Kim. He could expect a warm reception that would boost his international and domestic prestige and demonstrate that Pyongyang had close friends beyond China and Cuba.

Putin also desired this summit, but needed it less than Kim. For Moscow, a summit with North Korea was important mostly for international prestige. It was to symbolically reaffirm Russia's traditional great-power role as a major player on the Korean Peninsula, whose influence on Korean affairs might be smaller than that of the United States and China but bigger than that of Japan. Kim's stakes in this summit were higher, given that the prospects for ending the U.S.-led economic isolation of North Korea significantly dimmed after Hanoi. Subjected to a virtual economic blockade, Kim needed friends and allies who would be willing to help him out. For Kim, Russia was one of the very few remaining options to get some relief and survive a difficult period.

We do not know precisely what Russian and North Korean leaders discussed during their three-hour talks, but it seems few, if any, concrete agreements or decisions were made. In his public statements after the summit, Putin sounded noncommittal regarding any new political, diplomatic, and economic support for North Korea. Kim apparently failed to get Putin to commit to any substantial aid to the North. Moscow was unwilling to unilaterally relax the sanctions, such as allowing North Korean guest workers to stay in Russia in defiance of the UN Security Council resolutions, or providing an economic lifeline to the North in any other form. For one thing, Russia was loath to undercut the authority of the UNSC, the most important global governance institution, in which Moscow is hugely invested as a founding and veto-holding member. Moreover, it was hard to think of any scenario where Russia would return to the Soviet pattern of being a major donor for the DPRK. Moscow provides direct and indirect subsidies only to those states which it sees as belonging to a Russian sphere of influence and, in exchange, they must toe the Kremlin's political line. North Korea is neither seen as being within the Russian sphere of influence nor likely to take any political directions from Moscow. One indirect indication that Kim was not entirely happy with the summit's outcome was his decision to cut short his visit to Vladivostok and depart earlier than initially planned.

The denuclearization issue was the other key topic on the agenda discussed by Putin and Kim. In this regard, too, the summit appears to have produced little. Kim did not bring to Vladivostok any new proposals different from those Pyongyang had already presented at Hanoi. After the talks with Kim, Putin hinted at Kim's pertinacity: "he (Kim) is determined to defend his country's national interests and to maintain its security."<sup>18</sup> Putin did not sound like he was very enthusiastic about playing a mediation role between Pyongyang and Washington, only promising to convey North Korea's position to the U.S. leadership. Even if Kim had wanted any mediation from Russia, which is in itself a questionable proposition given Pyongyang's eagerness for direct talks with Washington, it is far from certain that Putin would have personally committed to any major mediation effort for North Korea. Putin has been familiar with the Korean problem for almost two decades, since he made a visit to Pyongyang in 2000. He is perfectly aware of how intractable the Korean knot is. He also knows that mediation between North Korea and the U.S. is a thankless job, with low chances of success. Another reason Putin may not want to become too much

involved in the Korean conundrum is his preoccupation with the Middle East, where the Kremlin established itself as a kingmaker and has got real leverage. Putin's main geopolitical game is currently there, rather than on the Korean Peninsula.

There were concerns among many in Washington that Putin might try to use the summit to throw a wrench into the American efforts to get North Korea to denuclearize.<sup>19</sup> However, there were few signs that the Kremlin sought to be a spoiler on North Korea. Meeting with Kim, Putin was hardly interested in antagonizing Donald Trump, for whom North Korea is a personal foreign policy priority. Aside from that, there are more fundamental reasons why Russia has a stake in resolving the Korean Peninsula nuclear problem, rather than exacerbating it. For one, Russia is concerned about a possible armed conflagration on its borders that could result from a collapse of the denuclearization diplomacy. Even more importantly, Russia is invested in preserving the global non-proliferation regime, no less so than the United States. Even though North Korea's nukes do not directly threaten Russia, Moscow is loath to see more nuclear powers in the international system, if only because it devalues Russia's own nuclear-weapon status upon which Russia's great-power standing is based to a significant extent. During his post-summit news conference, Putin emphasized that guarding the non-proliferation regime is one shared interest between Moscow and Washington.<sup>20</sup> That said, Russia is quite realistic that North Korea's full denuclearization, as demanded by the U.S., is nearly impossible in the foreseeable future, which was again stressed by Putin in Vladivostok.

