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THE SINO-ROK-U.S. TRIANGLE:
AWAITING THE IMPACT OF
LEADERSHIP CHANGES

EDITOR-IN-CHIEF:
GILBERT ROZMAN

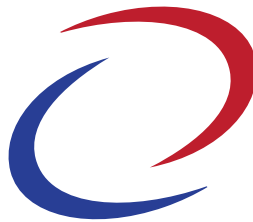


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EDITOR-IN-CHIEF
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THE ASAN FORUM



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Located in Washington D.C., the Korea Economic Institute of America (KEI) is the nation's oldest nonprofit policy outreach and educational organization focused on promoting economic, political, and security relations between the U.S. and Republic of Korea. KEI aims to broaden and deepen understanding among American policy leaders, opinion makers, and the public about developments in Korea and the value of the U.S.-Korea relationship. Since its founding in 1982, the Institute has organized programs across North America and published research on a diverse range of issues, including U.S.-Korea trade and investments, the North Korea nuclear program, alliance issues, the role of Korean Americans in U.S. politics, and China's growing role in the Asia-Pacific region. Through its publications, outreach programs, social media outlets, and website, KEI provides access to in-depth and current analyses about the two Koreas and issues impacting U.S.-South Korea relations.

KEI's signature activities include:

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

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

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PREFACE

At the Korea Economic Institute of America (KEI), we take pride in fostering connections to advance United States-Republic of Korea ties. Through bringing together people with an interest in topics of importance to this relationship, KEI strives to further mutual understanding between our two countries. With leadership transitions in Seoul and Washington, sharing ideas now is of even greater importance. We are pleased to have our 2017 Academic Symposium, through which we endeavor to bridge the academic and policy communities, serve as a substantial contribution to issues which will play an outsized role under the new administrations.

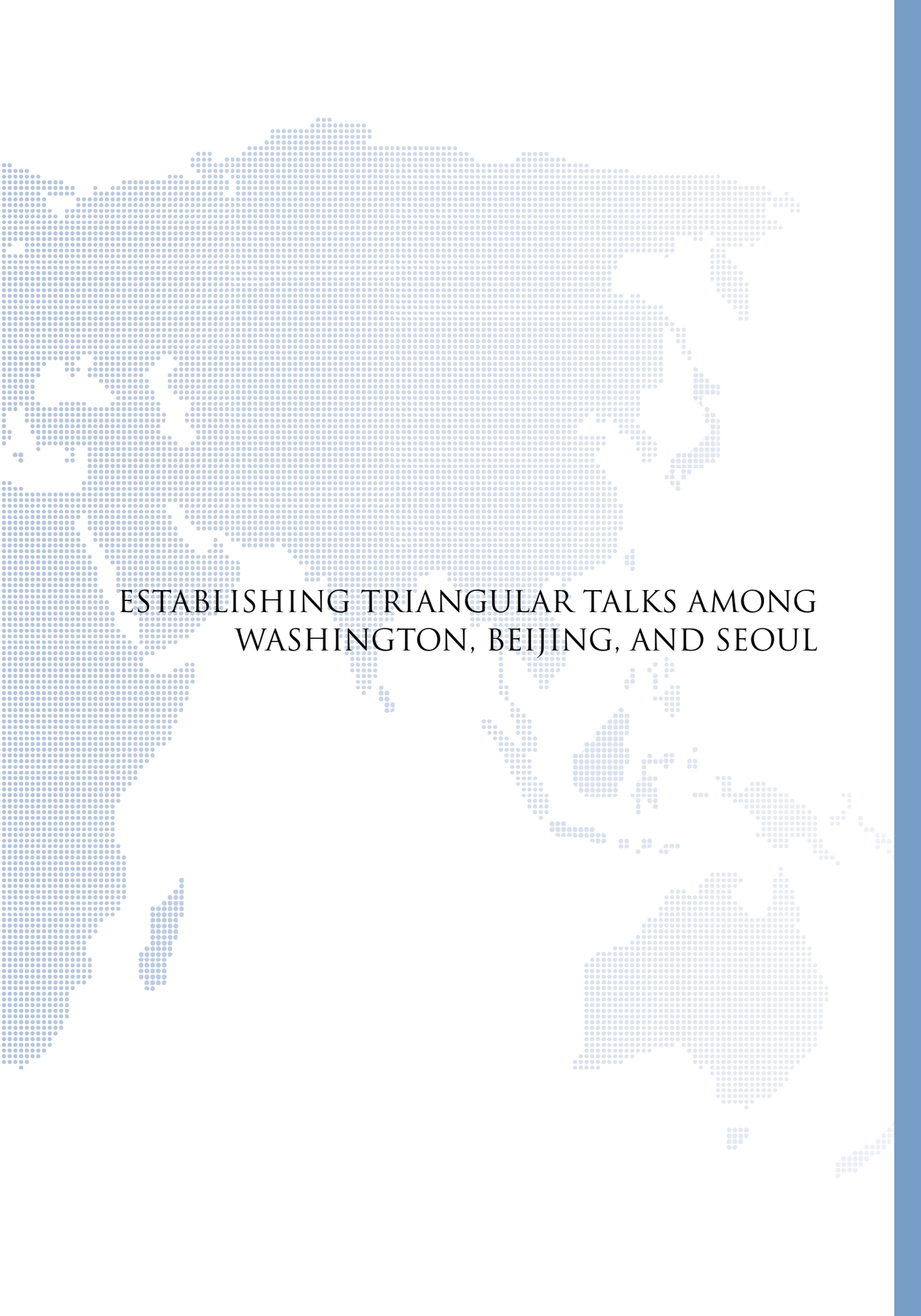
KEI returned to the International Studies Association (ISA) conference this year to host part of our Academic Symposium in Baltimore, Maryland. The annual conference features nearly 6,000 international affairs scholars from around the world with a wide range of research interests and regional specializations to present papers and hold discussions on contemporary issues in their fields. We were pleased to contribute two panels on recent significant developments in Northeast Asia. And, for the second time as part of our Academic Symposium, KEI hosted two additional panels in our Washington, D.C. office

Marking five 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 important themes that are pervasive throughout Asia and timely for the U.S.-Korea alliance. As one of the most significant challenges in the region for presidents Moon and Trump, the security threat posed by North Korea is the focus of two sections. Triangular talks among Washington, Beijing, and Seoul are a potential diplomatic approach to stabilizing the Korean Peninsula, and the first section provides perspectives from each capital about its feasibility. Authors in the final section attempt to answer if sanctions, the chief means through which the international community is pursuing North Korean denuclearization, are effectively meeting the interests of major regional powers. Successful cooperation with China on North Korea, viewed as key to resolving the nuclear issue, has proven elusive, requiring further understanding of the factors shaping foreign policy in Beijing. The second section observes how recent developments in China's bilateral relations with regional players have been shaped by conceptions of its national identity. In the penultimate section, the authors analyze the potential impact of new leadership in the United States and Korea on bilateral economic ties as well as the implications for regional trade integration.

Whether our connection with you is new or continuing, we hope you enjoy the 28th edition of the Joint U.S.-Korea Academic Studies volume and the excellent work it contains.

– The Honorable Donald Manzullo
President & CEO, Korea Economic Institute of America
 July 2017



ESTABLISHING TRIANGULAR TALKS AMONG WASHINGTON, BEIJING, AND SEOUL

INTRODUCTION

Of five alternative approaches to addressing the North Korean threat to stability in East Asia and beyond, this section is concerned with the possibility of just one—a diplomatic approach via **Three-Way Talks** among China, South Korea, and the United States. We single out this approach as the golden mean for reconciling the conflicting interests among the parties best positioned to reshape the calculus of Pyongyang. It represents the path to compromise. Among the alternatives, there is the Chinese appeal for a dual-track approach through **Six-Party Talks**, aimed at a peace treaty on terms attractive to North Korea and greatly transformative to the security architecture in Northeast Asia. This could hardly be called a compromise, since Seoul and Washington regard this as a win for Pyongyang and evidence that Beijing actually has been siding with Pyongyang. Another alternative is **Strategic Patience**, which is a misnomer for the policy of the Obama administration, but, in any case, refers mainly to reliance on increased deterrence as pressure is ratcheted up. In fact, Obama was seeking a pathway to three-way talks, giving China time to shift in that direction bolstered by new sanctions, while in 2016 also moving closer to a fourth approach: **Unilateral Sanctions** targeted at the Chinese firms assisting North Korea. A fifth option is **Alliance Triangularity** to force change in Pyongyang.

The four chapters in this section ask whether Three-Way Talks are feasible and conclude that the prospects look dim. Wang Dong provides no hint that China would endorse them in search of a compromise appealing to South Korea and the United States, as he presses for revival of the Six-Party Talks in pursuit of a new regional security architecture damaging to the U.S. alliances. Kim Heung-Kyu is the most optimistic on the chances for Three-Way talks, but—in line with thinking that may be shared with progressive voices who could lead a new presidential administration in Seoul—he is idealistic about Xi Jinping having tilted to South Korea and not being obsessed by a zero-sum outlook on Sino-U.S. security relations. Given the Trump administration’s thinking, as best one can determine at this early stage, as well as Wang’s assessment of Xi’s thinking, the Korean progressive position will not be well received. With little chance of Strategic Patience succeeding, the two alternatives, as outlined by Joel Wuthnow, are Unilateral Sanctions, and, if they fail—as he says is likely—military pressure with the possibility of preemption to force Pyongyang to change course. It is clear that China will be dissatisfied with unilateral sanctions and even angrier by military pressure through Alliance Triangularity. Mark Tokola explores how the U.S. shift to more hardline measures is likely to influence U.S.-ROK relations during 2017.

The promise of Three-Way Talks seemed greatest after China agreed to UN Security Council resolution 2270 in March 2017 and before Trump was elected and Park’s impeachment raised the chances of a progressive successor as president. Failure by China to enforce 2270 as many had expected, the arrival of Trump prepared to risk relations with China even more than Hillary Clinton was likely to do, and the election of a progressive in Seoul make a meeting of the minds highly doubtful. A groundswell of hope appeared to be arising in Seoul in 2016 as China gave its support to 2270 that—given North Korea’s active push to test nuclear weapons and missiles in order to gain a capability to strike the United States, Seoul, Tokyo, and Beijing—at last Beijing would be ready to sit down as a threesome and work toward a pathway to combine sticks and carrots in changing the behavior of Pyongyang. By early summer the reality that China was barely enforcing the new sanctions cast doubt on this. Then, China’s vituperative response to the U.S.-ROK decision to deploy THAAD made

three-way talks even more unlikely. Donald Trump's election further set back the chances of coordination in dealing with North Korea. Yet, with North Korea reminding all three countries of its capacity to drive events and a progressive president in Seoul, calls for Sino-ROK-U.S. talks are sure to be renewed. The following chapters assess the reasoning behind how the three are approaching them and whether there is any basis for optimism at this time regarding such talks.

These papers point to conflicting expectations for what is required for triangular talks to take place. Some in Korea are optimistic that a shift in ROK policy to strongly back such diplomacy and the record of Xi Jinping in 2013-15 leaning to Seoul rather than to Pyongyang bodes well for the talks. They imply that THAAD can be set aside or, at least, postponed, winning Beijing's confidence, and that Washington may again recognize that diplomacy might work while acknowledging that preemption is a bad idea. If the Park administration was reluctant to press for this route, a progressive regime would be poised to make it the highest priority. This thinking in Seoul is the reason why observers should take seriously calls for the pursuit of triangular talks.

The Chinese attitude toward Sino-ROK-U.S. talks gives one reason to doubt the logic of the South Korean advocates. If the THAAD decision were the only barrier to these talks, then why did China show no interest prior to the July 2016 announcement? If Xi Jinping was leaning to Seoul, then why was China's reasoning about the peninsula critical of how South Korea was proceeding when "trustpolitik" was the policy? By looking closely at what Chinese are seeking from any resolution of the North Korean situation, we cast doubt on whether South Korean aspirations are based on realism.

U.S. attitudes toward triangular talks are skeptical, as seen in assessments of both the bilateral Sino-U.S. relationship and the alliance ties between Washington and Seoul in a triangular context. There is scant hope that following the lead of Seoul in new talks will alter Beijing's calculus. Moreover, there is little trust in progressives to pursue such talks without idealism. Given the recent feedback from China on how it might approach talks, there is no sentiment in Washington to pursue this route.

The following chapters cover four perspectives on triangular talks over North Korea. By juxtaposing their arguments, we can draw an overall picture on the prospects for such talks. Despite the hopes visible on the Korean side, the views expressed from the Chinese and U.S. sides suggest that triangular talks would break down over: the Chinese demand that they require South Korea to downgrade its alliance with the United States, upgrade security ties with China, and follow China's lead in giving the North much of what it wants as reassurance; the South Korean inability to reconcile its desire for U.S. alliance support in the face of the North Korean threat and its hope for Chinese cooperation to reduce that threat; and the U.S. refusal to grant China a dominant role on the peninsula and to trust a ROK progressive security agenda.

WANG DONG AND SUN BINGYAN, “A VIEW ON CHINA ON TRIANGULAR RELATIONS”

China is unprepared to take the Three-Way Talks route, Wang and Sun explain. A major factor is the sense that imbalances complicate this triangle. Chinese are concerned by South Korea’s alignment and how it would affect the course of the discussions. Also, they seek a wide-ranging agenda of more appeal to the DPRK and in keeping with the national interests of the parties involved. A balanced strategic environment on the Korean Peninsula figures into calculations for what talks may be expected to seek, if doubts could be overcome about their efficacy and promise.

Wang and Sun describe the problem as the absence of strategic triangularity. By this is meant the U.S.-ROK alliance is regarded as contrary to China’s interests, and Seoul would need to strengthen security ties with China and take its interests more into account for equilibrium to be reached. This is zero-sum reasoning, prioritizing the Sino-U.S. balance of power in East Asia over the North Korean nuclear issue. The authors warn that the U.S.-South Korea military alliance can only grow closer as North Korea advances its nuclear technologies; South Korea will then be susceptible to greater pressure from the United States when making security-related decisions, as evidenced by its 2016 decision in favor of the deployment of THAAD.

What is depicted is a vicious circle: China refuses to pressure North Korea heavily in order to keep the regime afloat and to use it to pressure South Korea; North Korea takes advantage of the situation to apply more pressure on the United States as well as South Korea; the United States sees a growing threat and pressures South Korea to strengthen the alliance and missile defense; China views South Korean actions as hostile and pressures it to desist. China, thus, uses the growing dependence of South Korea on trade with China—it is now China’s second biggest partner ahead of Japan and only behind the United States—to pressure it to transform its foreign policy.

Why does China seek an equilateral strategic triangle? First, it justifies North Korea seeking advanced nuclear strike technologies and nuclear power, since Pyongyang’s aim is to ensure national safety. Second, it accuses the United States and South Korea of taking military actions that are unnecessary and unreasonable in pursuit of “absolute safety,” as in the decision to deploy THAAD. Third, it repeats with scant evidence and no willingness to discuss the matter with U.S. security experts, that the deployment of THAAD is a severe threat to China’s security, destroying the security balance in the region. Fourth, it charges that accusations against China for inaction in the face of North Korea’s rising nuclear threat are ungrounded. Fifth, it has shifted from emphasizing shared interests against a common threat to a zero-sum approach of clashing interests with North Korea not posing the major threat to regional peace and stability. Sixth, it argues South Korea must downgrade its alliance as the focus of security and give greater weight to political and security relations with China if it seeks to reduce the security dilemma in the region. This argument takes Sino-U.S. relations as a given, shifting the blame to Seoul for moves in 2016 damaging to regional stability, which must be corrected. Implicit is the notion that the prior Xi-Park “honeymoon” should have been recognized in Seoul as a sign of strategic realignment, which has now been reversed. Whatever South Koreans may have thought about the relationship, it was interpreted in China in ways that raised expectations for Chinese leverage. While Park was calling for

reunification under Seoul as a bonanza, her message was seen in China as reunification led by Beijing and even appealing to Pyongyang. Seoul misinterpreted China's reasoning.

Wang and Sun assert that the existence of the U.S.-South Korea alliance hampers the establishment of political and security trust between China and South Korea. South Korean policies towards North Korea and China are influenced by U.S. political preferences. He argues that, following the U.S. lead, Seoul is not acting in accord with its own national interests and that U.S. pressure on Seoul is at fault for damaging Sino-ROK relations. Yet, those relations have a strong foundation and are resilient. Thus, they can be revitalized without great effort. U.S.-ROK joint military exercises also damage Sino-ROK relations. This is a call for security dialogue excluding the United States. It also carries the warning that China is prepared to use various means to change South Korean thinking. Seoul must agree to shift toward talks with Pyongyang under conditions the latter approves and avoid the prospect of violence.

Behind this Chinese argument is the view that not only economic complementarity, but also cultural affinity binds China and South Korea. Seoul must recognize this tie, presumably at the expense of siding with the United States on matters of values.

Rather than be focused on defense against North Korea, THAAD is aimed at pressing China to back down in its handling of North Korea, but, instead of prompting China to address the North Korean nuclear issue, the deployment of THAAD has amplified the voices of China's hardliners to support North Korea. It signifies an awkward miscalculation by the United States, says Wang and Sun. Yet, Wang and Sun fail to note how Sino-U.S. relations are deteriorating and how critical THAAD is for U.S. policy toward North Korea. They also underestimate the cost to South Korea of the breakdown in the alliance that would accompany the zero-sum choice, which China is offering. It is not a call for Three-Party Talks on North Korea, but for Six-Party Talks on regional security—where China, Russia, and North Korea can together air broad grievances.

KIM HEUNG-KYU, "A VIEW FROM SOUTH KOREA ON SINO-ROK RELATIONS"

Looking back to Xi Jinping's policy toward North Korea since he became China's leader and at his willingness to draw closer to South Korea, Kim Heung-kyu is optimistic that China will be amenable to Three-Party Talks if Seoul avoids taking sides. Seeking to maintain a close U.S. alliance while cooperating strategically with China and having a unified position with both on North Korea, Seoul is increasingly being pushed to take sides in the ongoing competition, he asserts. Yet, he sees hope for greater cooperation on North Korea if the United States and South Korea can find a way to embrace China's newly formed interests as a rising great power. Kim sees Xi as downgrading ties to normal, state-to-state relations with North Korea—leading to deadlocked relations—which provides a window of opportunity for South Korea to draw closer to China. He concedes that China's response to the January 2016 North Korean nuclear test and then the decision to deploy THAAD in South Korea brought tremendous tension to the region. Bilateral relations between South Korea and China have plunged to their worst level since normalization. Yet, he appears hopeful that this downturn can be reversed.

In looking back, Kim disagrees that prior to 2013 China's position on North Korea had softened or had moved away from Deng's call for keeping a low profile. Some argue that China's policy toward the peninsula had changed in 2009 and that 2010 responses were in keeping with a more assertive approach to foreign policy, but he disagrees. In his chronology, the "rising great power school" became the mainstream in China's Korea policy in the context of a grand design to realize the "China Dream" by 2049. As the "developing country school" was being eclipsed on many fronts, North Korea's third nuclear test in 2013 brought change. Despite resistance from the "traditional geopolitical school," which still favors North Korea, Xi launched his new policy. China changed the order of the three principles for Korea from emphasis on stability and peace to denuclearization, "stability," and resolution through peaceful means, he concludes. Yet, many argue that denuclearization only briefly, if at all, appeared to take priority over what Chinese call "stability." Kim's positive review of China's policy evolution is not consistent with what many observers see, especially regarding Xi's hardline thinking.

Kim describes China's bottom line in ways that can be promising for talks: preventing the collapse of the Kim Jong-un regime, not allowing the THAAD system on Korean soil, resolving the nuclear issue through talks and compromise, securing China's security interests, sticking to the principle of denuclearization, and preventing U.S.-ROK military encroachment into North Korea. Stressing a priority of "no collapse of the Kim Jong-un regime," Kim explains China's request for exemptions on items related to people's livelihood in resolution 2270. Others, however, consider "no collapse" as misleading, since China is seeking much more in the end game over Korea, as Wang and Sun explain.