Spending just a few hours in Vladivostok conversing and dining with Kim, Putin left his North Korean guest and departed for Beijing, where he would spend three days attending Xi Jinping's Belt and Road forum. This served as a symbolic sign that Russia's North Korea policy is subordinated to Moscow's quasi-alliance with China. Moscow seems to have tacitly recognized that most of East Asia, including the peninsula, is China's sphere of influence. In recent years, Russia's policies with respect to the North have been closely coordinated, and aligned, with China's, and Moscow has generally been playing second fiddle to Beijing. This is unlikely to change as long as Russia and China continue to sustain and strengthen their "strategic partnership."<sup>21</sup>

Most of the Russian expert commentary was moderate in its assessments of the Putin-Kim meeting. According to Toloraya, it largely had symbolic significance, restoring Russia's position in the settlement of the Korean problem. Also, after the Russia-DPRK summit, the resumption of multilateral (possibly, six-party), talks became more likely. However, Toloraya reads Putin's statements in Vladivostok as indicating that a multilateral format will be possible only once progress is achieved in the U.S.-North Korea negotiations. Third countries would be needed, then, to create a system of international security guarantees for the DPRK.<sup>22</sup>

Dmitry Trenin sees the Putin-Kim rendezvous as a side-show in the continuing saga between Pyongyang and Washington. Russia seeks to score diplomatic points by demonstrating its relevance, while North Korea tries to do the same by showing it has options.<sup>23</sup> Alexander Gabuev argues that the Vladivostok summit brought Moscow back into the diplomatic game focused on the Korean Peninsula. Still, Russia does not have a very strong hand in the Korea crisis resolution. The tools Russia has at its disposal are too limited to have an impact on the calculations and behavior of North Korea or the U.S. Moreover, as asymmetry in the

Sino-Russian entente gradually grows in China's favor, Moscow is increasingly receptive to Beijing's agenda regarding the Korean Peninsula. Russia could, however, be an indispensable partner in a broader conversation on security mechanisms in Northeast Asia, including offensive weapons and missile defense systems. Gabuev points out that the current lack of this broader conversation makes a solution to the North Korean nuclear issue less likely, if not impossible.<sup>24</sup>

The thesis that Russia's policy on North Korea is closely aligned with Beijing's agenda has lately become more common among Russian experts. While some of them, like Gabuev, see it as an inevitable consequence of Moscow's growing geo-economic dependence on China, others refuse to accept it and call for Russia to play a more independent role on the peninsula. Anastassia Barannikova writes that Russian policies toward the peninsula are passive and merely support China's line. As Barannikova argues, "Russia gave up on Korea, allowing China to do what it pleases, even being cognizant that such a state of affairs does not suit the DPRK and is detrimental to Russia's image in Northeast Asia." Barannikova warns that, if Russia continues to play second fiddle to China and fails to balance Beijing on the Korean Peninsula, Pyongyang may lose interest in Moscow and turn to Washington, which is already happening.<sup>25</sup> She predicts that eventually the DPRK will rejoin the international community while managing to keep its nuclear weapons. Thus, it is in Russia's interest to invest now in strong relations with a neighboring nuclear state.

## Endnotes

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# Chinese Media: Why Did the Hanoi Summit Fail and What Comes Next?

**Danielle Cohen**

Chinese media sources reflect a widespread propensity in 2019 to reassure the United States while not compromising vital national interests on the Korean Peninsula. They heartily welcomed Kim Jong-un's turn to diplomacy. They enthusiastically endorsed Donald Trump's embrace of Kim. They strongly approved of Moon Jae-in's bold moves to straddle the two sides and find a way to build momentum. After praising the Singapore summit's accomplishments, the Chinese faced the uncomfortable reality of failure in Hanoi, with calls to redouble efforts to put diplomacy back on track and repeated idealistic assertions about how the differences could be bridged. At the same time, they left mostly implicit the true objectives of a deal that Pyongyang was expected to accept and that China would consider suitable in order to satisfy its geopolitical aspirations.

Reassurances consisted of the following claims: China, as asserted in its 2017 white paper, is not trying to squeeze the U.S. out of the region or break the U.S.–ROK alliance, unlike its earlier policy indications; the Sino–DPRK alliance treaty is a relic of a past era without substantive importance; China is firmly committed to denuclearization, but considers it realizable only by means of talks and a long-term, multi-stage process that encourages Pyongyang to abandon its isolation; China does not take sides on whether a “big deal” is needed first to produce “small deals”; and Moon should be encouraged to keep engaging with Kim Jong-un even if Moon is correct in recognizing that he cannot be a mediator since the ROK is a U.S. ally. Yet, Chinese optimism is premised on notions about limits to North Korean demands, on North Korean willingness to denuclearize in return for conditions that are left vague, and on often unstated assumptions about how the peninsula would evolve during the process of denuclearization and how the U.S. military presence would change.

## Expectations for the Hanoi Summit

We can look back to a January 11, 2019 article in *Jiefang Ribao* for more clarity on China's way of thinking.<sup>1</sup> It anticipated a big year for the Korean Peninsula in 2019, building on the positive developments in 2018. It pointed to statements by Kim Jong-un and his four visits to China in ten months that turned a new page in bilateral relations, as well as to the Panmunjom declaration of April 27 and the Pyongyang joint statement of September. Special notice was given to the June 12 Trump–Kim summit in Singapore, noting the North's agreement to denuclearize and the U.S. agreement to provide security guarantees and to forge a new type of U.S.–North Korean relations. Although the two sides agreed on four items in their agenda, the key is denuclearization, the article observes. A half year later, progress on the four points had proceeded unevenly. North–South relations had advanced quickly, and the North's policy moves internally and externally were clear, but U.S.–North Korean progress on denuclearization had stalled without U.S. sanctions relief. In response, Kim's New Year's speech, while preparing for a summit with Trump, offered warnings of a different path if U.S. pressure persists. The North insisted that the U.S. had so far failed to reciprocate for North Korean concessions. In turn, Trump demanded steps toward denuclearization as a precondition for sanctions relief. The future of the peninsula remains unstable and, owing to the special U.S.–ROK relationship, the improvement in North–South relations is not irreversible.

Looking ahead to the Hanoi summit, the article concluded that the key to U.S.–North Korean ties is in U.S. hands. Will it show sincerity, take realistic measures, positively respond to the North, give it reason to be reassured, offer sanctions relief, and allow North–South relations

to advance? The focus was on facilitating the peninsular peace process and improving U.S.–North Korea ties, not denuclearizing. The article correctly predicted that if sanctions were not adequately reduced, the summit would not succeed. By asserting that dialogue and understanding are the only path to resolving the Korean question, it insisted that pressure that stands in the way of these aims is a barrier. Isolation, economic sanctions, and threats to use military force have been proven to fail. At no point, however, did this article acknowledge U.S. concerns that the North might not be sincere about denuclearization or that both sides need to make reciprocal concessions to boost understanding. It mentioned the need for a peace agreement to end the war and for U.S. participation in a Northeast Asian security framework without explaining the relationship to the U.S. alliance system. Ahead of the Hanoi summit, the message from this military source was that only the U.S. side must change course.

## Reasons for the Inability to Reach an Agreement

In the aftermath of the summit, Chinese media sources attempted to clarify the circumstances under which the Hanoi talks came to an abrupt end. They detailed the basic outline: after a seemingly successful one-on-one meeting between Kim and Trump and a friendly dinner on February 27, the talks apparently took a nose-dive during a second one-on-one meeting the following day, resulting in the cancellation of a planned lunch and the rapid conclusion of the summit without a joint declaration. According to Trump, North Korea “wanted the sanctions lifted in their entirety” but was unwilling to fully dismantle its nuclear program. In a contradictory statement, North Korean Foreign Minister Ri Yong-ho stated that North Korea had expressed its willingness to dismantle the Yongbyon facility in exchange for the *partial* elimination of sanctions, specifically the UN sanctions of 2016–2017 that are “related to people’s livelihoods and unrelated to military sanctions.” Although a U.S. State Department official soon clarified that Ri’s claim that the North Koreans wanted partial sanctions relief was accurate, most Chinese sources took an evenhanded approach to reporting the two official positions.<sup>2</sup>

Chinese analysts offered a number of explanations for the inability of North Korea and the United States to reach an agreement at the summit. Chief among them was the inadequacy of the preparatory meetings held prior to the meeting. According to typical protocol, the negotiating teams for the two sides should have worked through all of the issues and reached a consensus before the leaders met. In this case, however, the preparations were “seriously inadequate” and the two sides were not ready to meet when the summit occurred at the end of February.<sup>3</sup> This lack of preparations led to misjudgments and the discovery only at the summit itself that the gap could not be bridged. This made the best possible outcome cutting the talks short while holding onto the foundation built in Singapore and to the dual freeze put in place on DPRK testing and U.S.–ROK military exercises. Despite the eight-month interval between the summits, Trump and Kim’s negotiators had not reached a breakthrough. Both summits had been rushed, but in Hanoi concrete results were needed, making success more difficult.<sup>4</sup>

The failure to reach a consensus prior to the summit resulted, in part, from the complexity of the issues at hand. Although North Korea agreed to pursue “complete denuclearization of the Korean Peninsula” at the 2018 Singapore summit, the United States and North Korea have fundamentally different meanings of “denuclearization” in mind: to the U.S.,

this means the complete, verifiable, irreversible denuclearization of North Korea, while to the North Koreans it means the elimination of the U.S. nuclear threat to North Korea through its alliances with Japan and South Korea and its military deployments in the region.<sup>5</sup> Furthermore, at the Hanoi summit, Kim was only willing to give up the Yongbyon site; U.S. secretary of state Mike Pompeo rejected this offer because it “still leaves missiles, still leaves warheads and weapons systems” in North Korea.<sup>6</sup>

In addition, although the two sides recognize that denuclearization must be linked to sanctions relief, they have been unable to reach an agreement on the terms of such a bargain or on how to sequence it. According to Ma Xiaolin, the United States wants North Korea to fully abandon its nuclear weapons program *before* the U.S. lifts sanctions, while North Korea wants the elimination of sanctions to occur at the same time that it denuclearizes.<sup>7</sup> An editorial in *The Global Times* took a different view: it argued that the United States recognizes that it must provide sanctions relief and a peace mechanism at the same time that North Korea denuclearizes. In their view, the sticking point in the negotiations was not over the principle that the two sides must act simultaneously, but rather over what kind of action each side must take as the “price” for the other side taking the action it desires.<sup>8</sup> Worsening matters was the two sides’ inability to compromise on what that “price” might be. Some observers charged that both sides wanted an agreement that was entirely in their favor.<sup>9</sup> Others placed the blame more squarely on the United States.<sup>10</sup> Li Dunqiu argued that the United States was not clear about its bottom line during the preparatory negotiations, and then threw in conditions that were clearly unacceptable to North Korea at the last minute.<sup>11</sup>