Kim splits Chinese experts into six policy orientations on North Korea, but others see, of late, uniformity imposed, as this is a core interest. During Xi's era, supporters of limited and strict sanctions have dramatically increased, becoming a majority, Kim argues, even noting supporters of abandoning North Korea. While for a time diverse views were aired, many find this a misreading of Chinese thinking, as if some academics who spoke out briefly reflect the policy line that is required in 2017.

So far, China has agreed with the United States that the North Korean nuclear issue should be an area of cooperation between the United States and China—instead of competition and rivalry—in the midst of strategic rivalry and in spite of tension in the South China Sea, asserts Kim, adding that this can be a good example of the new major power relationship between the United States and China. This raises hope for Seoul that is unjustified, others would argue. Kim says that China takes the possibility of North Korean instability more seriously and wants to prepare for it in advance, even with the South Koreans, to the point, it would eventually be positive about holding a trilateral dialogue with the United States and South Korea at the Track 1.5 level—a civilian-led dialogue on the surface. Yet, reading Wang and Sun, there is little basis for such optimism.

The Chinese are concerned that Pyongyang's increased belligerence is bringing Seoul and Tokyo closer together while providing strong justifications for Washington to rebalance to Asia, Kim adds, implying that this makes China ready to compromise.

The United States and South Korea could then assure China that they would not work against China's interests in future arrangements for the Korean Peninsula, which would encourage China to undertake a fundamental review of its current North Korea policy, leading to a shift

in China's Korea policy. Others, however, see blocking reunification as the prime way China defines its core interests, aiming for hegemony on the peninsula.

Even after the election of Moon Jae-in, a breakthrough to end the chill in South Korea-China relations over THAAD is nowhere in sight, Kim acknowledges. If China engages in more aggressive economic retaliation, or even militarily, against the South for its final decision to deploy THAAD, public opinion in South Korea will rapidly lean towards emphasizing the ROK-U.S. alliance. This may result in the establishment of an ROK-U.S.-Japan alliance in the region and participation of the ROK in the U.S.-led missile defense system. Beijing runs the risk of deep frustration over the failure of her neighborhood diplomacy and relationship with the South. Thus, Kim expects that Beijing will opt for compromise in Three-Way Talks.

Given the severity of the North Korean threat, the U.S.-ROK alliance should remain the pillar of South Korea's security policy, Kim says, but he also calls for avoiding any confrontation with China, on which South Korea's economic survival depends. Seoul has no choice but to pursue a complex policy of maintaining good relations with both, Kim concludes, but only rosy expectations allow him to identify Xi as a pragmatist who needs stability in the region for managing domestic headaches and to argue that Beijing does not want the THAAD issue to make strained relations with Seoul persist.

Kim concludes that Seoul and Washington need to assure China that the future status of the Korean Peninsula, particularly the alliance arrangement on the peninsula, would not hurt Chinese interests in the region. Otherwise, traditionalists may gain a larger voice in Chinese policy circles, resulting in opposition to active participation in North Korea's denuclearization and Korean unification in favor of South Korea. Under Xi, there is greater potential for the United States, China, and South Korea to cooperate on North Korea, he adds. Yet, he underestimates what China considers to be its interests, the voice of those he calls traditionalists, and the opposition to unification under South Korea. He calls for South Korea intensifying diplomacy with China and reaching a consensus on stability and the end state on the peninsula, while compromising on the THAAD issue.

JOEL WUTHNOW, "A VIEW FROM THE UNITED STATES ON SINO-U.S. RELATIONS"

Candidate Trump said that China has "absolute control" over North Korea and promised to do whatever it takes to convince Beijing to use that leverage; however, he now must navigate the reality of China's extreme hesitance to exert pressure on North Korea, says Joel Wuthnow. Diplomacy goes through Beijing, but so too does pressure, as the Obama administration decided when it relied heavily on China in responding to North Korea's nuclear tests in January and September 2016. Yet, military force goes through Seoul and Tokyo, and that is, increasingly, the default option after repeated failures in winning the support of China to persuade or pressure North Korea.

Despite repeated U.S. attempts to rely more on China to address the North Korea problem, the outcome has usually been disappointing. U.S. concerns have grown about China's willingness to negotiate and enforce effective sanctions and about continuing Sino-DPRK economic and diplomatic ties. It has become clear that China tends to only temporarily reduce its economic and diplomatic contacts with North Korea following provocative actions, usually resuming

them after a short period. It has only weakly implemented UN sanctions, obeying the “letter but not the spirit” of resolutions, including reluctance to use UN authorities to inspect DPRK flagged ships and continued imports of commodities generating revenue for Pyongyang. Provision of dual use technology by Chinese firms has been another concern, as has been China’s tendency to bargain for weaker sanctions in the first place.

Wuthnow lists reasons why Beijing sees “stability” maintenance as its key interest: avoiding a deluge of refugees into its Northeast, which already faces a precarious economic situation; preserving a useful strategic buffer between China, U.S., and ROK forces; and avoiding the possibility of an inadvertent or even intentional nuclear detonation, the fallout of which could reach Chinese territory. Some argue that under the guise of preserving “stability,” China also values North Korea as a force for change, undercutting the U.S. alliance system—a position confirmed in the Wang and Sun chapter.

Disagreements between the three countries on how to handle North Korea have militated against closer coordination, such as through a trilateral summit. China has been wary about pressuring North Korea. The United States and the ROK, in addition to supporting an increase in sanctions, have strengthened their alliance to defend against North Korean threats in a way that has repeatedly frustrated Chinese officials, argues Wuthnow, noting deployments of advanced U.S. military capabilities in the ROK, provision of offensive U.S. weapons to Seoul, overflights of South Korea by U.S. nuclear-capable bombers, and regular U.S.-ROK exercises that are targeted at the DPRK, but which Chinese commentary portrays as destabilizing.

Those in Washington as well as Seoul who have hope that Beijing would agree to Three-Way Talks, leading to a common approach to Pyongyang, discuss plans to reassure it on U.S. bases above the 38th parallel and the disposition of U.S. forces and respect for China’s economic stakes in the North after unification, but Wuthnow has little optimism that China’s real concerns would be assuaged. No matter what U.S. officials have said since 2003 about not seeking regime change in such talks, Chinese stubbornly repeat the old saw that this is the U.S. goal, making talks inconceivable.

Wuthnow concludes that China’s priority is not nonproliferation, and while Trump may attempt to persuade it to join in Three-Way Talks and to accept U.S. intentions, the likelihood is that he will fail—China will avoid imposing stronger costs on North Korea, such as cutting off food and fuel aid. This is consistent with the Wang and Sun analysis. Yet, Wuthnow is more forthright in asserting that, in this case, secondary sanctions could be imposed on Chinese companies, banks, and state-owned enterprises that deal with North Korea, while some travel or tourism companies should be shuttered entirely. Moreover, as damaging as that would be for Sino-U.S. relations, the likelihood that this approach would not succeed would make a third option—most detrimental to these ties—more conceivable. Despite difficulties in ensuring complete destruction of North Korean nuclear material and concerns about retaliation against Seoul, the U.S. military might prepare for a preemptive strike.

MARK TOKOLA, “A VIEW FROM THE UNITED STATES ON ROK-U.S. RELATIONS”

Comparing China’s goals in its relationship with North Korea with those shared by the United States and South Korea, Tokola argues that sharp divergence, stemming from the broader context of great power rivalry, is hindering policy coordination, and, thus, obstructing resolution of the North Korean issue. First, he looks for other examples of smaller states posing a threat to regional security, and if they lack great power patrons to protect them, forcefully imposed change can happen, usually but not always resulting in regime change. In cases in which military intervention is unworkable or undesirable, the most frequent alternative is economic sanctions, he notes, but adds that what makes the North special is China’s protection. While it appears to assume that possessing WMD will protect it from possible intervention; this may have the opposite effect of making it seem more necessary to threatened states that they take swift, decisive action to forestall their use. He gauges that China’s continuing intent is for economic sanctions to indicate displeasure with the North’s behavior rather than to apply strong pressure on the regime.

Of at least formal significance, the Sino-North Korean Mutual Aid and Cooperation Friendship Treaty of 1961 continues in force, the Chinese military, reportedly, continues to take the mutual defense alliance seriously, more than do other elements of the Chinese establishment. In all discussions of how to reduce tension on the Korean Peninsula, China resorts to the argument that North Korea feels threatened by the United States and South Korea, and progress will only be made when the United States and South Korea recognize North Korea’s legitimate security concerns, end North Korea’s international isolation through easing sanctions, and engage North Korea in negotiations, particularly for a peace treaty to replace the armistice, and finally bring the Korean War to a close.

THAAD deployment is a sign of South Korea’s unwillingness to engage North Korea in diplomatic talks to ease tension on the peninsula, concludes Tokola, adding that China remains less concerned about a nuclear-armed North Korea than a collapsed North Korea.

Whereas North Korea has persistently tried to negotiate directly with Washington, the United States has been consistent in its policy that the proper channel for diplomacy was directly to engage South Korea. Washington has given South Korea the lead in policy towards North Korea, first joining in providing humanitarian assistance during the years of South Korea’s “Sunshine Policy” of positive engagement with North Korea from 1998 to 2008, and then coordinating tough economic sanctions. Tokola adds, the US-ROK alliance is based on a strong foundation of security cooperation, economic relations, and people-to-people ties, but it is not invulnerable to shocks, some of which might take the form of: a revival of mistrust if each side thought the other might be engaged in secret diplomacy with North Korea or China; an acrimonious fight over cost sharing, trade policy, or a split on policy towards North Korea; a dispute following a serious safety or health incident involving US government or corporate facilities in South Korea. Any of the above could reawaken anti-American sentiment, Tokola warns, looking ahead.

A plausible explanation for China's aversion to applying sufficient pressure on North Korea to change its dangerous behavior might be China's concern that a collapsed North Korea would lead to a chaotic situation, with refugees heading for the Chinese border, an urgent need to secure North Korean nuclear and chemical weapons sites, and, perhaps, civil strife breaking out among competing factions within North Korea. Calculations may be that the Kim Jong-un regime is so brittle, that any pressure on it might shatter it, leading to unpredictable consequences. If the sole reason for China's support for North Korea were fear of the consequences of regime failure, that concern could be addressed by quiet, coordinated planning among the ROK, United States, China, Japan, and Russia, on how to deal with such an eventuality. The United States and South Korea have made clear that their objective is a change in North Korean behavior, not the fall of Kim Jong-un. Their 2009 Joint Vision statement calls for peaceful reunification, not for overthrow of the North Korean government. Why then is China singularly allowing North Korea to pursue its destructive course rather than leading, participating in, or at least discussing a plan to deal seriously with the threat posed by North Korea? China perceives Korea as an element in its great power rivalry with the United States, making a joint US-China-ROK approach to dealing with North Korea unacceptable in almost any form. China's attitude towards Korea may go beyond considering it a bordering country fitting within a natural Chinese sphere of influence along its periphery. There is a pattern of China appropriating Korea as part and parcel of Chinese history. Its conception of a "common security circle," and a "community of common destiny" reaches as far as Cambodia, Laos, Thailand, and the Central Asian States. It certainly includes the Korean Peninsula. It would view with suspicion even a non-aligned Korea which did not conform to Chinese national interests and whose decisions it could not veto. One could even conclude that the United States and South Korea have more faith in the ability of North Korea to reform than does China.

If China requires a compliant Korean Peninsula within its sphere of influence, the United States would oppose any outcome on the peninsula that did not allow a democratic Korean state, or states, to participate in security agreements with the United States, if that was their policy choice. In dealing with North Korea today, this is the root of tension and the obstacle to cooperation. With the stakes so high, the best course may be for the United States, China, and the ROK to acknowledge their incompatible desires for the peninsula, and to agree that an eventual resolution will have to be postponed in the interest of avoiding imminent catastrophe. A protracted future negotiation involving concessions and gradualism is an unattractive prospect for any of the parties, but better than the cataclysmic alternative, concludes Tokola.

A View from China on Triangular Relations

Wang Dong and Sun Bingyan

What will it take to jump start trilateral talks among Beijing, Seoul, and Washington over the situation on the Korean Peninsula, including the denuclearization of North Korea? If this subject has been on the minds of South Koreans in 2016-17 with some approaching their counterparts in Beijing and Washington, DC in the hope that such triangular talks can be launched—the more official, the better—not many Chinese have addressed what would be necessary to enlist their country in this endeavor. This chapter argues that, at present, China is unprepared to take this route. A major factor is the sense that there are imbalances that complicate the triangle. Beyond the substance of what would be on the agenda, Chinese are concerned by South Korea's alignment and how it would affect the course of the discussions.

South Korean advocates of trilateral talks have in mind a narrower agenda than the Chinese envision. They focus on combining carrots and sticks in pursuing denuclearization and on contingency planning in the event of unanticipated developments in the DPRK. Their Chinese counterparts doubt that this is a sufficient set of themes to deal realistically with the challenges facing the region and prefer, if talks were to begin, a wide-ranging agenda of more appeal to the DPRK and more in keeping with the national interests of the parties involved. A balanced strategic environment on the Korean Peninsula figures into calculations for what talks they would seek, if doubts could be overcome about their efficacy and promise.

IMBALANCES IN TRILATERAL RELATIONS

Serious security and economic imbalances cloud trilateral relations among China, the United States, and South Korea. As the security situation on the Korean Peninsula and Northeast Asia is constantly changing, the China-U.S.-South Korea trilateral relationship has become troubled by inequalities, which have grown more complicated. Under these circumstances, trilateral relations, although embodying certain characteristics of a classic strategic triangle, as understood by international relations theory, do not fit the overall profile. According to Lowell Dittmer, this kind of relationship is formed only when every country enjoys full “legitimate autonomy” in trilateral interactions and in the competition for making the most of power balancing. The prerequisite for a strategic triangle is thus, that each country is free from the manipulation of the others. As China and the Soviet Union were allies from the early-Cold War period to the early 1960s, Dittmer does not consider China-U.S.-Russia relations during that period a typical strategic triangle.¹ The same reasoning applies to this situation. As North Korea makes substantial progress in its nuclear capabilities and the security situation on the Korean Peninsula worsens, the U.S.-South Korea alliance is stronger than ever in matters pertaining to defense and depth of cooperation, but the absence of strategic triangularity complicates China's role.

Each year, the U.S.-South Korea “two-plus-two” talks reevaluate the nuclear deterrence capability of North Korea and devise new responses. The persistent hesitation, leading to delay by the South Korean government in transferring wartime operational control, also indicates that amidst the worsening regional security situation, South Korea is becoming more reliant on the United States for defense. The U.S.-South Korea military alliance can only grow closer as North Korea advances its nuclear technologies; South Korea will likely be more susceptible to greater pressure and influence from the United States when making security-related decisions, as evidenced by the recent decision in favor of the deployment of the Terminal High Altitude Area Defense (THAAD). Therefore China-U.S.-South Korea relations cannot be viewed as a strategic triangle due to the issue of military security.

Based on Dittmer's analysis of the gaming rule in triangular relations, the United States and South Korea are actually in a "stable marriage" because they hold negative views of China in common, and the three parties fall into two camps in terms of security, one being China alone and the other the U.S.-South Korea alliance.

The U.S.-South Korea military alliance and the security dependence of South Korea on the United States result in serious asymmetry in China-U.S.-South Korea relations, which often obstructs development in economic, educational, and other fields. According to the analysis of China-U.S.-South Korea economic and trade relations, more transactions are concluded between China and South Korea than between the United States and South Korea; however that does not suffice for balance. The statistics of China's Ministry of Commerce show that, in 2015, China-South Korea trade amounted to around \$270 billion, exceeding the sum of U.S.-South Korea and Japan-South Korea trade.² South Korea's exports to China accounted for 26 percent of its total, three times that of South Korea's exports to the United States. In 2016, South Korea surpassed Japan as the second largest trading partner of China, behind the United States. In terms of "cognitive proximity" in economic and trade relations within this triangle, the "stable marriage" is unquestionably shared by Beijing and Seoul.³

As the security situation on the Korean Peninsula worsens, however, the "stable marriage" between the United States and South Korea is becoming increasingly prominent. Both of them place more confidence in their negative cognition of China, which further divides the three sides in the fields of politics and military affairs. There is a lack of equilibrium, in which relations between China and South Korea and China and the United States lag far behind those between the two allies.

There are multiple reasons accounting for these imbalances. Since North Korea is determined to develop advanced nuclear strike technologies and nuclear power, which Chinese deem aimed at ensuring national safety, South Korea is feeling more and more insecure. In their pursuit of what Chinese refer to as "absolute safety," the United States and South Korea have agreed to deploy THAAD in South Korea, which in turn poses a severe threat to China's security, according to Chinese analysts. Because of this and other measures, the tendency for confrontation is becoming more pronounced in Northeast Asia. In their response to the security threats posed by North Korea, the United States, Japan, and South Korea are threatening China's security is the conclusion that drives China's response.

What Chinese consider to be ungrounded U.S. accusations against China for its "inaction" regarding North Korean issues and the determination of South Korea to mitigate the influence of North Korea's nuclear weapons finally led to the THAAD deployment in Korea. The anti-missile system may destroy the strategic balance between China and the United States, according to Chinese officials. It is also clear that Northeast Asian countries, under these circumstances, will adopt security policies guided by the strategic thinking of a "zero-sum game." As a result, the possibility of a security dilemma in the region is greatly increased. Thus, it is essential for the three countries to proactively seek a solution, so as to rebalance their relations concerning political security, economy, and trade, and shift the focus of their trilateral relations from "stable marriage" to healthy interactions.

This logic holds that not only does the THAAD deployment tilt the triangle sharply in the direction of imbalance versus China, but that South Korea must downgrade its alliance as the focus of security and give greater weight to political and security relations with China if it

seeks to reduce the security dilemma in the region. Rather than North Korea's actions being the principal source of this dilemma, the argument holds that the U.S. priority for putting pressure on China and altering the strategic balance in Sino-U.S. relations, backed by South Korea, has resulted in this dilemma. If Washington is not prepared to rethink its approach, then South Korea should recognize the costs of the imbalance it is causing.

ONGOING DEVELOPMENT OF CHINA-SOUTH KOREA RELATIONS

To achieve balance in the strategic triangle, the key lies in shifting the U.S.-ROK relationship from “stable marriage” to a “*ménage à trois*” with China.⁴ South Korea's increasing reliance on the United States in security can be directly attributed to North Korea's progress in developing a nuclear striking power, China's “willful blindness” to North Korea's actions, and South Korea's disappointment in the lack of resolution of the issue. If security relations between China and South Korea improve, China will not be as concerned as it is now when the United States and South Korea set their defense policies against North Korea; meanwhile, the structure of China-U.S.-South Korea trilateral relations would be rebalanced. Given that China-U.S. relations basically remain unchanged, according to this line of analysis, the improvement of China-South Korea relations becomes critical for the three sides to rebalance their relations.

Though the relationship between China and South Korea improved after President Xi Jinping visited South Korea in 2014, it worsened quickly after the Park Geun-hye administration agreed on THAAD deployment. Although China reiterated its stance on this issue several times, South Korea dismissed the warnings. As a result, many Chinese experts became pessimistic about future bilateral relations. It is widely believed in the Chinese academic community that the North Korean nuclear issue is the most essential factor in the deterioration of China-South Korea relations.⁵

Ever since the Six-Party Talks ended in failure, sanctions by the international community against North Korea's nuclear tests have been unable to obstruct the country's nuclear technology advancement. In 2016, North Korea made another substantial breakthrough in its nuclear power development, further reducing the possibility of stopping it. As North Korea becomes more capable of deterring South Korea with its advanced nuclear power, South Korea attributes North Korea's nuclear progress to China's reluctance to adopt effective measures, such as cutting off energy and food supplies and trade contacts with North Korea, and views China as an indirect helper—or even the only helper—of North Korea's nuclear program.⁶ Therefore, China's concerns are kept out of the scope of South Korea's considerations in military blowback against North Korea, which frustrates China-South Korea relations.