Many analysts also highlight the domineering leadership styles of Kim and Trump as a key reason for the summit’s failure. The two leaders’ overconfidence in their ability to reach an agreement through one-on-one meetings was a major reason why their negotiating teams did not iron out their differences during the preparatory meetings.<sup>12</sup> According to one analysis, Kim’s and Trump’s firm leadership style also resulted in communication problems with their respective teams of diplomats and technocrats, who were conducting the preparatory negotiations. Knowing that both leaders had a strong desire to reach an agreement and were bullish about the prospects for success, their negotiation teams may have papered over the differences in the two sides’ positions. The fundamental incompatibility of the two sides’ positions may therefore have gone unnoticed by the two leaders until the summit occurred.<sup>13</sup>

Kim and Trump might have been able to successfully negotiate these extremely complicated issues if they had better mutual trust, but this is sorely lacking between the two leaders and their countries.<sup>14</sup> Because North Korea does not trust the United States, it demands a peace agreement and the establishment of diplomatic relations, as well as economic assistance. Yet the United States worries that if it signs a peace agreement, establishes diplomatic relations, and provides economic assistance, but North Korea *still* does not abandon its nuclear weapons, it will be in a far weaker negotiating position. The long and difficult history between the two countries, and their mutual lack of understanding, makes it difficult for the leaders to overcome the many hurdles to a negotiated agreement.<sup>15</sup>

Others attributed the lack of agreement to Trump's negotiating style. One account highlighted the shifting nature of Trump's position. Prior to the summit, Trump indicated that he was in no rush to achieve denuclearization as long as North Korea continued to refrain from nuclear and missile testing. Then he said that North Korea must take "meaningful" actions in order for the United States to lift sanctions. But in the aftermath of the summit, Trump took a much harsher line, charging that North Korea failed to meet U.S. demands for denuclearization.<sup>16</sup> Another account directly criticized Trump for his "overreach," and lamented that, as a result, "an opportunity that may never come again was wasted." Sympathizing with North Korea, Cui Liru observed, "Kim must have felt that he was taken for a ride." Taking his analysis a step further, this analyst asked whether Kim had misjudged Trump's position or whether Trump had changed his mind. He concluded that Trump's erratic nature likely played a significant role: "Given Trump's well-known character, it is very possible that Trump increased his demands in negotiations with Kim on his way to Hanoi. After all, toughening one's position after raising his opponent's expectation for a deal is nothing new to Trump and the man's usual whimsical style of decision-making."<sup>17</sup> In fact, Cui's suspicions proved correct: a month after the summit, news accounts revealed that on February 28, Trump handed Kim a piece of paper that, for the first time, clearly stated Trump's definition of denuclearization and demanded that Kim transfer all nuclear weapons and fuel to the United States.<sup>18</sup>

Chinese accounts took note of the domestic pressures potentially impacting Trump's negotiating position. They argued that Trump might have decided to take a harsher line in response to the release of documents by his former lawyer, Michael D. Cohen, during congressional testimony that occurred while Trump was in Hanoi.<sup>19</sup> Perhaps Trump, facing negative press in the U.S., did not want to be accused of being swindled by the North Koreans; on the other hand, his desire to distract public attention from his legal difficulties was seen by many in the U.S. as a key reason for his decision to go forward with the Hanoi summit despite what seemed to be the obvious unpreparedness of the two sides to reach an agreement. Others noted the role of Congress, which has the constitutional power to implement sanctions regardless of the president's preferences.<sup>20</sup> Members of Congress applauded Trump's decision to walk away from the negotiating table, indicating, in the view of some Chinese observers, a widely shared U.S. preference for taking a hard line on North Korea.<sup>21</sup> Others suggested that Trump's ability to freely pursue his preferred North Korea policy depends, to a significant extent, on the stability of his domestic political position and the amount of pushback he receives from "establishment Americans."<sup>22</sup>

Finally, some argued that the lack of agreement at the summit indicated that the United States had not yet found a good model for its relationship with North Korea. Initially, hardliners in the United States like John Bolton advocated for the "Libya model," referring to the U.S. policy of building trust and verifying denuclearization steps as part of Libya's voluntary relinquishment of its nuclear program in 2003. However, the subsequent decision to support regime change in Libya in 2011 and Trump's decision to withdraw from the Iran nuclear deal undermined U.S. credibility in this regard.<sup>23</sup> Instead, the United States advocated the "Vietnam model" as a way forward with North Korea, citing the improvement of bilateral relations after the Vietnam War and Vietnam's embrace of a market economy

under continued Communist Party rule. However, Jin Canrong questioned whether Vietnam was the right model for U.S.–North Korean relations, noting significant differences: first, unlike Vietnam, the Korean Peninsula remains split. Furthermore, reforms are easier in Vietnam because it is a party-led system. Consequently, it is easier to reject previous policies as mistaken. By contrast, North Korea is led by a single leader, who inherited his power from his father. It is therefore far harder for Kim Jong-un to adopt reforms without rejecting the policies of his father.<sup>24</sup>

## Reactions to the Summit

In the immediate aftermath of the Hanoi summit, Chinese sources were relatively sanguine about the situation. The vast majority of authors referred to the talks, which ended abruptly, not as a “failure” (*shibai*), but as “not reaching an agreement” (*mei tanlong*). They emphasized that the talks ended on positive terms and that the two leaders refrained from any nasty name-calling.<sup>25</sup>

More importantly, in accordance with the longstanding Chinese policy position, they were heartened by the two sides’ recognition of the importance of face-to-face meetings. The Chinese government has long promoted the peaceful resolution of the nuclear crisis through dialogue. Despite the lack of agreement, many Chinese observers noted that the decision to hold the second summit indicated that the leaders were committed to a dialogue process. They argued that negotiations were the best way forward for both leaders: Kim had long dreamed of bilateral talks with the United States, through which he might obtain a security guarantee in exchange for denuclearization. For Trump, a success on the North Korean nuclear issue, where the two previous presidents had failed, would be a diplomatic victory that would strengthen the U.S. strategic position in the Asia-Pacific and which might boost his reelection hopes (and lend credence to his claim that he deserves a Nobel Peace Prize).<sup>26</sup> In addition, face-to-face talks allow the two leaders to develop a relationship and move beyond stereotyped understandings of the other, though national interests still outweigh any personal chemistry and mutual understanding that might develop.<sup>27</sup>

Given the relatively positive terms on which the talks ended, Chinese observers were cautiously optimistic that a third leadership summit might occur in due course.<sup>28</sup> They were also reassured by the continued calm on the peninsula. They noted that the peninsula was the most peaceful that it has been since the end of the Korean War, that North Korea continued to refrain from missile tests (a policy that abruptly ended in early May 2019 when North Korea tested short-range missiles), and that South Korea and the United States had decided to replace their annual joint military exercises with smaller-scale exercises.<sup>29</sup> This optimism mirrored the official position of the Chinese government, which applauded the summit as an “important step” that is “worthy of full recognition.”<sup>30</sup>

Despite the generally positive reaction, however, some Chinese observers were more anxious. Li Dunqiu wrote that the situation was urgent and needed to be resolved quickly. He argued that missed opportunities to resolve the nuclear crisis, like the Hanoi summit, would only make matters worse. Li also asserted that people in North Korea, South Korea, and elsewhere had expected that Trump would be able to resolve the nuclear crisis in his first term, and claimed that it would be very problematic if he was unable to do so, although it was unclear why he believed the matter to be so pressing.<sup>31</sup> Others recognized the realities of the domestic U.S. political cycle, noting that little progress would be made

once the United States entered into the thick of the presidential election.<sup>32</sup> In the midst of his reelection campaign, Trump would face pressure to “show resolve,” which might reduce his policy flexibility and push him back toward a hardline approach.<sup>33</sup>

Other Chinese voices expressed concerns that gains on the peninsula might be reversed. One observer noted that domestic changes in North Korea, South Korea, and the United States were narrowing the window of opportunity for future negotiations and cautioned that the situation might enter a “new downward spiral.”<sup>34</sup> Writing nearly two months after the summit, Yang Wenjing expressed a far more pessimistic view than those articulated in the immediate aftermath of the summit, arguing that the positions of both the United States and North Korea had hardened. She wrote, “Sadly, the most likely outcome is that a long-lasting stalemate will persist, with negotiations and tensions alternating before any form of final settlement can be reached.”<sup>35</sup> In Yang’s view, the United States would be hesitant to give up its sanctions because they provide its best leverage, but Pyongyang would be able to withstand the sanctions for an indefinite period of time. Meanwhile, Pyongyang would not want to give up its nuclear status because it sees that as crucial for its regime survival and for maintaining its national security.

## The Future of U.S.–North Korean Negotiations

Looking to the future, Chinese observers argued that China must continue to support negotiations to promote the peaceful resolution of the nuclear crisis.<sup>36</sup> In the view of one observer, U.S. acceptance of a nuclear North Korea would be detrimental to Chinese interests because it would provoke the U.S. to increase its military deterrence in the region and because, as U.S. power declines, it would inspire other countries like Japan, South Korea, and Australia to take their own measures in response. Consequently, China must prioritize denuclearization by supporting existing UN sanctions, coordinating with the U.S. and other countries on its North Korea policy, and using its connections with North Korea to persuade the North to renounce its nuclear weapons.<sup>37</sup>

Nevertheless, Chinese sources give the clear impression that not only was the Hanoi summit not a failure despite its abrupt ending but that the diplomatic process is moving in a direction that is not unfavorable to China even as the status quo is rather tolerable. Compared to 2017, when war was on the horizon with China having little say, and the first half of 2018, when trilateral diplomacy appeared unpredictable with China again on the sidelines, the impasse after the Singapore summit and especially after the Hanoi summit suggests to Chinese observers that there will be no way to bypass China. With frequent Sino–North Korea exchanges now occurring and scant likelihood that Washington and Pyongyang will realize a “big deal,” Chinese anticipate a long, convoluted process in which its voice will be important. Yet, Chinese sources have little to say about the details of the process, since China seeks to remain a secondary actor in Round 1, centered on denuclearization and sanctions relief. China can afford to wait while North Korea sends delegations to examine economic reforms or “restructuring,” as they prefer to say, and until the United States eventually appreciates that it must work through China.