Chinese specialists also believe that the existence of the U.S.-South Korea alliance hampers the establishment of political and security trust between China and South Korea. South Korean policies towards North Korea and China are influenced by U.S. political preferences. However, the national interests of South Korea and the strategic planning of the United States in Northeast Asia do not correspond in all aspects. Faced with pressure from the United States, South Korea eventually agreed to the deployment of THAAD, which, as a result of China's response, adversely impacts its economic and trade relations with China.⁷ It can,

thus, be inferred that the United States is capable of damaging China-South Korea relations by exerting pressure. The spokesperson of China's Ministry of Foreign Affairs made clear at a press conference held on August 23, 2016 that, "At present, China-South Korea relations are faced with some problems."⁸

The above-mentioned pessimistic views of the development of China-South Korea relations have a basis in reality; however, there are also exaggerations of how the China-U.S.-South Korea security dilemma will influence China-South Korea relations. Such views have neglected the development and significance of China-South Korea relations, as well as their resilience to shocks. Hence, in the case of security issues, though the deployment of an anti-missile system on the Korean Peninsula and U.S.-South Korea joint military exercises harmed China-South Korea relations, the political, economic, cultural, and military exchange channels between the two sides have functioned over a long period. Bilateral relations enjoy a strong foundation.

China should, using various means, urge South Korea to take into account THAAD's adverse influence on China's security interests and act judiciously. Since Park Geun-hye's visit to China in 2013 and Xi Jinping's visit to South Korea in 2014, China and South Korea have become strategic cooperative partners, and bilateral cultural and personnel exchanges have climbed to a peak. By maintaining communications and cooperation on security issues, the two countries can prevent chaos in Northeast Asia from degrading into conflict. By strengthening collaboration on denuclearization and exploring peaceful settlement of the North Korean nuclear issue, the two sides can find solutions through negotiations rather than war. Therefore, due to the deep foundation and frequent exchanges in this relationship and the necessity of sustaining bilateral relations, China must stay on good terms with South Korea while handling numerous difficulties. In retrospect China-South Korea relations have always been laden with obstacles, contradictions, and conflicts. If it were not for mutual efforts, China-South Korea relations would never have made it this far.

DEVELOPMENT AND ACHIEVEMENTS OF CHINA-SOUTH KOREA RELATIONS

After the Korean War, the Cold War affected world politics. As a socialist country, China offered political support to North Korea, which supported communism, and confronted the Syngman Rhee and Park Chung-hee administrations of South Korea. As China-U.S. relations improved after President Nixon visited China, China and Japan established diplomatic relations, and inter-Korean dialogues were held. China and South Korea started to trade indirectly via Hong Kong in 1979.⁹ Since South Korea started economic modernization in the 1960s and China opened its economy to the world in 1978, the harmony between the two economies became even more prominent. Meanwhile, they shared a similar stance on Japan's militarism and wartime past. Propelled by trade, cultural, and sports exchanges, the two finally established diplomatic ties in 1992.

Within 20 years after establishing formal diplomatic ties, China and South Korea had made huge progress in politics, economics, and people-to-people exchanges; bilateral relations had caught up with and even surpassed the development level of China-U.S. relations on these dimensions. In politics, the general partnership reached its peak by transforming into a "strategic cooperative partnership" after Xi's visit to South Korea in 2014. China and South

Korea were the first two countries that agreed to establish the dialogue mechanism of four-party and Six-Party Talks, which raised the possibility of settling the North Korean nuclear issue through negotiations rather than violence. In economy and trade, China surpassed the United States as South Korea's largest trading partner in 2004, and South Korea, replacing Japan, became China's second largest trading partner in 2016.¹⁰

China-South Korea economic relations have extended from developing investment, finance, and logistics to establishing high-level platforms such as free trade agreements. In people-to-people exchanges, as the Chinese and South Korean cultures are intimately tied to each other, the two sides always share a natural affinity. According to the consensus reached between Park and Xi during their visits to each other's countries, the two countries are expected to further take advantage of the China-ROK Joint Committee on People-to-People Exchanges to promote greater advancement in this regard.¹¹

In October 2015 when Premier Li Keqiang paid a visit to South Korea, the two sides signed the "Development Plan of China-ROK Joint Committee on People-to-People Exchanges," in which the principle of "designs by top level, guidance from governments and participation of all" was stated.¹² The next year saw the issuance of the "Project List of Exchanges and Cooperation of China-ROK Joint Committee on People-to-People Exchanges 2016." Consisting of 69 communication and cooperation programs touching on education, localities, teenagers, and cultures, the list has presented a full-range of progress in this regard.¹³ Thanks to geographical proximity, exchanges between the two countries are developing at an amazing speed. According to the Korea Tourism Organization, in 2016 visitors from China accounted for 40 percent of total international visitors to South Korea, registering a sharp increase of 40 percent over the previous year. Such exchanges play an irreplaceable role in enhancing mutual understanding and affinity between the two countries.

In military security, as early as 2008, China and South Korea signed an agreement on setting up a military hotline, put into use later, which could facilitate communication on issues regarding the Korean Peninsula and help to safeguard peace on the peninsula.¹⁴ Three years later, the two established a senior national defense strategic dialogue mechanism, which showed that they had entered the stage of military cooperation.¹⁵

At present, although bilateral relations are impacted by the THAAD issue, the foundation of relations remains unimpaired; the condition is even better than that of China-U.S. relations in aspects of public favorability and trading ties. However, the long-term conflicts perplexing China-South Korea and China-U.S. relations remain to be resolved, and they may limit or even worsen the trilateral relationship.

OBSTACLES IN TRILATERAL RELATIONS

According to Chinese observers, there are two main factors influencing the balance of the trilateral relationship: the North Korean nuclear issue and U.S. strategies towards China. The North Korean nuclear issue is the main constraint for China-South Korea relations. Since North Korea is determined to expand its nuclear capability, the sanctions imposed by China and other UN Security Council members have failed to work effectively. At present, South Korea is becoming increasingly anxious about the constant growth of North Korea's nuclear capability. Moreover, due to the great progress North Korea has made in

developing nuclear explosive capabilities, nuclear explosion technology, and deliverable nuclear weapons in recent years, South Korea is deepening defense ties with the United States to confront the threats.

Although both China and South Korea agree to denuclearize North Korea, the two differ in their approach and priority options. China holds that the six parties should resort to an approach featuring “peace and stability, denuclearization, and dialogue,” and work to address the North Korean nuclear issue by simultaneously conducting Korean Peninsula peace talks and denuclearization negotiations. In this situation, the stability of the Korean Peninsula would be considered a prerequisite; no war or dispute could be allowed.¹⁶

Hence, China has always upheld that the sanctions initiated by the UN against North Korea should be implemented based on the principle of not disturbing the everyday life of the North Korean people. China still insists on the return of all sides to Six-Party Talks. However, South Korea and the United States interpret this as China’s unwillingness to cut off the energy and food aid for North Korea, and even claim that China is “intentionally” shielding North Korea from sanctions. Both believe that the international community should do its utmost to pressure North Korea by cutting off its financial resources, so as to bring about what China regards as the internal collapse of the country, although the two allies argue that the goal is a new calculus for denuclearization.

The three countries remain at a stalemate while North Korea gains more nuclear power; South Korea and the United States blame China for the deterioration. South Korea appears tougher on the deployment of THAAD. In response, China will show firmer opposition against this behavior.

The second factor influencing China-South Korea relations is that the United States incorporates its strategy regarding China into its policies towards Northeast Asia and the Korean Peninsula. Undoubtedly, it has ulterior motives in its deployment targeting North Korea’s nuclear weapons: the weapon systems can contain and counter China in addition to North Korea. This is Chinese reasoning about the U.S. behavior toward the peninsula. The signs are clear when one considers the THAAD deployment in South Korea requested by U.S. leaders. For instance, the radius of the radars in THAAD goes well beyond the requirement of the defense system for North Korean missiles and affects Northeast China, which will significantly impair the strategic balance between China and the United States. Tying U.S. policy towards Northeast Asia to South Korea’s policies towards North Korea gives rise to problems in China-South Korea relations. The U.S.-South Korea joint military exercises against North Korea in the Yellow Sea were, in part, intended to counter China, insist Chinese observers. In other words, China-U.S. relations are also frustrated by the U.S. policies regarding North Korea.

HOW TO ACHIEVE A BREAKTHROUGH IN TRILATERAL RELATIONS AND DEAL WITH THE SITUATION IN NORTHEAST ASIA

The United States plays a key role in resolving the security dilemma in Northeast Asia and the dilemma of the trilateral relationship. U.S. strategies towards Northeast Asia are designed to contain North Korea and also counter China; it urges South Korea to incorporate U.S. policies towards North Korea and China into its own policies. Therefore, when dealing with relations with China, the United States, and North Korea, South Korea, in the view of Chinese, was forced to make some choices. In the recent deployment of THAAD, for instance, South Korea had to choose between a U.S. view of national security and its own economic interests, and between relations with China and relations with the United States.¹⁷ Under these circumstances, the conflicts in China-U.S. relations have given rise to problems in China-South Korea relations, as seen from China. If the three sides wish for balanced, healthy trilateral relations, the United States has to give up its attempt to check and even contain China. Both China and the U.S. stand to gain from cooperation and to lose from confrontation. South Korea, under less strategic pressure, would no longer need to choose sides when dealing with the United States and China, or choose between security and economic interests. Remove U.S. pressure, and it would seek a new relationship with China and balance in triangular relations.

The deployment of THAAD in South Korea may jeopardize South Korea's long-term plans. The United States, in insisting on this intends to make China suffer from security threats for "shielding" North Korea's nuclear programs. However, instead of prompting China to address the North Korean nuclear issue, the deployment of THAAD has amplified the voices of China's hardliners to support North Korea; it is an awkward miscalculation by the United States.

The deployment of THAAD, along with the U.S. strategy pressuring other parties, has worsened the security dilemma faced by China and the United States, contributed to instability in the strategic situation of Northeast Asia, and greatly impacted the security of China and South Korea. Therefore, both China and South Korea should recognize that, though serving U.S. strategic interests in Northeast Asia, the situation on the peninsula and China-South Korea relations do not benefit. Moreover, China will not be forced into submission. The United States must adjust its thinking regarding Northeast Asian and Korean Peninsula policies, consider China's security interests, and take into account the real interests of South Korea in negotiating the denuclearization of North Korea.

Although the United States forces South Korea to incorporate American policies into its policies towards North Korea and China, and to take sides between China and the United States, South Korea should seek a more balanced stance. South Korea should work to promote the thawing of China-U.S. relations, rather than tie itself to the United States and serve its strategic interests. It must be more independent strategically. When faced with U.S. pressure, instead of solely focusing on security issues. In security, there is no need for China and South Korea to strategically confront each other, and China has never posed a threat to South Korea's security since the two countries established diplomatic relations; on the contrary, the two sides are sharing more and more in common when it comes to the Korean Peninsula issue, such as the consensus to denuclearize North Korea, and the common will

to avoid war and control conflict on the peninsula. China and South Korea do not have fundamental security conflicts. Additionally, China and South Korea share the same view on Japan's wartime past. Hence, South Korea needs to be aware of the significance of a truly independent diplomacy and its important role in moderating China-U.S. relations.

China should be more proactive, strengthening its efforts to promote denuclearization on the Korean Peninsula, a peace agreement, and the construction of a peaceful development mechanism in Northeast Asia. China's proposal for a dual-track approach can comprehensively meet the security requirements of countries concerned about the North Korean nuclear issue;¹⁸ however, as China-North Korea relations normalized and then grew frosty, and China split with the United States and South Korea on sanctions against North Korea and military exercises conducted in the Korean Peninsula region, China could not leverage any tools on all sides to return to the Six-Party Talks or prevent conflicts between North Korea and the United States from escalating. As a result, diplomatic pleas and multilateral mediation become the only option available to China. Nevertheless, if China wants to mitigate North Korea's progress in its nuclear tests, ease concerns about the security of North and South Korea, and prevent the worsening of the security dilemma on the peninsula, it must more proactively implement its proposal to pursue, on parallel tracks, the denuclearization of the peninsula and the replacement of the armistice agreement with a peace treaty. Hence, China should attempt to persuade the United States to return to the talks so as to begin a dialogue on the issues with all concerned parties. Meanwhile, China should also give reassurances, and help South Korea and the United States to regain their confidence in peace talks and their efficacy.

All sides should take advantage of the proactive efforts of the academic community and think tanks to promote: trilateral Track-2 or 1.5 dialogue frankly and profoundly talking about their own strategic concerns, while allaying misperceptions and strategic miscalculations and seeking an innovative strategic path in place of the inadequacies of official communications.

Currently, the three countries are vexed by a number of misperceptions about the North Korean issue. The United States and South Korea believe that China refuses to cut off economic ties with North Korea or suspend energy and food supplies, so as to support North Korea in the development of its nuclear capability. Such misperceptions are prevalent in South Korean society.

The Obama administration began to adopt the strategy of "strategic patience" after the collapse of Six-Party Talks, hoping to pressure North Korea to fall apart gradually, according to Chinese observers. Both China and the United States agree on continuing the sanctions, but they differ a lot on the content and scope of sanctions.¹⁹ How much pressure on North Korea is considered appropriate when imposing sanctions? On the one hand, the sanctions are expected to change the North Korean leader's cost calculations in developing nuclear weapons; on the other, they could undermine the domestic stability of the country, if not handled with caution. This is a question that affects the future of North Korea.

For China, the stability of the Korean Peninsula, as an indispensable part of the "three core goals" (denuclearization, stability, and peace talks) it proposed, affects the stability of China's own neighborhood and its core national interests. This point has been emphasized by Xi Jinping and Wang Yi several times.

China, the United States, and South Korea can make their positions clear through dialogue organized by the academic community and think tanks. For instance, in October 2015, under the joint organization of the School of International Studies at Peking University, the Korea Foundation for Advanced Studies, and the Brookings Institution, a trilateral dialogue was held at Peking University. The participants had in-depth discussions on topics including how they understood the international order, what are the characteristics of the postwar order, and how they view the South China Sea issue, China-U.S. relations, and the North Korean nuclear issue. Academic conferences of this kind can enable the three sides to frankly express their views, clear up misperceptions, and eliminate strategic miscalculations.

Finally, China, the U.S. and South Korea shall seek consensus of a higher level to promote the peaceful development of Northeast Asia. The integration of Northeast Asia has been repeatedly brought up by scholars. The countries in Northeast Asia, China and South Korea in particular, undoubtedly enjoy built-in advantages in cultural affinity, geographical position, and economic interdependence. Nevertheless, due to various high-level political issues in Northeast Asia, such as the great power games of power and politics, the North Korean issue, and the reunification of the Korean Peninsula, the region has always been a source of pressures frustrating China-U.S.-South Korea cooperation. This is largely because the three countries tend to stick to the short-sighted goals valuing realistic interests when wrestling with one another.

If the three countries want to achieve breakthroughs for trilateral relations, they must redefine the relations based on higher-level national interests and logistics, so as to seek consensus of a higher level. In this way, China, the U.S., and South Korea can be less disturbed by security dilemmas when dealing with the situation in Northeast Asia, and create a political environment in which the three sides understand and cooperate with each other. Such a higher-level consensus can be revealed and summarized through trilateral dialogues.

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A View from South Korea on Sino-ROK Relations

Kim Heung-kyu

Although we are only into the first months of the Trump administration, many Koreans recognize that the U.S.-led, market-oriented, liberal international order has been severely shaken. In the background, the rapid rise of China and rather successful economic reforms under Xi Jinping have dramatically reduced its vulnerability and sensitivity to the United States. As one power's grip is shaken and another's is energized, two different orders are emerging in East Asia. We accordingly witness a "Clash of Titans," the fallout from which could be fatal to the security and economy of the Republic of Korea.

The ROK has long faced one of the worst geopolitical environments, similar to Poland in Eastern Europe. It has been a bridge between continental and maritime powers, subjecting it to invasion during each regional power transition. Entering the 21st century, as the rise of China has dramatically unfolded globally, the rivalry between China and the United States, the hegemonic power in the world, has intensified. Accordingly, the geopolitical struggle has intensified between continental and maritime forces in Northeast Asia. The advent of the Trump administration in 2017 has added confusion and uncertainty to the ROK's foreign policies as well as to the region as a whole. Trump's remarks have aroused apprehension that the United States might not respect the current alliance system, favoring an "America First" policy. Those impressions were but the beginning of the confusion, contradictions, and chaos that his short tenure has aroused among Koreans.

The ROK finds itself caught between two competing great powers, the United States and China, and faces an existential threat from the growing nuclear weapons capabilities of the DPRK. The evolving U.S.-China relationship will be the most critical factor affecting the fate of South Korea. The ROK has relied on the United States for security, and on China for the economy. Therefore, maintaining a close U.S. alliance while promoting strategic cooperation with China and having a unified position on North Korea is South Korea's major concern. Seoul is increasingly being pushed to take sides in the ongoing U.S.-China competition. The decision by the U.S.-ROK alliance to deploy the Terminal High-Altitude Area Defense (THAAD) on the Korean Peninsula and the resulting deterioration of relations with China illustrate this point.

When Xi Jinping became president in 2013, many experts anticipated that his foreign policy, including his Korea policy, would evolve gradually due to factional politics and "democratic centralism" practices in policy-making. However, China is profoundly changing its foreign policy, including relations with the United States and the two Koreas.¹ Xi quickly consolidated his power base in the wake of the Bo Xilai incident and changed China's identity from the world's largest "developing country" to a rapidly "developing great power." Xi has also comprehensively reviewed China's foreign policy, reflecting the rise of China and the new international environment, including rethinking China's Korea policy.

As vice president in 2011, Xi proposed to the United States the establishment of a new type of great power relations based on what he considered to be an equal partnership.² The Korean Peninsula became a major part of Xi's initiative, as he ordered a reexamination of China's Korea policies.³ China has long been an ally of North Korea, supporting the status quo on the Korean Peninsula, but Xi firmly opposed its nuclear ambitions, was not permissive to its provocations, and was disdainful of its leader, Kim Jong-un. Xi emphasized establishing normal state-to-state relations with North Korea, which opened a window of opportunity for South Korea to draw closer to China. Kim Jong-un obviously recognized Xi's attitude and

China's changing policy to North Korea when Choi Ryoung-hae, Kim's special envoy, visited China in 2013. China also fully recognized through the third, fourth, and fifth nuclear tests, and the 7th Labor Party Congress of the DPRK in 2016 that North Korea firmly intends to possess nuclear weapons and is no longer respectful to China. Accordingly, relations have deteriorated to their worst level in almost half century. No summit meeting has been held, and few channels of communication are open at a high level.

With more confidence in its own diplomatic, military, and economic capacities under Xi Jinping, China appears to be extending its sphere of influence from North Korea to the whole Korean Peninsula. An active engagement policy towards South Korea was launched after Xi's inauguration. Xi even revealed what many consider to be a view on Korean unification in favor of South Korea when he met President Park in Beijing in September 2015.⁴ Some regard him as the first Chinese leader to take a pro-ROK position. Xi's ambition to realize the "China Dream" of being a powerful and prosperous nation by 2049 appears to be critical to his decision to alter policy on the Korean Peninsula. Various South Koreans interpret his actions as a need for stability and a stronghold on the Korean Peninsula.

Xi's new policy orientation to the Korean Peninsula brought about greater cooperation with South Korea. Park Geun-hye and Xi Jinping held eight summits. Park visited China in September 2015 to celebrate the 70th commemoration of the victory in World War II, in spite of a *de facto* boycott by the Western powers including the United States. This marked the zenith of ROK-China relations. However, the deployment of THAAD in South Korea in 2016 dramatically altered the course of relations, plunging them into the worst crisis since the end of the Korean War. Xi's bold policy faced total failure, which damaged his authority in China. With this perspective on Xi's motives and intentions, progressive Koreans view the election of Moon Jae-in as an opportunity to put relations back on a positive track.