What is left unsaid in Chinese sources suggests a hidden strategy more than doubt about what to do. These omissions also indicate a kind of G2 approach, letting Seoul and Pyongyang wrestle with challenges they are unlikely to resolve and waiting for the U.S. to recognize the futility of a bilateral or trilateral approach with Seoul as the complexities

of lesser deals with some sanctions relief lead Washington to seek more coordination with Beijing. Eventually, China will assert its hegemonic leadership over North Korea, readers can assume. However, this will only come after a Sino–U.S. arrangement in the region is reached, for which this crisis offers an opportunity. According to this reasoning, Seoul has played a positive, facilitating role, but it is not very consequential. Waiting is required—real strategic patience. In the meantime, Chinese publications urge both Washington and Pyongyang to do more to keep diplomacy alive, while China will not relax sanctions to give the latter a way out or provoke the former when a trade agreement is its most immediate priority.

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## CONTRIBUTORS

## Contributors

### **Stephen J. Blank**

*Senior Fellow, American Foreign Policy Council*

Dr. Stephen J. Blank is a Senior Fellow at the American Foreign Policy Council. He has published over 1,000 articles and monographs on Soviet/Russian, U.S., Asian, and European military and foreign policies, testified frequently before Congress on Russia, China, and Central Asia, consulted for the Central Intelligence Agency, major think tanks and foundations, chaired major international conferences in the U.S. and in Florence, Prague, and London, and has been a commentator on foreign affairs in the media in the U.S. and abroad. He has also advised major corporations on investing in Russia and is a consultant for the Gerson Lehrmann Group. He has published or edited 15 books focusing on Russian foreign, energy, and military policies and on international security in Eurasia. Dr. Blank holds a BA in history from the University of Pennsylvania and an MA and PhD in Russian history from the University of Chicago.

### **James D.J. Brown**

*Associate Professor, Temple University- Japan Campus*

Dr. James D.J. Brown is an associate professor of political science at Temple University, Japan Campus. He holds an undergraduate degree from the University of York, and postgraduate degrees from the universities of Edinburgh, Glasgow, and Aberdeen. His main area of research interest is the bilateral relationship between Japan and Russia. Dr Brown's work has been published in several academic journals, including *International Affairs*, *Asia Policy*, *International Politics*, *Post-Soviet Affairs*, *Europe-Asia Studies*, *Problems of Post-Communism*, *The Asia-Pacific Journal: Japan Focus*, and *Politics*. His most recent books are *Japan, Russia and their Territorial Dispute: The Northern Delusion* (Routledge 2017) and *Japan's Foreign Relations in Asia*, edited with Jeff Kingston (Routledge 2018). He also regularly writes op-eds, including for *The Nikkei Asian Review*, *The Japan Times*, and *The Diplomat*. He can be reached at jamesdjbrown@tuj.temple.edu.

### **Brian G. Carlson**

*Visiting Fellow, RAND Corporation*

Dr. Brian G. Carlson is a visiting fellow at RAND in the Trans-Atlantic Post-Doctoral Fellowship in International Relations and Security (TAPIR) program. His previous TAPIR rotations were at the Center for Security Studies in Zurich and at the German Institute for International and Security Affairs (Stiftung Wissenschaft und Politik, SWP) in Berlin. He earned his PhD at the Johns Hopkins School of Advanced International Studies (SAIS). He has lived in both China and Russia, speaks both Chinese and Russian, and specializes in China-Russia relations.

## **Gaye Christoffersen**

*Resident Professor of International Politics, Hopkins-Nanjing Center*

Dr. Gaye Christoffersen is Resident Professor of International Politics, Johns Hopkins University, SAIS, Nanjing Center. She teaches courses on Asian energy security, Sino-Japanese relations, and Chinese border provinces' relations with neighboring countries. She was guest editor of a special issue on "Russia's Relations with Asia" in *Asian Perspective* (2018). Recent publications include: "Sino-Russian Accommodation and Adaptation in Eurasian Regional Order Formation," *Asian Perspective* (2018); "The Continuing Search for a US-China-Japan Trilateral Cooperative Mechanism," *Nanjing University Asia-Pacific Review* (2017); "China and Global Energy Governance," in *The SAGE Handbook of Contemporary China* (2018); "Northeast China and the Russian Far East: Negative Scenarios," in *International Relations and Asia's Northern Tier: Sino-Russia Relations, North Korea, and Mongolia* (2018).