SHIFTS IN STRATEGIC THOUGHT

China's North Korea policy has shifted in line with changes in China's own identity under Xi. During the Hu Jintao era, there were three competing schools identified on the basis of criteria used to analyze China's status in the world: the "traditional geopolitics school" (传统地缘学派), which includes chauvinistic nationalists, the "developing country school" (开发途上国派), and the "newly rising great power school" (新型大国派).⁵ Under Hu Jintao, the mainstream was the "developing country school," which regarded China's priority as economic development. Although most specialists focusing on Korea belong to the "traditional geopolitics school," China's official Korea policy was guided by the "developing country school," whose priority was stability and the status quo, avoiding confrontation with the United States on the Korean Peninsula. China's Korea policy was basically passive and responsive as a dependent variable of U.S.-China relations, e.g., China's responses to North Korea's attack on the South Korean warship *Cheonan* and North Korea's bombardment of Yeonpyeong Island in 2010. Beijing called for stability and restraint, instead of focusing on the responsibility of the Kim Jong-il regime as the culprit in these aggressions.

The Xi government has shifted China's Korea policy. The catalyst seems to have been North Korea's third nuclear test in 2013. After the test, Xi was outraged and reportedly harshly criticized China's inability to deal with North Korea in front of leaders of the People's Liberation Army (PLA)'s intelligence office. He then ordered relevant institutes and experts

to reformulate China's North Korea policy based on national interest instead of ideology and possibly outdated policies. The "rising great power school" became the mainstream of China's Korea policy, forging Korea policy in the context of China's grand strategic design, in which China is a global level great power, to realize "China's Dream" by 2049.

Authorities now describe China-North Korea relations as normal state-to-state relations rather than a traditional cooperative relationship or alliance forged in blood. National interests have become the most important criteria in relations with the two Koreas. Despite resistance from the "traditional geopolitics school," which still favors North Korea, Xi launched his new policy in favor of Seoul, changing the order of three principles for Korea policies from emphasis on stability and peace to: denuclearization, stability and peace, and resolution through peaceful means. While some analysts of Chinese policy doubt that this hierarchy of principles prevailed, many Korean progressives accept it. Some Chinese specialists such as Yan Xuetong even floated the idea of forging a China-South Korea alliance until the existing bilateral relationship began to deteriorate rapidly in the aftermath of North Korea's fourth nuclear test in January 2016. During that time, supporters of Korean unification favorable to the South also increased. It has barely been a year since China turned critical of South Korean policies, focusing on THAAD deployment, and there is optimism that this can be reversed.

China's Korea policies became much more refined, separating the new concept of a bottom line from a red line. The red line signifies prevention of war and a chaotic situation, while the bottom line means policy guidelines to protect China's strategic interests based on various scenarios, including North Korea's instability.⁶ The bottom line was recently defined as prevention of the "Kim Jong-un regime's collapse" and "the collapse of the North Korean domestic economy." It can also be the resolution of the North Korean nuclear issue through non-military means, sticking to the principle of denuclearization and preventing U.S.-ROK military encroachment into North Korea. These are objectives amenable to diplomatic coordination.

Xi's audacious change of Korea policy had some effect during the second half of 2013 and 2014 after the quick intensification of tensions on the peninsula by North Korea during the first half of 2013,⁷ forcing North Korea to take a more cautious stance, dispatching Choi Ryoung-hae to assuage tensions with China in May 2013, and holding a strategic dialogue between the two ministries of foreign affairs in June.

THE CHANGING TIDE OF CHINA'S NORTH KOREA POLICY

Under the leadership of Xi Jinping and Kim Jong-un, China and North Korea have so far failed to find common ground. Xi, as the leader of a great power, has sought to draw respect from Kim and put an end to North Korea's flouting of China's interests, whether with nuclear weapons development or provocations. Meanwhile, Kim has been sensitive about China's intervention in North Korean affairs. He seldom shows respect to China. North Korea wants an "equal partnership." At a minimum, Kim's impertinent attitude toward China—symbolized by his pursuit of nuclear weapons that can hit the United States—is quite different from that of his predecessors, Kim Il-sung and Kim Jong-il, who paid respect to China, at least superficially.

Xi's visit to South Korea in July 2014 heralded the improved relationship between South Korea and China. However, worries about the deteriorating bilateral relationship with North Korea grew among China's Korea experts in 2014, leading to vehement debates that fall. The experts were eventually successful in persuading Xi to move to a more balanced Korea policy to reduce the potential costs of the evolving, complex security environment, including South Korea's positive approach to U.S.-Japan-South Korea trilateral cooperation against China.⁸ Reflecting the outcome, *Huanqiu shibao* published five articles on China's North Korea policy from November 27 to December 8. Since then, China has intensified the so-called two-track approach to North Korea; on the one hand, maintaining sanctions, and on the other hand, using engagement policy as a lure, while sending a signal to North Korea that the denuclearization policy of China is not reversible. China's new policy appeared almost successful until the fourth nuclear test was conducted by North Korea in January 6, 2016.

With the fourth test, Kim Jong-un indicated to China and the world that under his leadership, nuclear development was no longer an issue for negotiation. Kim had already decided to pursue deliverable nuclear weapons to threaten the United States and to possess an arsenal that could survive a U.S. first strike. This meant that North Korea would not take China's interests and demands into consideration in its decision-making. The U.S.-China strategic rivalry has turned out to be a minor variable in North Korea's current pattern of decision-making. With the nuclear test, Kim has indicated that North Korea will determine its agenda according to its own timetable and reasoning. As a result, China faces a serious dilemma in its North Korea policy. In this vein, the Chinese online media outlet *guoguanzaixian* reported that Chinese experts were split into six policy orientations on North Korea: unconditional support, abandonment, status quo, limited sanctions, strict sanctions, and political realism.⁹

China agreed to increase sanctions against North Korea. However, to protect its bottom line of "no collapse of the Kim Jong-un regime," it requested an exemption for items related to people's livelihood in UN Security Council Resolution 2270, while consistently taking a strong stand on strategically important national interests, as demonstrated by the THAAD controversy. The THAAD issue posed a tremendous dilemma, bringing China into a feud with both Koreas. China is extremely uneasy with the decision to introduce THAAD, while also not willing to embrace North Korea's nuclear development. Deployment of THAAD in South Korea provides better protection for U.S. personnel and facilities as well as for South Korea against North Korea's increasing nuclear and missile threat. But China perceives the THAAD issue in the framework of the U.S.-China strategic rivalry. China has historically regarded the Korean Peninsula as part of its sphere of influence. It still considers influence over the peninsula an important policy imperative, particularly with regard to preventing South Korea from becoming part of a U.S.-Japan alliance against China. The security situation on the Korean Peninsula after the fourth nuclear test and the THAAD issue arose was spinning out of China's control, even before the Trump administration added new complexity to decisions about Sino-U.S. coordination and Moon Jae-in's election added new uncertainty about South Korea's impact on this relationship and on North Korea's policy.

To protect its own interests and bottom line, China has adopted a much more active stance on the Korean Peninsula. Wang Yi suggested, on February 17, 2016, a new approach, called parallel negotiations for denuclearization on the Korean Peninsula and a peace treaty. It was the first active initiative China took on the North Korean nuclear issue. However, both Koreas instantly rejected the suggestion; the United States was rather cautious. So far, China

has agreed with the United States that the North Korean nuclear issue should be an area of coordination and cooperation in the midst of strategic rivalry and in spite of tension in the South China Sea. The Korean Peninsula can be a good example of the new type of major power relations.

With the fear of losing control on the Korean Peninsula, Beijing has recently changed its stance on the Six-Party Talks and become more open to embracing various mini- and multilateral talks to deal with North Korea-related issues. In discourse within China, for example, a “2+3+4 approach” was introduced.¹⁰ China is worried about the potential for military clashes between the two Koreas and of U.S. surgical strikes on North Korea’s nuclear facilities. In particular, the inauguration of Trump as the president increased this fear.

In reviewing North Korea policies, Fu Ying, chairwoman of the foreign affairs committee of the National People’s Congress, is at the forefront. According to her review, China will be much more active and take the lead in resolving the North Korea nuclear issue in the future. China has already proposed the strategy of parallel negotiations of “denuclearization” and a “peace treaty” in March 2016 and “two temporal stops” of nuclear weapon and missile development by North Korea and joint military exercises by the ROK-U.S. alliance in May 2017 by Wang Yi. It is now assumed China is likely to go further in future negotiations.

With Kim Jong-un’s obstinacy, China also takes the possibility of North Korean instability much more seriously and wants to prepare for it, even with South Korean counterparts. Due to the sensitivity and maneuvering room required in diplomacy, China has been hesitant to have a Track 1 dialogue but is searching for a dialogue at the Track 1.5 or Track 2 levels. The PLA—more than any other institution in foreign and security affairs—should be willing to pursue such a dialogue due to its area of responsibility. China will be positive about holding a trilateral dialogue with the United States and South Korea at a Track 1.5 level, a civilian-led dialogue on the surface, which would include government officials on the U.S. and South Korean sides and non-government experts authorized to discuss sensitive matters on the Chinese side, eventually if North Korea continues its nuclear weapons development, launches provocations, and worsens the security situation on the peninsula. The Chinese are concerned that Pyongyang’s increased belligerence is bringing Seoul and Tokyo closer together while providing strong justifications for Washington to rebalance to Asia—a development that Beijing sees as part of a strategy to contain its rise. South Korea’s military-related institutions, such as the Korean Institute for Defense Analyses and the Korea Research Institute for National Security, organized by retired generals and civil specialists, would work on such a dialogue with Chinese counterparts is the thinking heard in Seoul.

DIVERSIFYING VIEWS ON NORTH KOREA

Among Chinese experts, opinions on North Korea have greatly diversified during the era of Xi Jinping. Analysis of more than 90 articles and major reports written between 2013 and 2016 resulted in several interesting findings.¹¹ First, the former three strategic schools have split into seven different views on North Korea policy, as seen in Table 1.

Table 1. Seven Views on North Korea Under Xi Jinping*

Schools	Sub-schools	Number of Articles
Supporter	Conditional	1
	Unconditional	1
Status-quo	Maintain Stability	34
	Recognition of Nuclear Weapons	2
Normal State-to-State Relations	Limited Sanctions	30
	Active Sanction	15
Abandonment	Abandonment	8

* Based on an analysis of 91 articles and pamphlets published between 2013 and 2016. The articles were sourced from the Chinese search engine CNKI and other library-searching engines, such as that of Fudan University.

Second, the mainstream during Hu Jintao's period was the "status-quo" group, the intellectual heir of the "developing country school." However, during Xi's era, limited and strict sanctions supporters have dramatically increased. They became the leader among China's North Korea schools. Those supporting abandonment of North Korea recorded eight; under Hu, almost no one supported this view publicly. This trend under Xi favors South Korea.

Third, it is noteworthy that in China discourse among experts under Xi's leadership illustrates an increasingly positive attitude toward South Korea and even unification. As illustrated by the strategic report on the Korean Peninsula by Wang Shang, a lieutenant colonel of the Chinese air force, the Chinese military has revealed its preference on unification favorable to the South.¹² Some supporters of strict sanctions, such as Jia Qingguo, Zhang Liangui, and Li Kaisheng, argue that China should support the United States and South Korea if North Korea starts another war. Such a shift in viewpoint may be related to Xi's efforts to find breakthroughs in Chinese unification with Taiwan.

Given China's new policy orientation, the possibility of China cooperating on denuclearization and unification on the Korean Peninsula has increased more than presumed. China believes that North Korea's provocations inflict serious potential damage on China's core national interests. The United States and South Korea can assure China that they would not defy China's interests in future arrangements on the peninsula, which could encourage China to undertake a fundamental review of its current North Korea policy, which could then lead to a shift in China's Korea policy. Such reasoning has been boosted by Moon's election.

Fourth, there are a number of reform voices, who are not in the category of Korea experts, acting as the driving force behind the "One Belt, One Road (OBOR)" initiative. They do not have a strong voice on North Korea policies. However, we need to pay attention to their existence. In the first scheme of the initiative, publicized in 2015 with the endorsement of the National Development and Reform Commission, the ministry of commerce, and the ministry of foreign affairs, there was no "belt and road" in Northeast Asia.¹³ The designers of OBOR want to focus more on the west and south of China instead of the east.¹⁴ In their view, the Korean Peninsula does not possess such strategic value as earlier argued. That is good news.

Fifth, trends in China's North Korea policy seem to reflect changing policy orientations in Chinese academia. Policy after North Korea's third nuclear test in 2013 was still in between status quo and limited sanctions, reflecting Hu's legacy. However, after the fourth nuclear test in January 2016, policy appears to have moved to some place between limited sanctions and strict sanctions. Such policy changes seem to reflect changing tides in academia and among experts. After the summit meeting between Trump and Xi Jinping in April 2017, China's dramatic policy changes on North Korea's nuclear development have a much more fundamental foundation than a mere response to Trump's request to place maximum pressure.

COLLABORATION ON NORTH KOREA BETWEEN TRUMP AND XI JINPING

The greatest challenge in South Korea-China relations is how to resolve the THAAD issue, which has complicated China's North Korea policy. The South Korea-China relationship, which had been at its best, plummeted in just a year despite their shared goal of denuclearizing the North. This is believed to have occurred because of their different approaches in resolving the nuclear weapons program of the reclusive regime and the ROK announcement on July 8, 2016 that it would install THAAD on its soil, although they will be commemorating 25 years of diplomatic relations in 2017. A breakthrough to end the chill in relations is nowhere in sight. Xi Jinping has already invested too much of his credibility in opposing THAAD in South Korea and cannot back down. He even mentioned that the THAAD issue is negatively affecting China's core national interests.¹⁵

If the U.S.-China conflict exacerbates in 2017, South Korea might be under much more serious pressure to choose between the two great powers again, and strategic cooperation with China to combat the nuclear issue could be even further from realization. Beijing acknowledges that the strategic value of Seoul is still important, as is that of Pyongyang under the current strategic competition with Washington. In this context, it is believed that it does not want the THAAD issue to cause the strained relationship with Seoul to persist. Fortunately, the Trump-Xi Jinping summit meeting appeared quite successful, and they agreed on full collaboration on the North Korea nuclear issue,¹⁶ applying maximum pressure on North Korea to start negotiations in order to freeze its nuclear weapons and missile development programs and then to denuclearize the Korean Peninsula with the guarantee of survival of Kim's regime, eventually establishing a peace regime. In China's perspective, Trump's new approach to foreign policy, the so-called "anything but Obama" policy, will diminish the rebalance to Asia and reduce the sensitivity of the THAAD issue. China may, in exchange, reduce tensions in the South China Sea for the time being.

With Moon Jae-in in office, South Korea and China are likely to search for an exit strategy for their strained relationship. Otherwise, China's traditionalists and supporters of the status quo would quickly gain strength. If this THAAD issue is not able to be resolved through adequate compromise among the three concerned parties, promoting South Korean missile defense, protecting U.S. military personnel and assets, and resolving the strategic concerns of China and Russia, the security situation in Northeast Asia will likely lead to an arms race—particular in missile development and defense—causing a lose-lose game for all.

If China retaliates economically and politically, and even militarily, against the South for its final decision to deploy THAAD, the public opinion of South Korea will rapidly lean towards

emphasizing the ROK-U.S. alliance. This may result in the establishment of a ROK-U.S.-Japan alliance in the region and participation of the ROK in the U.S.-led missile-defense system. Beijing also faces a risk of widening suspicion of its “good neighbor” diplomacy and of loss in its relations with South Korea. South Korea would likely pay the greater cost, which may inflict irreversible damage to the economy. Then, winning China’s cooperation on the North Korean issue would become an almost impossible task for South Korea.

CONCLUSION

As the U.S.-China relationship becomes more complex, maintaining good relations with both Washington and Beijing will likely become more difficult for Seoul. Given the severity of the North Korean threat, the U.S.-ROK alliance should remain the most important pillar of South Korea’s security policy. However, a sound relationship with China for South Korea’s economic survival and prosperity is also critical. South Korea is a trading country, whose trade dependency is over half of GDP, and it relies for almost 30 percent of its trade on China. Seoul cannot afford confrontation with China. However, China cannot provide security assurances; the United States, meanwhile, cannot meet the economic needs of South Korea. Therefore, Seoul has no other choice but to pursue a multifaceted and complex policy to maintain better relations with both Washington and Beijing.

South Korea pursues middle power diplomacy, favoring compromise and cooperation instead of conflict and clashes. South Korea cannot afford to play the role of a balancer in Northeast Asia, as former President Roh Moo-hyun once called for. Seoul should adopt a foreign policy based on positioning the country as a regional mediator, a force for cooperation, a bridge-builder. Old and new regional and multilateral cooperation frameworks, such as ASEAN+3 and Middle Power Consultation Organization in East Asia and the Western Pacific Area (MPCO, virtual institute) led by civilian experts from middle power countries such as Australia and Indonesia, could serve as a tool for moderating rivalries in U.S.-China relations. These multilateral mechanisms can create new diplomatic space for South Korea to play a more active role despite its status as a middle power. Focusing on regional middle power diplomacy could be more productive than dealing with the immediate North Korean nuclear threat, which is unlikely to be resolved any time soon. To achieve this, South Korea will need extensive cooperation from the United States and China. This is the reasoning one hears in Seoul.

Preemptive diplomacy is extremely important in dealing with North Korean issues such as nuclear weapons development and contingencies. Before China determines its bottom line for a certain scenario, the United States and South Korea should be able to have an input into its decision-making process. For that, both should be more ambitious in pressing for strategic dialogue with China on North Korea. Beyond official dialogue more proactive exchanges with Chinese experts must be pursued. Coordination between the United States and South Korea is crucial. Otherwise, the dialogues may end up increasing distrust between the two, making the scenarios previously proposed for dealing with North Korea issues unrealistic.

South Korea should intensify diplomacy with China and reach a consensus on stability and the end state on the Korean Peninsula. The THAAD issue should be resolved in a compromise among the United States, China, and South Korea. The prevention of distrust through proactive diplomacy is the optimal outcome. Otherwise, North Korean issues are

likely moving beyond control; they may cause more tension, chaos, uncertainties, frustration, and distrust among concerned states, probably resulting in military clashes in the region and at least, an extension of Chinese influence over North Korea. Fortunately, the outcome of the Trump-Xi Jinping summit meeting to collaborate on the North Korean nuclear issue at the highest level appears to have brought the best opportunity to at least stabilize the nuclear issue since the efforts by Secretary of Defense William Perry and President Bill Clinton in 1999 and 2000. South Korea's policy should not seek to isolate or contain China. The United States and South Korea could solve the THAAD issue by pledging to use the system only against North Korea and by allowing South Korea's National Assembly to have a say on additional installations of the system.

The U.S.-ROK alliance should bring in China in ways that are more positive to handling a North Korea scenario. Stabilization and peace on the Korean Peninsula are likely to bring better relations among all parties in Northeast Asia, making coexistence the key principle on the peninsula. To do so, South Korea and the United States need to assure China that the alliance role on the Korean Peninsula would not hurt Chinese interests in the region. Anything short of such an assurance may allow China's traditionalists to gain a larger voice in Chinese policy circles, resulting in opposition to active participation in North Korea's denuclearization and Korean unification in favor of South Korea. The outcomes of instability on the Korean Peninsula, another Korean war, and an assertive North Korea with nuclear weapons are likely in a losing game for all concerned parties. Against the backdrop of the worst scenario, crisis management mechanisms among the United States, China, and South Korea should be established as soon as possible.