## **Danielle Cohen**

*Lecturer, Lake Forest College*

Dr. Danielle Cohen is a lecturer in the Department of Politics at Lake Forest College. Her research interests include East Asian regionalism, Chinese politics, demographic policy, and the intersection of security and political economy in East Asia. Dr. Cohen is a frequent contributor to the *Asian Forum* journal, where she oversees the "Country Report: China" feature. Dr. Cohen previously worked as a Junior Fellow for the China Program of the Carnegie Endowment for International Peace. She received her A.B. from Princeton University's Woodrow Wilson School for Public and International Affairs and her MA and PhD in government from Cornell University.

## **John Fitzgerald**

*Emeritus Professor, Swinburne University of Technology*

Dr. John Fitzgerald is Emeritus Professor in the Centre for Social Impact at Swinburne University of Technology in Melbourne. From 2008 to 2013 he was China Representative of The Ford Foundation in Beijing where he directed the Foundation's China operations. Before that he was head of the School of Social Sciences at La Trobe University and director of the International Centre of Excellence in Asia-Pacific Studies at the Australian National University. He has served as president of the Australian Academy of the Humanities, chair of the Education Committee of the Australia-China Council of the Australian Department of Foreign Affairs and Trade, and co-chair of the Committee for National and International Cooperation of the Australian Research Council. His research focuses on the history of nationalism, communism, philanthropy and public administration in China, the history of Chinese-Australian communities, and on China's influence operations abroad. His books have earned national and international awards including the Ernest Scott Prize of the Australian Historical Association and the Joseph Levenson Prize of the U.S. Association for Asian Studies. He has a PhD from ANU and held a Fulbright postdoctoral fellowship at the University of Wisconsin-Madison. He is a graduate of the University of Sydney.

**Shihoko Goto**

*Deputy Director for Geoeconomics and Senior Northeast Asia Associate, Wilson Center*

Ms. Shihoko Goto is the Deputy Director for Geoeconomics and the Senior Northeast Asia Associate at the Wilson Center's Asia Program. She is a leading expert on economics and politics in Japan, Taiwan, and South Korea, as well as U.S. policy in the region. A seasoned journalist and analyst, she spent ten years reporting from Tokyo and Washington for Dow Jones and UPI on the global economy, international trade, and Asian markets and politics. A contributing editor to *The Globalist*, Goto previously worked for the World Bank and has been awarded fellowships from the East-West Center and the Knight Foundation, among others. She received an MA in international political theory from the Graduate School of Political Science, Waseda University, Japan, and a BA in Modern History, from Trinity College, University of Oxford, UK.

**Peter Harrell**

*Adjunct Senior Fellow, Center for a New American Security*

Mr. Peter Harrell is an adjunct senior fellow at the Center for a New American Security, where he focuses on the intersection of economics and national security. He has published and lectured widely on U.S. economic statecraft, with articles and op-eds in *Foreign Affairs*, the *Wall Street Journal*, the *National Interest*, and other leading publications. He has also testified and presented before the U.S. Senate Judiciary, Energy, and Foreign Relations committees, including recently on issues of U.S.-China competition. From 2012-2014, he served as the Deputy Assistant Secretary for Counter Threat Finance and Sanctions in the State Department's Bureau of Economic and Business Affairs. Mr. Harrell served on the State Department's Policy Planning Staff from March 2009 to June 2012, where he played a leading role in developing Secretary of State Hillary Clinton's economic statecraft agenda. Mr. Harrell is a magna cum laude graduate of Princeton University and holds a JD from the Yale Law School. He is from Atlanta, Georgia.

**Aram Hur**

*Assistant Professor, University of Missouri*

Dr. Aram Hur is an incoming assistant professor in the Department of Political Science and Truman School of Public Affairs at the University of Missouri. She was previously a Provost Postdoctoral Fellow at New York University and a 2018-19 U.S.-Korea NextGen Scholar selected by the Center for Strategic and International Studies. Dr. Hur's research focuses on nationalism, identity politics, and comparative democratization in East Asia and the Korean peninsula. Her work appears in various academic journals such as the *British Journal of Political Science*, *Comparative Politics*, and *Journal of East Asian Studies* and is cited in media outlets such as the *Washington Post* and *New York Times*. She is currently working on a book about the national roots of democratic grit in East Asia and a series of projects on political integration and North Korean refugees. She holds a PhD from Princeton University, MPP from the Harvard Kennedy School, and BA from Stanford University.

### **Benjamin Katzeff Silberstein**

*PhD candidate, University of Pennsylvania*

Mr. Benjamin Katzeff Silberstein is a doctoral candidate in the Department of History at the University of Pennsylvania, where he researches the history of surveillance and social control in North Korea. He is also the editor of North Korean Economy Watch, a website specializing on the North Korean economy, a non-resident fellow at the Henry L. Stimson Center, and a 2019 Templeton Fellow with the Foreign Policy Research Institute. He publishes regularly on North Korea for publications such as 38 North and The Diplomat. He has previously worked as a journalist, and has been a special advisor to the Swedish Minister for International Development Cooperation.

### **Kimberly Kim**

*Contributing Author, The Asan Forum*

Ms. Kimberly Kim is a bilingual professional interested in security issues in Northeast Asia with a focus on the Korean Peninsula. She is an MPA student in the international economic policy and management concentration at Columbia's School of International and Public Affairs and her research interests include nuclear nonproliferation, security, inter-Korean relations, US-ROK relations and US-DPRK relations. Her writings have appeared in The Diplomat and South China Morning Post. She also writes South Korea country reports for The Asan Forum.

### **Kim Taehwan**

*Associate Professor of Public Diplomacy, Korea National Diplomatic Academy*

Dr. Kim Taehwan is Professor of Public Diplomacy of the Korea National Diplomatic Academy (KNDA), the ROK Ministry of Foreign Affairs. Before joining KNDA in 2013, he had served as Director of Public Diplomacy at the Korea Foundation since 2008. He also taught as research professor at the Division of International Education of Yonsei University during 2002 and 2008. He is a book review editor for the quarterly Global Asia published by the East Asia Foundation. Dr. Kim graduated from Yonsei University (B.A. and M.A. in political science) and received his PhD in political science from Columbia University. His research focus is on comparative political economy of post-socialist transformation and Korea's public diplomacy. His recent works include "Authoritarian Sharp Power: Comparing China and Russia"; "Authoritarian Post-Communist Transition and Its Future in China, Vietnam, and North Korea"; and "Paradigm Shift in Diplomacy: A Conceptual Model for Korea's New Public Diplomacy."

**Artyom Lukin**

*Deputy Director for Research, School of Regional and International Studies,  
Far Eastern Federal University*

Dr. Artyom Lukin is deputy director for research at the School of Regional and International Studies, Far Eastern Federal University in Vladivostok, Russia. He is also associate professor of International Relations there. Artyom's research interests include international relations and security in the Asia-Pacific and Northeast Asia; Russian foreign policy; Russia's engagement with the Asia-Pacific; social, political and economic processes in the Russian Far East. Lukin has authored and co-authored multiple scholarly publications in Russian and English. He has been involved in numerous research and publication projects both in Russia and abroad. Dr. Lukin is an expert with Russian International Affairs Council. He is a regular commentator for Russian and international news media. Lukin earned his PhD in political science from Far Eastern State University in 2002.

**Dr. Kaewkamol (Karen) Pitakdumrongkit**

*Assistant Professor, S. Rajaratnam School of International Studies,  
Nanyang Technological University*

Dr. Kaewkamol (Karen) Pitakdumrongkit is deputy head and assistant professor at the Centre for Multilateralism Studies, S. Rajaratnam School of International Studies (RSIS) of Nanyang Technological University, Singapore. Before joining RSIS, Karen assisted the Kenan Institute Asia in analyzing trade and industry data concerning the impact of the proposed EU-ASEAN Free Trade Agreement on industries in Thailand. Her research interests include international economic negotiations, East Asian economic governance, relationships between regional and global economic governance, ASEAN Economic Community, and political socialization. Karen also teaches a course on the Political Economy of Southeast Asia at the RSIS International Political Economy program. She completed her MA and PhD in political science at the University of California, Santa Barbara.

**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.

**Robert Sutter**

*Professor of Practice of International Affairs, George Washington University*

Dr. Robert Sutter is Professor of Practice of International Affairs at the Elliott School of George Washington University beginning in 2011. He also serves as the school's director, Program of Bachelor of Arts in International Affairs. Dr. Sutter taught full time for ten years at Georgetown University's School of Foreign Service and part-time for thirty years at Georgetown, George Washington, Johns Hopkins universities, or the University of Virginia. He has published 22 books, over 200 articles and several hundred government reports dealing with contemporary East Asian and Pacific countries and their relations with the United States. His government career (1968-2001) focused on Asian and Pacific affairs and U.S. foreign policy. He was the director of the Foreign Affairs and National Defense Division of the Congressional Research Service, the National Intelligence Officer for East Asia at the U.S. National Intelligence Council, the China Division Director at the Department of State's Bureau of Intelligence and Research, and professional staff member of the Senate Foreign Relations Committee. Dr. Sutter holds a PhD in History and East Asian Languages from Harvard University.

**Yoon Yeo-joon**

*Head of Americas and Europe Team, Korea Institute for International Economic Policy*

Dr. Yoon Yeo-joon is the head of Americas and Europe Team with concentration in North American Economy at the Korea Institute for International Economic Policy (KIEP). His recent publications include "U.S. Trade Policy After the Mid-term Election and Its Implications for Korea," KIEP Opinion no. 149 (2018); "Trump Administration's Trade Policy Toward China," KIEP World Economy Brief (2018); "U.S. Tax Reform and Its Implications for Korea," KIEP Opinion no. 124 (2018); and "What Determined 2015 TPA Voting Pattern?: The Role of Trade Negotiating Objectives," KIEP Policy Analyses (2017). He received his BA and MA in economics from Yonsei University, and PhD in economics from the University of Warwick.





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