China's strategic thinking had, arguably, changed in favor of South Korea and Korea unification under Xi's leadership before the fourth nuclear test. Under Xi, there is greater potential for the United States, China, and South Korea to cooperate on North Korea than before. North Korean instability may lead to uncertainty and chaos in Northeast Asia if the relevant parties are not prepared. Therefore, South Korea, the United States, and China should establish a trilateral dialogue at the Track 1.5 level first and then move on to the Track 1 level in time to deal with North Korea issues. Chinese mainstream thinkers—those in the rising great power group—are also aware of the U.S. capability to deter China and will not challenge the status of the United States in Northeast Asia. They still hope to maintain Korean Peninsula issues as an area of compromise and cooperation between the two great powers. The summit meeting between Trump and Xi Jinping in 2017 was quite successful. However, China is becoming more independent of and less vulnerable to outside pressure. We can anticipate that China's future Korea policies will be motivated more and more by its own national interests and strategic calculations instead of pressure from the outside. China is no longer passive, but willing to take the lead on Korea issues in ways that can be positive.

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15. On the summit between Park and Xi Jinping at the G20 held in China in 2016, see, <http://cafe.daum.net/os9990/Dh2q/103588?q=%BD%C3%C1%F8%C7%CE%2C%20%BB%E7%B5%E5%20%C7%D9%BD%C9%C0%CC%C0%CD>.
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A View from the United States on Sino-U.S. Relations

Joel Wuthnow*

During the 2016 U.S. presidential campaign, the candidates reached a bipartisan consensus on one issue: how to deal with North Korea. Hillary Clinton and Donald Trump both called for China to do more to convince Pyongyang to abandon its nuclear program once and for all. Candidate Trump said that China has “absolute control” over North Korea and promised to do whatever it takes to convince Beijing to use that leverage, including imposing penalties on Chinese firms. As president, however, Trump will have to navigate the reality of China’s extreme hesitance to use the only type of pressure likely to divert North Korea’s nuclear ambitions—the threat of regime-endangering punishment. If and how China should continue to fit into U.S. strategy for dealing with North Korea will thus be a key issue facing Trump and his advisors.

For the United States and its allies, the stakes are enormous. Mismanaging the North Korea threat could result in Pyongyang accelerating development of intermediate and long-range ballistic missiles capable of striking U.S. and allied targets in Asia, and the U.S. homeland.¹ Those missiles could eventually be mated with nuclear warheads, giving Pyongyang a credible nuclear deterrent.² Mishandling China’s role in addressing the North Korean threat could also have negative consequences. Overestimating China’s ability and willingness to help resolve the situation could become a chimerical goal. Conversely, circumventing Beijing and relying solely on missile defense and U.S.-ROK-Japan cooperation could damage Sino-U.S. relations and push China into an obstructionist role. Like his predecessors, President Trump will have to balance competing interests while prioritizing defense of the homeland from what could become an existential threat.

This chapter addresses these issues in three main sections. The first details how and why U.S. presidents have engaged China on North Korea over the past 15 years. The second explains U.S. concerns about China’s limited willingness to exert pressure on Pyongyang and identifies the reasons why Beijing has been reluctant to do so. This section also reviews the constraints on additional U.S.-ROK-China trilateral coordination, which was a goal of former ROK President Park Geun-hye. The third section discusses three schools of thought in U.S. policy circles about how to engage China in light of North Korea’s two nuclear tests in 2016. The conclusion discusses how the Trump administration handled this issue in its first few months, and argues that expectations for a fundamental revision in China’s North Korea policy are misguided. This means that Trump and his advisors will have to find other ways to address the North Korean challenge, including through expanded cooperation with Tokyo and Seoul. Nevertheless, engaging Beijing cannot and should not be entirely avoided. One area where expanded engagement is necessary is in contingency planning for a North Korean crisis.

ENLISTING CHINA’S SUPPORT

Candidate Trump’s argument that the burden of North Korean denuclearization should fall on China’s shoulders was not unique, but rather consistent with a decade and a half of U.S. policy. This section reviews prior attempts to encourage Beijing to exercise its leverage on Pyongyang. It then examines how the U.S. candidates discussed this issue during the 2016 presidential campaign.

Efforts during the Bush and Obama Eras

For fifteen years, U.S. officials have argued that the onus of persuading North Korea to abandon its nuclear program should be on China. There are two basic reasons. First, other options either failed to address the problem or were ruled out entirely by U.S. policymakers. In the early 1990s, North Korea refused to provide unfettered access to International Atomic Energy Agency (IAEA) inspectors as required under the 1992 Non-Proliferation Treaty (NPT) Safeguards Agreement. The Clinton administration tried to encourage compliance through a mix of financial and energy incentives under the 1994 U.S.-DPRK Agreed Framework, but this agreement failed in October 2002, when Pyongyang acknowledged a covert uranium enrichment program and subsequently withdrew from the NPT. The Obama administration briefly resurrected this bilateral approach with its February 2012 “Leap Day” deal that sought to trade a moratorium on DPRK nuclear and ballistic missile tests and a return of IAEA inspectors for U.S. food aid, but this was scuttled by Pyongyang’s missile test several weeks later. Coercive approaches, such as U.S. domestic sanctions (initially imposed in 1992) and U.S.-ROK military exercises, also failed to halt North Korea’s nuclear progress. A preventive strike was considered in 1994 but rejected because of the anticipated high costs and the belief that a negotiated settlement might be possible.³ A U.S.-North Korea peace treaty has also been ruled out due to Pyongyang’s refusal to include denuclearization on the agenda.⁴

Second, the withdrawal of U.S. and other foreign assistance meant that China became North Korea’s primary diplomatic and economic partner. Fuel oil shipments and the planned construction of two light water reactors in North Korea by a U.S.-led international consortium were immediately cancelled after the collapse of the Agreed Framework. The Bush administration significantly reduced food contributions to North Korea through the World Food Program; that aid ended entirely in 2009.⁵ North Korea was also economically isolated after Japan withdrew as its major trading partner following the failure of talks on the Japanese abductee issue in 2002. These actions left China as the key supplier of food, energy, and economic support to North Korea (and China remained its only ally, based on a 1961 treaty). Thus, U.S. officials beginning in the George W. Bush administration argued that China was in a unique position to influence North Korea’s decision-making calculus.

The Bush, and later Obama, administrations relied on China’s support on North Korea in several ways. First, as part of the Six-Party Talks, Beijing helped convince Pyongyang to sign a Joint Statement in September 2005 that reaffirmed a common goal of the “verifiable denuclearization of the Korean Peninsula in a peaceful manner.”⁶ Victor Cha relays that China did this, in part, by telling their North Korean counterparts that U.S. negative security assurances were “serious.”⁷ Second, China took various unilateral steps to respond to North Korean provocations. For instance, China reportedly reduced the flow of oil to North Korea following the latter’s nuclear and ballistic missile tests in 2006 and 2009. Third, Beijing helped to establish a UN sanctions regime following North Korea’s first nuclear test in October 2006 (which was coupled with U.S. willingness to intensify bilateral talks with Pyongyang, leading to the Joint Agreement) and then to expand those sanctions with each

of the four subsequent nuclear tests over the next decade (see Table 1). Securing China's support in the UN often required intensive "shuttle diplomacy" between Washington and Beijing and high-level diplomatic consultations.⁸

Nuclear Test	Date	UNSCR	Date	Key Provisions
1	10/9/2006	1718	10/14/2006	<ul style="list-style-type: none"> • Ban on luxury goods to NK • Ban on major combat systems to NK • Ban on nuclear/missile transfers to NK • Optional cargo inspections • NK must return to 6PT w/o preconditions
2	5/25/2009	1874	6/12/2009	<ul style="list-style-type: none"> • Ban on all NK arms exports • Restrictions on NK financial services • Clarification of cargo inspection provisions
3	2/12/2013	2094	3/7/2013	<ul style="list-style-type: none"> • Clarification of banned luxury items • Ban on new DPRK bank branches
4	1/6/2016	2270	3/2/2016	<ul style="list-style-type: none"> • Cargo inspections now mandatory • Ban on coal, mineral exports with exceptions • Ban on jet fuel sales to NK
5	9/9/2016	2321	11/30/2016	<ul style="list-style-type: none"> • 60% reduc. in legal NK coal, iron exports • Suspension of NK science-tech exchanges

Sources: Press statements found on the UN website (<http://www.un.org>)

Consistent with this pattern, the Obama administration relied heavily on China in responding to North Korea's nuclear tests in January and September 2016. In March 2016, the UN Security Council approved Resolution 2270, which mandated cargo inspections, prohibited the sale of aviation fuel, and banned coal and iron imports from North Korea (with the exception of sales "exclusively for livelihood purposes"), among other steps.⁹ This followed two months of bargaining between Washington and Beijing, including conversations between President Obama and Xi Jinping. In November 2016, China agreed to reduce coal imports from North Korea by about 60 percent as part of Resolution 2321.¹⁰ This was significant because coal is by far North Korea's top reported export and, thus, source of foreign currency.¹¹ This resolution followed nearly three months of additional bilateral negotiations between China and the United States.

U.S. diplomatic efforts to attain China's support on North Korea have centered mainly on persuasion. One aspect of this has been linking Chinese cooperation with its desire for a positive international reputation. This is illustrated by former Deputy Secretary of State Robert Zoellick's often-cited "responsible stakeholder" speech, given two days after the Joint Statement was signed, in which he said that implementation of that agreement was the "most pressing opportunity" for Beijing to make a positive contribution to global governance.¹² U.S. officials have regularly cited joint efforts to deal with the North Korean nuclear program as a positive area of bilateral cooperation. Another aspect was highlighting North Korea's progress towards a nuclear capability and the potential ramifications for regional stability and nonproliferation norms. Following the May 2009 nuclear test, for instance, U.S. officials Jeffrey Bader and James Steinberg informed Chinese interlocutors

that failure to respond with robust sanctions would lead to greater consideration of “doctrines of preemption,” playing on Chinese concerns that the United States might be tempted to use military force. Bader states that this argument was useful in securing Beijing’s support for Resolution 1874.¹³

Aside from persuasion, the U.S. government has both threatened and enacted secondary sanctions as a means to convince China to reduce its ties to North Korea. In September 2005, the Treasury Department proposed (but did not levy) sanctions against Banco Delta Asia, a small Macau-based bank suspected of laundering money for North Korea.¹⁴ This was useful in convincing larger Chinese banks, such as the Bank of China, to refrain from doing business with North Korea out of fear of losing access to the U.S. market.¹⁵ Eleven years later, the Treasury Department took the unprecedented step of actually sanctioning a Dandong-based trading company that was accused of laundering North Korean funds through the U.S. financial system, while the Justice Department issued criminal indictments for representatives of that firm.¹⁶ This pressure was part of the Obama administration’s strategy for gaining Chinese support for approval of harsher sanctions following North Korea’s two nuclear tests in 2016.

The 2016 Presidential Campaign

Although not a major theme of the 2016 presidential campaign, North Korea was addressed periodically by the candidates during both the primary and the general election.¹⁷ The January and September 2016 nuclear tests, in particular, elicited remarks from the candidates, most of whom recited the argument that China should do more to stop North Korea’s nuclear program. Following the January 2016 nuclear test, Senator Bernie Sanders said in a Democratic debate that the United States should “do everything we can” to pressure China on North Korea.¹⁸ Hillary Clinton likewise said in January that China should be “more assertive in deterring the North’s irresponsible actions,” and suggested that Chinese firms found in violation of U.S. laws “will have to face sanctions.”¹⁹ Following the September nuclear test, Clinton said that China must “meaningfully increase pressure” on North Korea.²⁰

Republican candidates expressed similar opinions. Senator Ted Cruz said during a debate that Washington needs to pressure Beijing “because North Korea is effectively a client state of China.”²¹ Trump argued that China has “total control over North Korea” and should “solve the problem. And if they don’t solve the problem, we should make trade very difficult for China.”²² On another occasion, Trump said that Beijing has “absolute control” over Pyongyang and pledged that, if China continued to refuse to use that influence, he would “force China to do it economically.”²³ However, Trump differed from the other candidates by adding that he might be open to the possibility of direct negotiation with North Korean leader Kim Jong-un.²⁴ Trump’s claim was that, as a successful businessman, he was better able to effectively negotiate with both Beijing and Pyongyang than previous officials.

CONSTRAINTS ON SINO-U.S. COOPERATION

Despite repeated U.S. attempts to rely more on China to address the North Korea problem, the outcome has usually been disappointing. This section explains U.S. concerns about China’s unwillingness to accept and enforce effective sanctions and about continuing Sino-DPRK economic and diplomatic ties. It then explains Beijing’s reluctance to exert greater pressure. Finally, it addresses the limits on trilateral dialogue between China, the ROK, and the United States, which was a goal of the Park administration.

U.S. Concerns about China

U.S. observers have expressed concern that a number of Chinese policies are enabling North Korea to make progress in its nuclear program despite international sanctions. First is China's inconsistent application of pressure. One complaint is that China tends to only temporarily reduce its economic and diplomatic contacts with North Korea following provocative actions, usually resuming them after a short period.²⁵ Another concern is that China has only weakly implemented UN sanctions, obeying the "letter but not the spirit" of resolutions. This includes China's reluctance to use UN authorities to inspect DPRK flagged ships suspected of transporting illicit cargo and its continued imports of North Korean commodities despite these generating revenue for Pyongyang. Provision of dual use technology by Chinese firms has been another concern.²⁶ Then-U.S. Assistant Secretary of State for East Asia Daniel Russel summed up the problem in congressional testimony in September 2016 when he said that there was much more China could be doing to enforce existing sanctions.²⁷

Second is China's tendency to weaken sanctions in the first place. During negotiations on Resolution 1718 in October 2006, China rejected U.S. proposals to establish a general arms embargo on North Korea, carving out exemptions for continued sales of light weapons.²⁸ In June 2009, Beijing lobbied for international inspections of suspicious North Korean cargo to be voluntary, rather than mandatory (a loophole closed by Resolution 2270 in March 2016). Following the January 2016 nuclear test, China demanded inclusion of a provision permitting North Korean sales of coal, iron ore, and various minerals to continue for "livelihood purposes," thus allowing China to continue importing these items. That exception was partially closed with China's commitment to reduce coal imports by 60 percent in November 2016. In other cases, such as North Korea's sinking of the *Cheonan* and shelling of Yeonpyong Island in March and November 2010, respectively, China blocked any substantive UN action.²⁹

Third are concerns about continuing economic and diplomatic relations between China and North Korea. Since 2009, China has been the only major external supplier of food aid to North Korea (with uncertainties about how much this assistance benefits the regime vs. the population at large).³⁰ China officially eliminated supply of crude oil to North Korea in December 2013, but since then there have been reports of DPRK tankers receiving oil shipments in Chinese ports and at sea.³¹ Moreover, China remains North Korea's major trading partner, purchasing 89 percent of North Korean exports and providing 87 percent of North Korea's imports in 2014. (These figures exclude the Kaesong Industrial complex, which was treated as intra-Korean trade before its closing in 2016.)³² Diplomatically, China has maintained sporadic high-level contacts with North Korean officials, including President Xi's meeting with a Workers' Party of Korea delegation in Beijing in June 2016 and a visit by Vice Foreign Minister Liu Zhenmin to Pyongyang in October 2016.³³ For many U.S. observers, these policies reduce the efficacy of international pressure and bestow legitimacy on the North Korean regime.³⁴

Reasons for Chinese Hesitation

Several factors explain China's reluctance to apply greater pressure on Pyongyang. At the most fundamental level, there is a mismatch between Washington and Beijing's strategic priorities. The United States is concerned primarily with denuclearization of the Korean Peninsula.³⁵ Although regime change has not been an explicit objective, both the Bush and Obama administrations have been willing to accept a risk of instability on the peninsula in order to achieve non-proliferation goals. By contrast, Beijing sees the maintenance of

peninsular “stability” as a key interest for several reasons: avoiding a deluge of refugees into its northeast, which already faces a precarious economic situation; preserving a useful strategic buffer between China and U.S. and ROK forces; and avoiding the possibility of an inadvertent or even intentional nuclear detonation, the fallout of which could reach Chinese territory.³⁶ The consequence is that China has avoided steps that it views likely to create instability, such as eliminating food and fuel aid or severing diplomatic contacts.

To be sure, Beijing has also consistently identified non-proliferation as an important goal. However, there are significant divergences between China and the United States about how that goal can be most effectively pursued. The U.S. government tends to view domestic and international sanctions as central to convincing North Korea not to cross the nuclear threshold. However, Chinese analysts and officials contend that sanctions often embolden regimes to act more assertively and can have negative humanitarian consequences. Instead, Beijing places more emphasis on dialogue mechanisms such as the Six-Party Talks. There is also an enduring view—based on China’s own experience as a target—that sanctions are tools used by the powerful to bully the weak. Thus, China maintains that sanctions, when they are required, must be vetted and approved by the UN Security Council.³⁷ Finally, many Chinese officials and analysts believe that North Korea faces a genuine threat from the United States, and that addressing Pyongyang’s legitimate security concerns is a necessary condition for denuclearization.

Sympathy among many Chinese citizens for North Korea also limits Beijing’s desire to pressure Pyongyang. Views of the older generations in China were shaped by Mao’s decision to send in Chinese forces to “counter U.S. aggression” in October 1950, as well as by propaganda throughout the Cold War that promoted Sino-North Korean relations as being “as close as lips and teeth.” Younger generations tend to be more hostile to North Korea, due to its inability to modernize and its provocative actions in recent years, and generally have more positive attitudes towards South Korea and the United States. Yet, even for younger Chinese “netizens,” the legacy of close Sino-North Korean cooperation (refreshed by more recent “patriotic education” campaigns) has led to “desires for a friendlier North Korea policy.”³⁸ Altogether, these factors create a floor beneath which Beijing is unlikely to let its relations with Pyongyang deteriorate.

Limits on U.S.-ROK-China Cooperation

As part of her trustpolitik agenda as a presidential candidate, Park Geun-hye proposed closer trilateral coordination between China, the United States, and the ROK. Central to this was the idea of a “trilateral strategic dialogue” among the three states. General support for this goal was offered in the 2015 U.S.-ROK Joint Statement on North Korea, which held that the two allies would “continue to strengthen our coordination with China” and other parties to bring North Korea “back to credible and meaningful talks as soon as possible.”³⁹ Trilateral discussions have, in fact, been held at the Track 2 level at the Center for Strategic and International Studies and the National Committee on American Foreign Policy.

Nevertheless, disagreements between the three countries on how to handle North Korea have militated against closer coordination, such as through a trilateral summit. China has been wary about pressuring North Korea. The United States and the ROK, in addition to supporting tougher sanctions, have strengthened their alliance to defend against North Korean threats in a way that has repeatedly frustrated Chinese officials. Beijing has been concerned, in

particular, about deployments of advanced U.S. military capabilities in the ROK, provision of offensive U.S. weapons to Seoul, overflights of South Korea by U.S. nuclear-capable bombers, and regular U.S.-ROK exercises that are targeted at the DPRK (such as Ulchi Freedom Guardian, Key Resolve/Foal Eagle, and naval exercises in the Yellow Sea). While U.S. and ROK officials describe these activities as defensive, Chinese commentary often portrays them as destabilizing and provocative.⁴⁰

Planned U.S. deployment of a Terminal High Altitude Area Defense (THAAD) system in South Korea has become a particular constraint on trilateral cooperation. Chinese analysts contend that the THAAD system will undermine China's nuclear deterrent by extending U.S. ability to observe Chinese missile launches, and put strategic pressure on China by integrating U.S. missile defenses across Asia.⁴¹ In 2016, Xi attempted to convince both Obama and Park to reconsider the deployment, but to no avail.⁴² China has also used economic pressure, such as restricting imports of South Korean cosmetics, in a bid to convince Seoul to oppose deployment.⁴³ Conversely, U.S. and ROK officials argue that THAAD is needed to defend South Korea from North Korean missiles and is not aimed at China.⁴⁴

U.S. POLICY DEBATES

In response to North Korea's two nuclear tests in 2016, U.S. analysts have come to different conclusions about how to leverage China to deal with North Korea. Some emphasize positive engagement (a continuation of the status quo), others want to prod China into reducing its economic ties with North Korea through the threat of sanctions, and still others discount China's role and emphasize military solutions. This section assesses each of these views.

Persuasion

One school of thought argues that the United States should continue to court increased Chinese support through reassurance and dialogue. A 2016 Council on Foreign Relations (CFR) task force report, for instance, argued (as the preferred alternative with other options possible) that China plays a key role in bringing North Korea back to the negotiating table. To encourage Beijing, the report suggested a new dialogue that would discuss the "disposition of U.S. forces" on the Korean Peninsula and try to persuade China that the United States is not seeking regime change in Pyongyang. In addition, the report promoted Park's suggestion for five-party talks involving China, the United States, Russia, the ROK, and Japan as a useful policy coordination mechanism.⁴⁵ Scott Snyder similarly argues that the U.S. and Chinese presidents should expand policy talks based on China's growing consternation with North Korean policies under Kim Jong-un.⁴⁶

Adherents to this approach are most receptive to the idea of U.S.-ROK-China coordination. The 2016 CFR report urged U.S. and ROK officials to try to assuage China's concerns that a unified Korea under Seoul's leadership would negatively impact the strategic balance. For instance, South Korea could try to persuade China that its economic stakes in the North would be "respected" during unification.⁴⁷ The report also suggests that a trilateral mechanism could discuss practical issues such as border control, port management, and how to handle refugees in the event of a crisis.⁴⁸ Similarly, Stephen Haggard suggests that the three countries need to "eliminate divisions" among themselves on how to handle North Korea, "even amid sensitive issues" such as THAAD deployment.⁴⁹ A U.S. participant in a Track 2 dialogue hosted by the NCAFP also encouraged trilateral cooperation on issues such as sanctions implementation and intelligence sharing.⁵⁰

The strength of this approach is that it would be least disruptive to the larger U.S.-China relationship and would facilitate new types of bilateral and multilateral coordination. This could improve information sharing and routine policy coordination between the two countries, as well as with the ROK and others, which could be useful in facilitating a response to a future North Korean provocation. The weakness is that, as an extension of the status quo, the approach is unlikely to lead to China significantly expanding its pressure on North Korea. As Evans Revere argues, “China is not yet ready to regard the DPRK as a net strategic liability.”⁵¹ Thus, even if Beijing were to subscribe to additional sanctions, it would remain unwilling to take any steps that it thought would destabilize North Korea.

Pressure

A second school of thought focuses on prodding Beijing to sharply reduce ties with North Korea through the threat of secondary sanctions. Advocates point to the 2005 Banco Delta Asia case as an example of how targeted pressure on small-scale firms can lead to industry-wide reluctance to sustain cooperation with North Korea out of a desire to protect more important equities in the U.S. market.⁵² As noted above, the Obama administration started to use this technique in its decision to sanction a Chinese trading company in 2016. But more steps could be taken. Evans Revere writes that secondary sanctions could be imposed on Chinese companies, banks, and state-owned enterprises that deal with North Korea, while some firms, such as travel or tourism companies, should be shuttered entirely.⁵³ The United States might also encourage its NATO and Asian allies to target the same Chinese firms.⁵⁴

If successful, this approach could result in North Korea losing economic assistance, revenue, and technical expertise. However, there are two downsides. First is that an expansion of sanctions against Chinese firms would create friction in U.S.-China relations at a time when leaders in both countries generally want to avoid conflict. Nevertheless, this concern should not be overblown. China’s Foreign Ministry responded to the 2016 U.S. sanctions on a Chinese firm merely by reiterating Beijing’s opposition to unilateral sanctions in principle and calling on Washington to avoid undermining “China’s legitimate interests.”⁵⁵ Beijing might not react strongly to targeted sanctions against small-scale local firms, especially those operating in clear violation of UN sanctions, but might respond more intensively to steps against larger, more politically influential companies.

Second, reduction of Chinese economic assistance to North Korea might not make an appreciable difference in Pyongyang’s ability and motivation to pursue a nuclear capability. North Korea has already taken steps to become more self-reliant, such as relying more on domestic manufactures than on Chinese imports.⁵⁶ Thus, the regime might be able to pursue the economic modernization component of its byungjin strategy (which calls for concurrent progress on economic and nuclear development) even if Chinese firms scale back or cease operations in North Korea. Another aspect is that the North’s strategic impetus to acquire a nuclear capability is likely far more important than concerns about losing relatively small amounts of revenue in either legal or illicit trade with China.⁵⁷ Thus, the risk is that this approach might become an ineffective chimera for U.S. policymakers.

Bypassing

A third school of thought advocates bypassing China in favor of greater emphasis on military solutions to North Korean threats. This argument recognizes that the status quo has failed to change North Korean behavior and doubts that China either has the ability or willingness to use sufficient pressure to cause such a change. At a National Defense University symposium on North Korea held in November 2015, for instance, one U.S. participant argued that sanctions have a “miserable” track record of effectiveness and suggested that China would never use its leverage effectively due to concerns about instability. Instead, the participant said that the U.S. government should strengthen cooperation with the ROK and Japan on a bilateral and trilateral basis.⁵⁸ Similarly, Robert Manning and James Pryzstup fault the UN Security Council for weak responses to North Korean provocations and focus on increasing U.S.-Japan-ROK trilateral security cooperation.⁵⁹

Along these lines, there has also been some recent discussion on the conditions under which the U.S. military might have to conduct a preemptive strike on North Korea. Admiral Mike Mullen, former chairman of the Joint Chiefs of Staff who co-directed the 2016 CFR report on North Korea, gained attention when he said that the United States could “theoretically take out launch capabilities on the launch pad or take them out once they’re launched.”⁶⁰ Several recent commanders of U.S. Forces Korea, including Burwell Bell and Walter Sharp, have also argued that preemptive strikes should be used in the case of imminent threats.⁶¹ However, there has been no apparent discussion of *preventive* strikes (i.e. those that would take place without indication of an impending launch), due both to difficulties in ensuring complete destruction of North Korean nuclear material and concerns about retaliation against Seoul.

The most obvious weakness of this approach is that it could invite a strong North Korean response. Strengthening military cooperation among U.S. allies could lead Pyongyang to conduct further provocations, while preemptive strikes could precipitate a war on the Peninsula. There could also be negative repercussions for U.S.-China relations. As previously discussed, THAAD deployment has been a major friction point between Beijing, Washington, and Seoul. China has already retaliated against South Korea in the economic realm, and could adopt other responses, such as strengthening Sino-Russian military cooperation.⁶² Beijing is likely also to be concerned about increasing trilateral U.S.-Japan-ROK cooperation (though some Chinese analysts argue that Japan-ROK divisions limit the extent of cooperation between these U.S. allies).⁶³ Nevertheless, given North Korea’s emerging ability to deploy a nuclear ICBM, Beijing’s concerns are unlikely to deter a U.S. president seeking stronger missile defenses, alone or in concert with its allies. In the absence of Chinese pressure causing a shift in North Korea’s priorities, military deterrence and denial are likely to become the preferred option for the United States.

CONCLUSION

U.S. efforts to influence China’s decision-making calculus on North Korea continued during the first few months of the Trump administration. The DPRK issue was on the top of the agenda during Secretary of State Rex Tillerson’s March 2017 visit to Beijing and during the initial Trump-Xi summit, held at Mar-a-Lago, Florida, in April. The administration’s early attempts to convince China to increase pressure on North Korea centered on economic

incentives. Taking to Twitter, Trump hinted that China might receive a better “trade deal” with the United States if it helps “solve the North Korea problems.” Trump also suggested that his decision on whether to label China as a “currency manipulator” would be contingent on Beijing’s willingness to sanction North Korea.⁶⁴ Underlying these views was the argument—consistent with one made over the last fifteen years—that China holds unique leverage over the situation. National Security Advisor H.R. McMaster noted that 80 percent of North Korean trade flows through China and that “all of their energy requirements are fulfilled by China.”⁶⁵

According to media reports, the Trump administration’s policy review on North Korea also suggested a more coercive tact towards China if persuasion fails. This could involve additional penalties on Chinese firms that do business with North Korea, which would be consistent with Trump’s campaign statements.⁶⁶ One sign that the administration was prepared to follow through on those recommendations was a \$1.19 billion fine levied against Chinese electronics firm ZTE for violating U.S. sanctions on Iran.⁶⁷ Recent UN investigations detailing the ways in which Chinese firms have avoided international sanctions on North Korea, including in areas such as missile technology, might undergird new U.S. secondary sanctions.⁶⁸

However, the Trump administration also appeared wary about China’s willingness to exert enough pressure to impede North Korea’s nuclear ambitions. Asked about whether China would act in a meaningful way, McMaster said only, “We’ll see what happens.”⁶⁹ Trump himself claimed that a 10-minute conversation with Xi at Mar-a-Lago led him to the view that China’s ability to influence the situation is “not what you would think.”⁷⁰ Such doubts might spur the Trump administration to explore a range of alternatives. During a visit to South Korea, Vice President Mike Pence said that “all options are on the table,” pointing to recent U.S. missile strikes in Syria and Afghanistan as signs of U.S. resolve to act unilaterally.⁷¹ Other statements and activities not involving China included reaffirmation of U.S. security commitments to Tokyo and Seoul, pledges to complete the deployment of THAAD, and the redeployment of a U.S. aircraft carrier strike group to the Korean theater.⁷² Those steps are more in line with U.S. strategists who argue against over-reliance on China.

Ultimately, the Trump administration might have to pursue a North Korea strategy that places less emphasis on Chinese assistance. China might be convinced to take actions, such as reducing coal purchases from North Korea or agreeing to additional UN Security Council sanctions, and will likely continue to tout its commitment to nonproliferation on the Peninsula.⁷³ However, there is no evidence that China is prepared to assume the risks attendant with imposing more severe costs on North Korea, such as cutting off Pyongyang’s fuel supplies. On the contrary, China’s trade volume with North Korea in the first quarter of 2017 grew by over 37 percent compared to the same period in 2016.⁷⁴ Absent a significant change in China’s North Korea policy, the United States might have to ratchet up its military posture and increase alliance coordination in ways that create friction in U.S.-China relations.

Nevertheless, this does not mean that China can, or should be, excluded from U.S. strategy. Enforcement of UN sanctions, though unlikely to deter North Korea from pursuing nuclear weapons, could make that process costlier and more time consuming. Moreover, the possibility that China could subscribe to additional sanctions that impede the North’s progress

even more should not be discounted. Dennis Wilder notes that China has been willing to ratchet up pressure on North Korea when the United States has signaled an intent to sanction Chinese firms, suggesting that Beijing might be convinced to do more.⁷⁵ U.S. arguments could continue to highlight the instability that would occur as North Korea strengthens its nuclear capabilities, such as pressure for Japan and South Korea to develop their own deterrents and the chance that the United States might give more thought to preemption or other action short of war.

In addition, the Trump administration should consider expanding engagement with China in the area of contingency planning. U.S. analysts argue that discreet talks between the U.S., Chinese, and ROK militaries are needed to avoid accidents and miscommunications in the event of a North Korean crisis, and to determine how each side can contribute to common objectives such as securing nuclear material or responding to a humanitarian crisis.⁷⁶ Beijing has been willing to address some of these issues in general terms at the Track 2 level, but has avoided direct talks for several reasons, including the view that the Kim Jong-un regime is not in imminent danger of collapsing and concerns that leaks about such talks would embarrass the DPRK.⁷⁷ Willingness by U.S. and ROK forces to share information on contingency plans could encourage the PLA to respond in kind. But the main argument should be that both countries have an interest in effective crisis management. One Chinese interlocutor argues with only a trace of hyperbole that both countries want to avoid wandering into a “second Korean War.”⁷⁸

**The views expressed in this paper are the author's own and do not reflect the official policy or position of the National Defense University, the Department of Defense or the U.S. government. For helpful feedback on earlier drafts, the author thanks Jim Pryzstup and Phillip Saunders.*

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A View from the United States on ROK-U.S. Relations

Mark Tokola

For the proverbial visitor from Mars, the political situation in Northeast Asia is inexplicable. Sitting amidst a group of relatively stable, wealthy, and powerful countries, is a small, poor, belligerent nation that all agree is a threat to regional stability. Furthermore, the rogue state has been sanctioned and its behavior condemned by the United Nations for its weapons programs and its human rights abuses. Why can the Republic of Korea (ROK), Japan, the United States, Russia, and China not combine their considerable leverage to do something about North Korea?

The question can be divided into two parts: 1) could external pressure change North Korea's behavior? and 2) is there something getting in the way of coordination among the five regional powers? Although the first question is ripe for serious consideration this chapter primarily focuses on the second.

The most obvious culprit is the dynamic between China and the United States and its allies in the region. Comparing China's goals in its relationship with North Korea with those shared by the United States and South Korea, I argue that divergence between them, stemming from the broader context of great power rivalry, is hindering policy coordination, and thus obstructing resolution of the North Korean issue. I do so by first outlining recent examples of military interventions and economic sanctions by large states into and on small states to demonstrate the significance of China's support for North Korea. I then recount China's relations with North Korea since the conclusion of the Korean War before detailing U.S.-South Korea relations over the same period. The chapter concludes by examining how the Beijing-Washington rivalry on the global stage is preventing a shared solution on North Korea that can no longer be delayed.

MILITARY INTERVENTIONS BY LARGE STATES INTO SMALL STATES

To briefly answer the question of whether large state actions can change small state behavior, it is sufficient to note that there are examples from recent decades showing that when individual smaller states pose a threat to regional security, and lack great power patrons to protect them, forcefully imposed change can happen, usually but not always resulting in regime change. Four examples are cited: Serbia, Iraq, Georgia, and Libya.

Serbia

Serbian leader Miloslav Milosevic was forced by a military air campaign to accept an international plan to end the Kosovo War in June 1999, paving the way for the separation of Kosovo from Serbia. Although Russia protested NATO's bombing campaign against Serbia in March 1999, Milosevic yielded to international demands once it became clear to him that Russia would not intervene to protect him. Sixteen months later he was driven from office following public demonstrations in Serbia. He died in prison in 2006 while on trial for crimes against humanity at the International Criminal Tribunal for the Former Yugoslavia (ICTY) in The Hague.

Iraq

In 1990, Iraq invaded its neighbor Kuwait partly on territorial grounds, claiming that Kuwaiti territory had formed part of historic Iraq, and partly because Kuwait was exceeding OPEC production quotas, harming Iraq's oil revenues. After Kuwait offered only \$9 billion of the

\$10 billion that Iraq demanded as compensation, Iraqi aircraft first bombed Kuwait City on August 2, followed by a ground invasion. Kuwaiti resistance ended after 12 hours. After a series of United Nations Security Council resolutions calling for Iraqi withdrawal, UNSCR 678 was adopted on November 29, 1990 by a 12 to 2 vote, with Russia voting in favor, Cuba and Yemen against, and China abstaining. The resolution called for Iraqi forces to quit Kuwait by January 15, 1991, and authorized “all necessary force” to compel Iraq to comply if it failed to meet the deadline. An allied air campaign against Iraqi forces began on January 16, ground operations in Kuwait began on February 24, and on February 27, Iraqi President Saddam Hussein ordered Iraqi forces to withdraw from Kuwait, marking an end to the Gulf War. Although the United States hoped the defeat would lead to Saddam’s fall, he suppressed domestic opposition and remained in power.

The international legal basis of the later U.S. invasion of Iraq in March 2003 is contestable. The United States argued that the unanimously-adopted UNSCR 1441 of November 2002 was sufficient grounds for military action given that Iraq had not cooperated with an international inspection program intended to identify and destroy purported weapons of mass destruction. Russia, China, France, Germany, and others argued that a further UNSCR would be required before force could be authorized. During the debate on UNSCR 1441, U.S. Ambassador John Negroponte had even said, “This resolution contains no ‘hidden triggers,’ or ‘automaticity’ with respect to use of force,” and that a further resolution would be necessary if Iraq failed to comply with it.¹ Negroponte went on to say in his speech, however, that all member states reserved the right of self-defense and the ability to act unilaterally to protect peace and security.

Declaring that Iraqi WMD posed an imminent threat to international peace and security, the United States, with coalition allies, attacked. The formal phase of the Iraq War lasted from March 20, 2003, when U.S., British, Australian, and Polish troops entered Iraqi territory, until April 9, 2003, when Baghdad fell and Saddam Hussein’s Iraqi government ceased to exist. Saddam Hussein was executed by the successor Iraqi government on December 30, 2006.

Georgia

On August 8, 2008, Russian forces entered Georgia in a “peace enforcement operation” to prevent Georgian forces from opposing a South Ossetia separatist campaign. On August 12, Russia and Georgia agreed to a French-brokered ceasefire. In violation of the ceasefire agreement, Russian troops continue to occupy Abkhazia and South Ossetia. Prior to 2008, Georgia had sought NATO membership, which it believed would create a shield against Russian pressure, but France and Germany both believed that NATO membership, or a NATO defense agreement with Georgia, would have been overly provocative towards Russia, and the Georgian application was rebuffed.² The consequence of Russian pressure since 2008 has been to forestall Georgia from aligning itself with the West.

Libya

Libyan leader Muammar Gaddafi was fighting a civil war against an Arab Spring uprising in 2011 when UNSCR 1973 was passed on March 17, 2011 to authorize the protection of civilians in Libya “by all means necessary” by a vote of 10 to 0 (with Russia, China, India, Brazil, and Germany abstaining). NATO air strikes suppressed Gaddafi’s forces, leading to a rebel victory on October 20. Gaddafi was captured and killed on that final day of heavy

fighting. Earlier, in 2003, Gaddafi had agreed under the pressure of international sanctions to dismantle his program of WMD. It was suggested at the time that the agreement could serve as an example for Iran and North Korea to do the same; and it was argued after Gaddafi's demise that the outcome of the Libyan War would serve to convince Iran and North Korea that it would be folly for them to abandon weapons programs that might have deterred NATO attacks on Libya. The discovery of hidden chemical weapons³ and nuclear precursors (yellowcake)⁴ in Libya after the conflict ended equally might be taken as a lesson that actually retaining WMD did not in the end save Gaddafi.

LARGE STATE ECONOMIC SANCTIONS AGAINST SMALL STATES

In cases in which military intervention is unworkable or undesirable, the most frequent alternative is economic sanctions. There is a rich and argumentative literature about the effectiveness of international economic sanctions. They have been exercised countless times, dating back at least to 432 B.C. when sanctions were imposed on the Megarians by Athens. Most scholars would agree that the record of their effectiveness is mixed at best. It is possible to cheat, leakages around the edges of sanctions are difficult to avoid, some economies are more self-sufficient than others, sanctions can provide a rallying point for the regimes of the targeted countries, and they rarely work quickly enough to satisfy those who impose them. Nevertheless, there are examples of them having worked.

One example of the effectiveness of international sanctions is apartheid South Africa – not the 1986 to 1991 international sanctions against South Africa, which seem to have played a minor role in ending apartheid compared to domestic political developments – but rather South Africa's own sanctions against Lesotho which lasted from 1982 to 1986. Members of the rebel African National Congress (ANC) had sought refuge in Lesotho. Lesotho was landlocked, surrounded by South Africa and economically dependent upon South Africa. South Africa's economic sanctions cost Lesotho an estimated 5.1 percent of its GDP. The economic pressure led to a 1986 coup after which the new Lesotho government deported 60 ANC members, satisfying South Africa's demands.⁵ Lesotho's heavy dependence on one relatively large state left it vulnerable to effective economic leverage.

CHINA'S PROTECTION OF NORTH KOREA

North Korea has no special immunity that would make it less susceptible to international intervention or pressure than was the case for Serbia, Iraq, Georgia, Libya, or Lesotho—except for China's protection. North Korea has a large armed force, but so did Iraq. Iraq, as feared, did lash out against Saudi Arabia and Israel when attacked in 1991 and 2003, but with limited effect. North Korea could undoubtedly inflict serious harm on South Korea in the event of an armed conflict, but previous armed interventions have had to deal with similar calculations when tensions reached a breaking point; it was considered that the dangers created by not intervening had become greater than the risks attending intervention. North Korea appears to be assuming that possessing WMD will protect it from possible intervention; but possessing them may have the opposite effect of making it seem more necessary to threatened states that they take swift, decisive action to forestall their use.

An appreciation of China's current role as North Korea's dominant ally and defender against international pressure requires some history. It has not always been the case. The Soviet Union, not China, was responsible for North Korea's creation, and relations between China and North Korea have suffered through low points during the past decades. An assumption that China is naturally and inevitably going to support the North Korean regime obscures rather than illuminates China's attitudes toward the peninsula.

Postwar Chinese North-Korean Relations

Although North Korea had resisted Chinese efforts to exert control at the height of the Korean War, and despite Chinese resistance to the negotiated ceasefire that Kim Il-sung desired beginning in early 1952, North Korea moved away from Moscow and closer to Beijing after the war. Part of the anti-Soviet mood was created by the transition in Moscow following Stalin's death. Whereas Kim Il-sung was personally in tune with Joseph Stalin's cult of personality, and indeed took it further than even Stalin would have dreamed, Khrushchev moved to denounce and replace Stalin's personal style of governance.⁶ Kim Il-sung was more comfortable with Mao Zedong's continuing fidelity to Stalin's personal governing model than with Khrushchev's reforms, making China a more sympathetic partner.

By early 1962, Pyongyang was praising China's aggressive stance towards Taiwan and echoing it by announcing similar intent to liberate South Korea. Its propaganda contrasted this aggressive stance to the Soviet Union's "weak" approach of peaceful coexistence with the West. In the aftermath of the Cuban missile crisis of October 1962, North Korea ridiculed the Soviet stand-down as cowardly: "one should not beg the imperialists for peace, but fight them over it."⁷ Worse was to come for Soviet-North Korean relations when North Korea wholly sided with China during the Sino-Indian border clashes that also took place in October 1962.

By mid-1965, Kim Il-sung was concerned that North Korea had become too dependent upon China and told a new Soviet ambassador to Pyongyang that he wanted to improve relations with Moscow. The following year Mao's "Cultural Revolution" disrupted relations between China and North Korea. Kim Il-sung denounced the movement as "left opportunism" pushing the public towards "arch-revolutionary slogans to act in the extreme." China, for its part, denounced Kim Il-sung as a "bourgeois revisionist."⁸ Relations remained strained between China and North Korea until the end of the Cultural Revolution in 1976. Beginning in 1977, Kim Il-sung, having learned from experience that over-dependence upon either Moscow or Beijing left North Korea vulnerable, adopted a policy of equidistance from both, a policy he maintained until his death in 1994, even after the Soviet Union was formally dissolved in 1991.

Chinese Support in Recent Years

During the Kim Jong-il and Kim Jong-un years from 1994 to the present, North Korea has become increasingly economically dependent upon China as international sanctions have reduced trade with virtually every other partner. As recently as 2001, North Korea had a higher value of imports from Japan than from China, and India and South Korea were significant trading partners.⁹ Trade with China made up less than half of North Korea's total trade in 2004. After Japan cut trade with North Korea in 2002 following no resolution to the issue of Japanese citizens abducted by North Korea, and after South Korea essentially ended

trade relations as part of the “May 24” measures in 2010 following the sinking of the naval vessel *Cheonan* and North Korea’s shelling on Yeonpyeong island, economic dependence upon China rapidly increased. Today, over 90 percent of North Korea’s trade is with China.¹⁰

The first sign that China’s support for North Korea was not unconditional came after North Korea’s first nuclear test in October 2006. Following the test, China supported UN Security Council Resolution 1718, which imposed economic sanctions. After North Korea’s third nuclear test in February 2013, China agreed to further trade sanctions and reduced energy supplies to North Korea. However, China has made clear that the intent of sanctions is to punish North Korea for its provocative behavior, not to apply pressure to a point that might endanger the regime. Experts differ on the extent of China’s compliance with the latest round of UN sanctions imposed in November 2016 by UNSCR 2321. It may simply be too soon to tell. However, it is safe to gauge that China’s continuing intent is for economic sanctions to indicate displeasure with North Korea’s behavior rather than to apply strong pressure on the regime.

In non-economic policy areas, China’s chairmanship of the Six-Party Talks that ran from 2003 reinforced China’s position as a defender of North Korea. The talks collapsed after North Korea’s 2009 nuclear test. In the following years, China refused to condemn North Korea’s sinking of the *Cheonan* in 2010, calling instead for “restraint by both sides.”¹¹ China criticized a February 2014 UN report that condemned North Korea’s human rights record and moved to block UN Security Council sessions in December 2014 and 2015 that were to take up North Korean human rights issues. Although there has been no summit between Xi Jinping and Kim Jong-un, diplomatic relations continue at a relatively high level. Liu Yunshan, first-ranked secretary of the Central Secretariat of the Chinese Communist Party and member of the Politburo Standing Committee, attended the seventieth anniversary of the Korean Workers Party in Pyongyang in October 2015.

Of at least formal significance, the Sino-North Korean Mutual Aid and Cooperation Friendship Treaty of 1961 continues in force.¹² Along with calling for economic and social cooperation, it is a defense pact, requiring each country to take all necessary measures to oppose any country or coalition of countries that attacks the other. It requires renewal every 20 years and was renewed in 1981 and in 2001. It, therefore, will continue until 2021. A similar North Korean treaty with the Soviet Union¹³ was replaced in 1999 with an agreement that requires only bilateral consultation in the event of an attack.¹⁴ Although China has close military relations with Pakistan, it is not party to any defense pact except that with North Korea. What this means as a practical matter is difficult to judge but, reportedly, the Chinese military continues to take the mutual defense alliance seriously, more than do other elements of the Chinese establishment.

A final, and more recent example of China’s support for North Korea can be seen in China’s strong condemnation of South Korea’s decision to deploy the U.S.-provided Terminal High Altitude Area Defense (THAAD) missile defense system. Chinese public and private objections to THAAD have been almost exclusively based on the threat that China claims THAAD poses to China’s national security, but they add, as a secondary point, that THAAD deployment is a sign of South Korea’s unwillingness to engage North Korea in diplomatic talks to ease tension on the peninsula. THAAD will only serve to make North Korea feel more insecure.¹⁵ In all discussions of how to reduce tension on the Korean Peninsula, China

resorts to the argument that North Korea feels threatened by the United States and South Korea. Progress will only be made when the United States and South Korea recognize North Korea's legitimate security concerns, end North Korea's international isolation through easing sanctions, and engage North Korea in negotiations, particularly for a peace treaty to replace the armistice, and finally bring the Korean War to a close.

In sum, Chinese-North Korean relations have been challenged by North Korea's persistence in pursuing a nuclear weapons and missile program, but not to a point at which China would welcome regime change. China remains less concerned about a nuclear-armed North Korea than about a collapsed North Korea.

THE U.S. ALLIANCE WITH SOUTH KOREA

Postwar U.S.-South Korean Relations

Although the United States provided a strong military shield over South Korea during the entire postwar period and significant economic assistance that contributed to its rapid economic development, political relations were uneasy during the decades of authoritarian rule in Seoul. The United States was committed to a process of democratization in South Korea and put pressure, successively, on presidents Syngman Rhee, Park Chung-hee, and Chun Doo-hwan to respect electoral processes, to allow political opposition, and to end human rights abuses.

Washington eased Rhee out of power, allowing him to retire to Hawaii for the remainder of his life;¹⁶ tried to rally the Korean government to resist Park's takeover by military coup;¹⁷ and put pressure on Chun to not declare martial law. President Reagan wrote to Chun that U.S.-South Korea relations "would be under severe strain" if Chun did not allow the presidential election of 1987 to go forward.¹⁸ The record of the United States during the 1950s through the 1980's was to work with the successive South Korean governments to ensure stability and economic growth while supporting constitutionalism and resisting the excesses of authoritarianism.

Whereas North Korea has persistently tried to negotiate directly with Washington, the United States has been consistent in its policy that the proper channel for diplomacy was directly to engage South Korea. Washington has given South Korea the lead in policy towards North Korea, first joining in providing humanitarian assistance during the years of South Korea's "Sunshine Policy" of positive engagement with North Korea from 1998 to 2008, and then coordinating tough economic sanctions following North Korea's attacks on South Korea during 2010. The absence of regional security arrangements meant that the United States and South Korea have had a strong bilateral relationship rather than working together within a multilateral setting.

The U.S.-ROK Alliance

In 1953, at the close of the Korean War, the United States and South Korea signed a Mutual Defense Treaty that continues to provide the basis for the presence of U.S. Forces in Korea (USFK), and a Combined Forces Command (CFC) that integrates U.S. and ROK forces within a common command structure. Either country is free to withdraw from the Mutual Defense Treaty on one year's notice. The four-star U.S. general who commands USFK and

CFC also commands the United Nations Command (UNC), which continues to exist under UNSC Resolution 84 of July 7, 1950 that put allied forces under U.S. command at the outset of the Korean War. Because it would require a unanimous vote of the Security Council to change the status quo, the UNC has continued as the armistice has continued.

U.S.-South Korean economic ties are strong, with South Korea standing as the sixth-largest U.S. trading partner and with mutual FDI of over \$60 billion. Under the Korea-U.S. Free Trade Agreement (KORUS FTA), 95 percent of all goods are duty free and trade in services is growing.¹⁹ Broadening the relationship beyond defense and trade, the two sides signed a Civil Nuclear “123” Agreement in 2015, hold cabinet-level Joint Committee Meetings on science and technology, and cooperate on everything from public health, to cyber security, to anti-piracy efforts, to fisheries. Underpinning the broadly-based official contacts, people-to-people links are strong, with South Korea sending more students on a per capita basis to study in the United States than any country. The United States is host to more South Korean immigrants than any other country, over one million as of 2015, most of whom advocate strong U.S. ties with South Korea. Fewer than 200 North Korean refugees have immigrated to the United States.

The most recent U.S.-ROK “Joint Vision Statement” of June 16, 2009 is worth quoting at length because it is an authoritative encapsulation of the U.S. and ROK policy objectives for the Korean Peninsula: “Through our Alliance we aim to build a better future for all people on the Korean Peninsula, establishing a durable peace on the Peninsula and leading to peaceful reunification on the principles of free democracy and a market economy. We will work together to achieve the complete and verifiable elimination of North Korea’s nuclear weapons and existing nuclear programs, as well as ballistic missile programs, and to promote respect for the fundamental human rights of the North Korean people.”²⁰

The U.S.-ROK alliance is based on a strong foundation of security cooperation, economic relations, and people-to-people ties, but it is not invulnerable to shocks, some of which might take the form of: a revival of mistrust if each side thought the other might be engaged in secret diplomacy with North Korea or China; an acrimonious fight over cost sharing, trade policy, or a split on policy towards North Korea; or a dispute following a serious safety or health incident involving U.S. government or corporate facilities in South Korea. Any of the above could reawaken anti-American sentiment that has been mostly dormant for thirty years in South Korea. The relationship requires attention, monitoring, and tending.

GREAT POWER RIVALRY OVER THE KOREAN PENINSULA

The history of Chinese involvement with North Korea and U.S. involvement with South Korea, as recounted above shows that there is inertia behind the continuing situation of two states on the peninsula each having strong ties to a great power. But, that is not enough to explain the current stalemated situation. The two Koreas are in no way equivalent. South Korea has generally amicable relations with all countries including China, abides by its international commitments, is a responsible member of international organizations and the international community, and is regarded by no one—with the exception of North Korea—as a menace. North Korea is the opposite in almost every regard—difficult to perceive as anything other than a threat to regional peace and security—which raises the question of why China continues to shield the

North Korean regime. Objectively, it is difficult to think through why China would not prefer a unified Korean Peninsula, which would at a minimum reduce regional tension and most likely would economically benefit China and Northeast Asia. A belligerent North Korea introducing nuclear weapons into the region would seem undesirable from a Chinese point of view because it gives the United States reason to maintain military forces in the region. It could even lead South Korea and Japan to come under pressure to develop their own nuclear arsenals, a nightmare situation for China.

Short of South Korean-led unification—which might have the drawback from China’s point of view of enlarging and strengthening a traditional U.S. ally—an alternative, attractive outcome for China might be increased international pressure on North Korea, leading to regime change in Pyongyang that would result in a more responsible, successor North Korean government. Even this outcome, however, seems beyond China’s current thinking. A plausible explanation for China’s aversion to applying sufficient pressure on North Korea to change its dangerous behavior might be China’s concern that a collapsed North Korea would lead to a chaotic situation, with refugees heading for the Chinese border, an urgent need to secure North Korean nuclear and chemical weapons sites, and, perhaps, civil strife breaking out among competing factions within North Korea. China’s calculation may be that the Kim Jong-un regime is so brittle, that any pressure on it might shatter it, leading to unpredictable consequences.

If the sole reason for China’s support for North Korea were fear of the consequences of regime failure, that concern could be addressed by quiet, coordinated planning among the ROK, United States, China, Japan, and Russia, on how to deal with such an eventuality. The United States and South Korea have made clear that their objective is a change in North Korean behavior, not the fall of Kim Jong-un. Their 2009 Joint Vision statement calls for peaceful reunification, not for overthrow of the North Korean government—a policy premised on North Korea being able to change course under international pressure: to denuclearize and to put an end to human rights abuses of its own people. The logic of international sanctions must be that North Korea will not change its behavior absent international pressure, but might, given sufficient pressure. One could even conclude that the United States and South Korea have more faith in the ability of North Korea to reform than does China.

Neither Russia nor China were prepared to thwart the United States and her allies from dealing with what they deemed to be unacceptable threats to peace and security as posed by Serbia, Iraq, and Libya, within their regions and against their own people. Neither the United States nor her allies were prepared to actively resist Russian intervention in Georgia and against Ukraine. There is no shortage of examples of large states intervening in small states. Why is China singularly allowing North Korea to pursue its destructive course rather than leading, participating in, or at least discussing a plan to deal seriously with the threat posed by North Korea?

One answer is that China sees the current situation on the Korean Peninsula not as an isolated problem to be solved cooperatively, but as part of a national interest-oriented, regional strategy, whose outcome would be served by the installation of a pro-Beijing government in South Korea as well as North Korea. Given the unlikelihood of North Korea succeeding in its stated ambition of uniting the peninsula on its terms, the status quo, regardless of how unsatisfactory, is for China preferable to a peninsula suddenly unified on South Korea’s terms, or even to the peaceful unification that might gradually follow the advent of a

reformist regime in Pyongyang. China perceives Korea as an element in its great power rivalry with the United States, making a joint U.S.-China-ROK approach to dealing with North Korea unacceptable in almost any form.

Korea as an Element of China's Regional Policy

Chinese foreign policy writers have been explicit about what China regards as its vital interest in the fourteen countries that border China. “(The periphery) is the main theater where China preserves national security, defends its sovereign unity and territorial integrity, and unfolds the struggle against separatism; it is...the buffer zone and strategic screen in keeping the enemy outside the gate. Second, it is the vital area for China's rise that world powers cannot cross... and the main stage for China to display its strength to the outside world.”²¹ Another Chinese writer said that China must create “a common security circle in neighboring regions” based on mutual trust, equality, and coordination.²² “In the future, China will decisively favor those who side with it with economic benefits and even security protections. On the contrary, those who are hostile to China will face much more sustained policies of sanctions and isolation.”²³ China's conception of a “common security circle,” and a “community of common destiny” reaches as far as Cambodia, Laos, Thailand, and the Central Asian States. It certainly includes the Korean Peninsula.

China's attitude towards Korea may go beyond considering it a bordering country fitting within a natural Chinese sphere of influence along its periphery. In 2002, the Chinese Academy of Social Sciences (CASS) as part of its “Northeast Project” reassessed the Koguryo Kingdom (first century B.C. to seventh century A.D.) as falling within “Chinese local history,” i.e. essentially belonging to China. At its height, the kingdom encompassed all of what is today North Korea, and parts of South Korea. This is not a mainstream view within academia, most scholars consider Koguryo as proto-Korea rather than as part of the historic Chinese Middle Kingdom.²⁴

There is a pattern of China appropriating Korea as part and parcel of Chinese history. In 2004, the Chinese Foreign Ministry deleted references to ancient Korean history from its website. In 2011, the government listed the quintessential Korean song “Arirang” as a Chinese cultural asset.²⁵ Even recognizing a distinctive Korean culture and history would not mean that China would necessarily regard Korea as a fully sovereign entity. The concept of *Zhonghua minzu* or “Chinese nationalities” recognizes Tibetans and Uighurs as having their own culture, yet also belonging within China's historic borders.²⁶

None of this is to suggest that China has a current ambition to absorb Korea. China's policy is all about friendly relations within the region. It argues instead that China in light of its current self-perceived need to dominate its peripheral region and belief that Korea is part of China's historic ambit, is unlikely to cooperate with the United States and the Republic of Korea in any project that would lead to a Western-oriented regime in either a unified peninsula or in North Korea. China would view with suspicion even a non-aligned Korea which did not conform to Chinese national interests and whose decisions it could not veto.

South Korea as a Member of the U.S. Alliance System

The American public historically is reluctant to engage in overseas conflict except as part of an alliance system. Woodrow Wilson won his second presidential term in 1916 on the slogan, “He kept us out of war.” Only after German submarines sank U.S. vessels, and after the revelation of the Zimmermann telegram in which Germany offered to support Mexico in attacking the

United States to regain Texas, was the American public persuaded to enter the war in Europe. Even then, it entered on the side of an alliance comprising the United Kingdom, France, Italy and Russia. The United States would not have fought the war on its own.

The United States was similarly reluctant to enter WWII. The American public was opposed to military involvement until Japan attacked Pearl Harbor on December 7, 1941. As in WWI, U.S. forces fought alongside allies against an opposing coalition of countries. In the Korean War, the Vietnam War, and the Gulf War of 1991, great emphasis was put on the fact that although United States forces dominated the campaigns, they also fought alongside allies. The September 11, 2001 attacks on the Twin Towers in New York and on the Pentagon had a profound effect on the American public, shaking its traditional support for allied action. The Bush administration—simultaneously following and shaping public opinion—took the ahistorical approach that the United States needed to confront its terrorist opponents unilaterally. Traditional allies were portrayed as a burden or even a potential stumbling block to decisive military action.

After twenty years of combat in Afghanistan and Iraq, it is likely that the war-weary public is reverting to its traditional attitude that allies are necessary. Some of this return to normal can be seen in the Trump administration's emphasis on a more equitable sharing of the cost of defense. Saying that allies must pay more is tacit acknowledgement that alliances need to continue.

Whereas China and North Korea are each other's only security partner, a rough count of the U.S. collective defense arrangements shows a current commitment to militarily defend approximately sixty countries.²⁷ These commitments have all been undertaken since 1947. Opponents argue that this places an undue, perhaps unsustainable, burden on the United States. Proponents argue that collective security agreements are a major contributor to global and regional security. None of the countries covered by the current U.S. defense arrangements has ever been attacked. The U.S.-ROK agreement was concluded after, not before, the Korean War. The countries that have been involved in U.S. military operations, Kuwait, Afghanistan, Iraq, Lebanon, Grenada, Somalia and others, were not party to American collective security agreements. Apart from its record of maintaining peace, another advantage to the U.S. alliance system is that it projects the defensive line of the United States far from its own borders.

A requirement of the U.S. alliance system is that countries must be free to choose to enter into them. There is mutual benefit: the U.S. can protect its global interests and provide for its own defense through its partnerships with treaty allies, and treaty allies are able to rely on the United States to protect them from potential enemies, including large states against which they would not be able to defend themselves. There is growing tension between Chinese and Russian efforts to build up regional spheres of influence, and the American alliance system. Vice President Biden said during a May 27, 2015 speech at the Brookings Institution: "We will not recognize any nation having a sphere of influence. It will remain our view that sovereign states have the right to make their own decisions and choose their own alliances."

CONCLUSION: PROSPECTS FOR DISENTANGLING KOREA FROM GREAT POWER RIVALRY

If China requires a compliant Korean Peninsula within its sphere of influence, the United States would oppose any outcome on the peninsula that did not allow a democratic Korean state, or states, to participate in security agreements with the United States, if that was their policy choice. In dealing with North Korea today, this is the root of tension and the obstacle to cooperation.

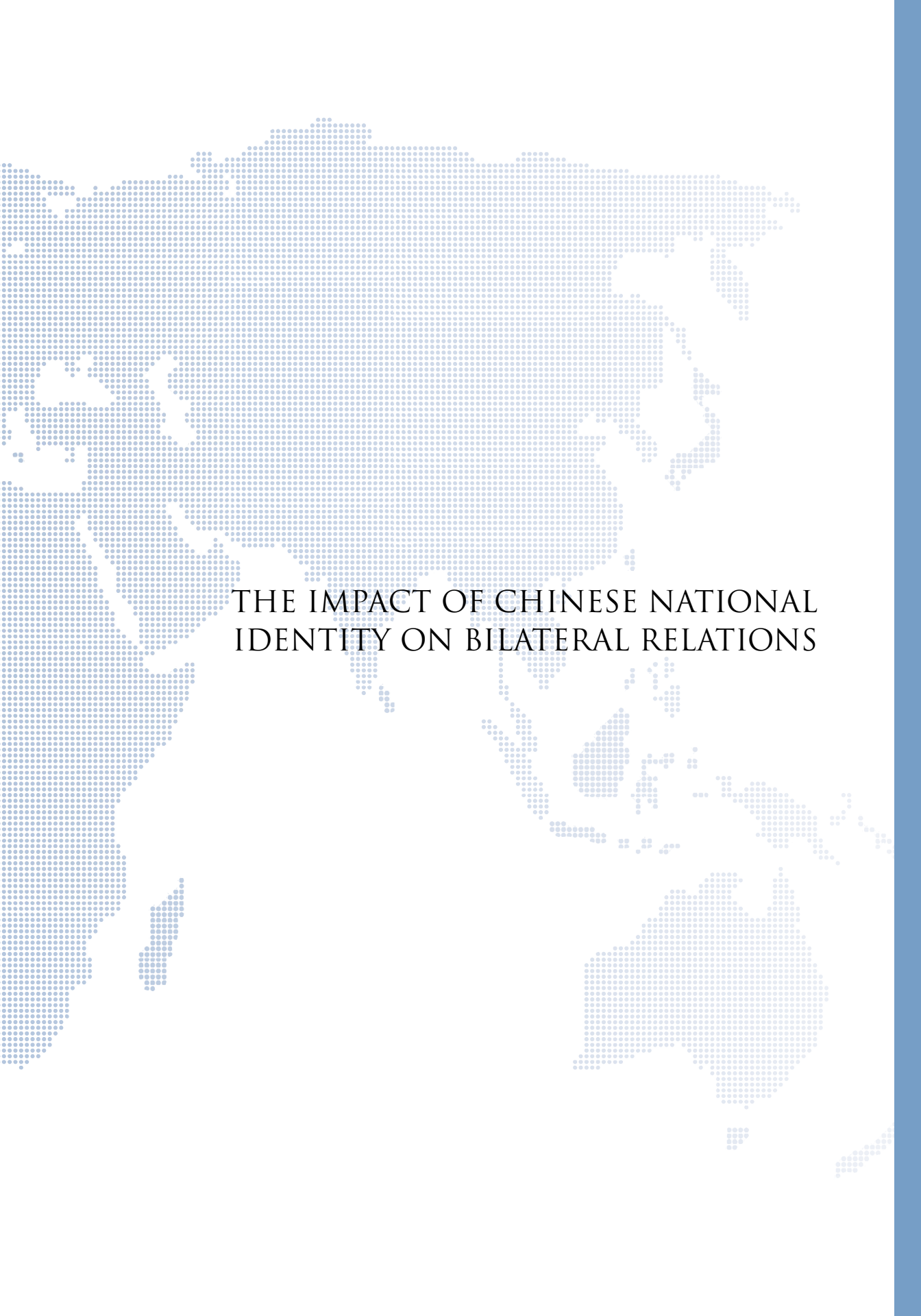
North Korea is a growing threat to peace and stability. If it continues on its course of developing nuclear weapons that can reach South Korea, Japan, the United States—and not excluding China from the list of possible targets—and if it continues with its rhetorical stance of threatening to use nuclear weapons even merely in cases of its dignity being impugned, a crisis is likely. It could take the form of a limited attack that escalates into a major conflict, or it could be the result of an accident or miscalculation. It is imaginable that domestic instability within North Korea could result in a faction launching attacks on neighbors. The world will be fortunate if we can escape a crisis on the Korean Peninsula.

With the stakes so high, the best course may be for the United States, China, and the ROK to acknowledge their incompatible desires for the peninsula, and to agree that an eventual resolution will have to be postponed in the interest of avoiding imminent catastrophe. A protracted future negotiation involving concessions and gradualism is an unattractive prospect for any of the parties, but better than the cataclysmic alternative. The necessity for a joint approach, whether tacit or explicit, to shift North Korea off its current trajectory is self-evident.

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THE IMPACT OF CHINESE NATIONAL IDENTITY ON BILATERAL RELATIONS

INTRODUCTION

The construct “Chinese national identity” refers to narratives from China’s leadership, media, and academic spokespersons about what makes their country distinctive and how those ideas matter in relations with other nations. This is a relational concept that serves to distinguish the “self” and “other,” whose interpretation is shaped by interactions with other states. Seen from the vertical dimension of identity, these interactions are filtered through rhetoric aimed at promoting unity at home. Demonizing other nations while conveying an image of enemies or states seeking to contain China is a means to boost solidarity behind Communist Party control over a society with little means to dissent. The horizontal dimension of identity depicts bilateral relations as the result not of different national interests, but of clashing and often irreconcilable identities. Examining the way national identity on the Chinese side impacts five external relationships is the objective of this set of articles, which concentrate on Chinese rhetoric during the period of Xi Jinping.

Over the past year China’s national identity has played a prominent role in shaping its relations with the states most active in East Asia. The turnabout toward South Korea has been dramatic, interpreted in China as a realist response to the threat from THAAD but by nearly all others as a communist regime’s reversion to old streams of identity thinking. Pressure toward ASEAN, breaking the cohesion of this organization and targeting several of its states more vehemently than before, reflects a Chinese obsession with sovereignty and full control over the South China Sea, showcased as a core national identity concern. The narrative on Japan continues to emphasize its rising militarism and extreme identity, painting it as the identity outlier rather than China. The pull of Russia can be interpreted in identity terms even if Chinese and Russians insist their relationship is solely realist in origin. Insistence that all China prioritizes is “stability” in North Korea while calling too for denuclearization can, arguably, be perceived as a realist approach, but alarm over the collapse of China’s lone ally and closest partner in the history of socialism must not be separated from identity arguments. Finally, critiques of the United States—before Donald Trump validated some of them—as unable to shake free of “Cold War mentality” mirror Chinese identity narratives about why this bilateral relationship has kept deteriorating.

Chinese national identity has been aroused by the civilizational pride boosted during the run-up to the Beijing Olympics and never allowed to flag afterwards. It gathered force in the economic pride unleashed as China’s GDP swelled while the United States was seen as in decline due to the world financial crisis at a time of lingering stagnation in Japan and, before long, the EU’s fragmentation over a debt crisis and then centrifugal nationalism. In 2009-10 manifestations of a national identity departing from Deng Xiaoping’s call for “keeping a low profile, biding one’s time” became pronounced in the reversal of attitudes toward Asian multilateralism, especially ASEAN centrality. Yet, it was only after Xi Jinping introduced the notion of the “China Dream” that the new identity rhetoric came to full force. It was accompanied by tightened censorship and control over the Internet, as the media and academic community were mobilized to convey a more clear-cut image of China’s superiority—past, present, and future—on all of the relevant identity dimensions.

Sovereignty and core interests serve as lodestones in the national identity rhetoric. Rather than discuss disputes over maritime boundaries and rules in terms of naturally divergent national interests, Chinese depict them as challenges to inviolable rights. Instead of calls

to negotiate over missile defense, air defense identification zones, joint military exercises, and arms build-ups, Chinese blame others for seeking to keep their country weak. Visits of the Dalai Lama are portrayed as betrayals, showing disrespect for China. The result is deterioration of relations with Japan, the United States, South Korea, the main countries of Southeast Asia, and India. Meanwhile, the people of Hong Kong and Taiwan are less likely to identify as part of China—under Beijing. National identity arousal and the way it has affected bilateral ties have damaged relations in many directions. Those who are close to China today tend to be so for economic reasons or, in the case of Russia, due to their own enlarged identity gap with the West, not because they welcome the “China Dream,” consider China a model, or find its national identity appealing for its contents.

The chapters in this section evaluate the way China’s national identity is shaping relations with five, principal objects of its foreign policy: Japan, South Korea, ASEAN, Russia, and the United States. In this introduction, we highlight some of the arguments in the chapters before proceeding to comparisons and generalizations based on the findings. Together, this juxtaposition of analyses alerts us to the parallel construction of identity gaps and the pervasive impact of national identity themes in interpreting the external environment, leaving a trail of interpretations of why bilateral relations are proceeding poorly that will complicate diplomacy to reset ties on a pragmatic, realist foundation.

YINAN HE, “SINO-JAPANESE RELATIONS”

Since the second half of the 1980s and accelerating in the mid-90s, again around 2009–11, and even more under Xi Jinping, China has depicted disputes with Japan as a matter of national identity much more than of conflicting national interests. Yanan He points to 2012 to 2014 as a particularly sharp downward trend, while arguing that the recovery was tenuous for a year or so before being halted by early 2016. National identity conflict has exacerbated mutual distrust, denied chances of reassurance, and generated domestic popular objections to diplomatic compromise between the two, she finds. From early in 2016 Japan became more actively involved in the South China Sea, and, in retaliation, China stepped up pressure on the Diaoyu/Senkaku Islands. Tensions are continuing to mount in 2017, and they are well reflected in Chinese castigation of Japan’s identity.

Abe’s 2015 70th anniversary statement on the war’s end failed to satisfy China, critical of what the statement left out or played down, and of his call to end the apology business by Japan’s future generations, argues He. Likewise, China’s military parade celebrating the victory in war against Japan caused discomfort in Tokyo, which reacted that China should show a future-oriented attitude to work on common issues faced by international society, not focusing excessively on the unfortunate history in the past. Even if the dispute about WWII memory is relatively muted in 2016–17, it lies at the core of mutual dissatisfaction. Promoting the “China Dream,” combining both traditional Chinese culture and socialist values, may shore up regime legitimacy and Xi’s personal authority, but it also justifies China’s pursuit of regional dominance and objection to interference from the West and, no less, Japan. He finds that China’s revived Confucian view of the world is premised on a cultural hierarchy in which the Middle Kingdom is the civilized center and all others are but the barbarian periphery subordinate to the center. Reinvigorating the Chinese nation is to revive the Sinocentric international order in East Asia, a China-centered hub-and-spoke system as an alternative to the existing one sponsored by the United States. This is seen as threatening in Japan.

Recent promotion of “core socialist values” sets China apart from values supporting liberal democracy and universal human rights, which Japan recently has been actively espousing. They combine past victimhood and current confidence. Xi’s mobilization of an ethnocentric national identity compels a stringent foreign policy that defies foreign objections and rejects compromise. He argues, noting that all the central themes of the Xi government’s national identity program collide with Japan’s national self-identity and aspirations. Xi’s Sinocentric order has little space for genuine multilateral collaboration with important regional players like Japan. Thinking about regionalism raises alarm.

Chinese elites interpret Japan’s recent turn towards international activism, embodied in the trend toward constitutional revision, new security legislation, military buildup, and diplomatic consorting with the United States, Australia, India, and Southeast Asian countries, as a coherent, calculated strategic move to contain China. They dismiss Japan’s national security concerns and blame the bilateral impasse solely on Japan. Because the “China Dream” is to be fulfilled through redeeming past trauma and regaining national dignity, the identity program drives the nation to take offense at any Japanese attempts to misinterpret WWII history or deny its responsibility for aggression. Chinese elites flatly reject Abe’s value diplomacy as an ideological instrument to undermine China’s image to gain moral legitimacy to advance Japan’s external expansion and contain China. Treating Japan as an enemy exacerbates its hostility to China—a self-fulfilling prophecy.

China’s new concept of morality and prioritizing national pride and core interests over economic ones, He concludes, determines that politics will trump economics in its foreign relations, evident in the fact that high-level economic dialogue between China and Japan has been put on hold since 2010. Objective coverage of Japan in textbooks and mass media is beyond reach, contributing to anti-Japanese sentiment among the public. The “China Dream” concept collides with the essentials of Japanese national psyche from cultural ego to historical memory and liberal values. It is only natural that since its advent this identity program has elicited unnecessary emotional backlash from Japan and exacerbated mutual perceptions of threat. Finally, He anticipates, as Trump brings Sino-American confrontation more into the open, China and Japan will enter, voluntarily or involuntarily, more ostensible opposition against one another.

SEE-WON BYUN, “SINO-SOUTH KOREAN RELATIONS”

See-Won Byun sees the Koguryo history war more than a decade ago as a turning point in Sino-ROK relations since diplomatic normalization, generating enduring competition over representations of history. In 2010, China’s commemoration of its entry into the Korean War raised additional warnings in South Korea over Beijing’s hostile orientation when Xi Jinping, as vice president, showcased this historical memory after a period when China was loathe to accentuate its Cold War alignment with North Korea in such a public fashion. When Xi and Park advanced what they called the best period in diplomatic ties through seven summits in 2013-2016, there was still hope in Seoul that identity overlap would prevail. Xi spoke of a historical affinity with South Korea: “Looking at history, our two peoples’ struggle has been very similar in our quest to liberate our people.” Yet, his priority for accentuating competing identities has reinforced enduring differences over the region’s political, economic, and

cultural order. The revival of Silk Road integration links to the cultural dimension of Chinese identity, embodied in the “China Dream” of “national rejuvenation.” Rooted in the “moral strength of ancient Chinese civilization,” the “China Dream” is associated with “socialist modernization,” framing a national ideological campaign of promoting a “culturally advanced China” abroad as a “socialist cultural power.” Byun attributes to this way of thinking an irreconcilable identity gap.

In addition to conflicting North Korea policy, unresolved territorial disputes clouded Xi and Park’s early achievements. Submission of competing claims to the UN on the East China Sea in 2013 threatened to rekindle maritime disputes that would draw in Japan. In response to Beijing’s declaration of an ADIZ in November 2013, Seoul announced a southward expansion of the Korea ADIZ. Territorial claims stem from identity rhetoric.

Tensions in the final year of the Xi-Park period unraveled many of the achievements in the bilateral political and security relationship, and ignited South Korean accusations over Beijing’s economic and cultural retaliation against Seoul’s July decision to deploy THAAD. A fundamental divide exists between Park’s sense that U.S.-ROK and Sino-ROK relations are, in essence, complementary and Xi’s thinking, rooted in identity concerns, that the China-ROK partnership and U.S.-ROK alliance are opposing alternatives. For China, THAAD’s immediate impact was to reverse public perceptions. Chinese media agencies in 2015, Byun notes, had placed Park among the top ten people of the year for her “balancing” role between major powers and participation with Xi in Beijing’s military parade. Yet, even when Park’s image was largely positive, many Chinese publications were treating South Korean national identity as problematic, warning of the potential to vilify the country if it should veer from the course being depicted.

Dividing Seoul and Tokyo was a mainstay in Chinese coverage of South Korea. Much of the cooperation with Seoul centered on agreement over accentuating Japanese aggression as the essence of that country’s history with linkages to revived militarism. Xi presented a story of Japanese aggression that ignored China’s own history on the peninsula and that was clearly aimed at making opposition to Abe the identity centerpiece at the expense of South Korea’s more diverse identity thinking. While shared experience as victims of Japanese imperialism emboldened Chinese overtures of alignment with Seoul, conflicting identities across other dimensions reinforced bilateral mistrust and conflict, Byun observes. Grievances over interpretations of ancient history, territorial claims, and ideological orientations, remained buried under the surface in the honeymoon period. Finally, Chinese reactions to THAAD catalyzed South Korean calls for greater Chinese cooperation on DPRK threats, hardened domestic criticism over Beijing’s infringement of Seoul’s sovereign rights, and reinforced the difficulty of developing common security interests in Northeast Asia. Negative ramifications of the THAAD dispute for cultural exchanges and overall bilateral relations were pronounced. A Chinese public backlash brought images of a sharp identity gap to the forefront, reverberating as Koreans recognized that a common front against Japan served to conceal sharp divides.

Cultural and economic ties were often discussed as ways to diminish identity gaps. While the Chinese media had popularized the “Korean Wave,” recent assessments point to an “anti-Korean Wave” in China, traced not just to issues of history and ideology, but to leaders eager to rally the public against South Korea as well as to soft-power competition abroad. If earlier

cultural ties had looked promising for shifting South Koreans versus Japan, once leaders had lost that hope, they lost tolerance for the “Korean Wave.”

Sino-South Korean economic interdependence is unlikely to translate into closer political ties given fundamental differences over North Korea, territorial disputes, and cultural tensions stemming largely from history, concludes Byun. Mutual “hostile” images stem from almost half a century of “East and West confrontation” on the peninsula lasting to normalization in 1992. Such a history of antagonism as Cold War enemies is rooted far deeper in the dynastic era and the Middle Kingdom’s tributary state system. This way of thinking about the past as well as of East vs. West today leads Beijing to vilify Seoul.

DANIELLE COHEN, “SINO-ASEAN RELATIONS”

Chinese foreign policy toward ASEAN is characterized by a desire to recreate the Sinocentric structures of the tributary system, a belief in the historical legitimacy of China’s maritime and territorial claims, and a sense that China has now “peacefully risen” and can more actively assert itself to reap the rewards, argues Danielle Cohen.

Through this Sinocentric system, China asserted its economic and cultural superiority over Southeast Asia for centuries. It viewed itself as the benevolent elder brother to subordinate regimes. Today, China’s OBOR initiative and its pursuit of a “community of common destiny” with ASEAN states evoke a return to this historical role. As national identity has spiked in Chinese narratives on foreign relations, this thinking has spread.

Cohen pays attention to how China’s historical claims have sidestepped principles of international law and the 1982 UNCLOS in its recent assertions about Southeast Asia.

Despite efforts to maintain ASEAN unity, substantial variation was evident in China’s relations with the ten ASEAN member states in 2016 as each state sought to advance its national interest and pursue a strategy toward China that took into account its bilateral relations with the United States. Bilateral relations between China and five of the ASEAN states moved in a generally positive direction, she argues. Economic rewards have tilted the balance, especially where there are no territorial disputes capable of showcasing identity gaps. The direction of China’s relations with two ASEAN states, Indonesia and Myanmar, was more ambiguous, Cohen finds. Singapore is distinctive in its identity gap, which China has widened over the broadest range of principles. Vietnam is another case where the identity gap is large despite communist party rule in both.

China’s revival of its premodern identity as the center of a tributary system, together with its newfound confidence as a peacefully risen great power, are at the core of its efforts to develop regional infrastructure in Southeast Asia under the auspices of OBOR. Chinese analysts portray China as a benevolent big brother that is willing to share its superior expertise, technology, and management capabilities with less developed Southeast Asian countries as they industrialize. Yet, a trail of broken deals suggests that OBOR projects are not always as self-evidently “win-win” as the Chinese often insist, argues Cohen.

China’s perception of the historical legitimacy of its sovereign claims in the South China Sea, together with newfound confidence in its regional and global status, has inspired it to push back against the United States, regional claimants, and the UN’s Hague Tribunal.

It succeeded in throwing ASEAN South China Sea policy into disarray, and the increased Sino–U.S. tension is complicating foreign policy for ASEAN states, which manage their bilateral relations with each power with one eye on the other. Cohen appears to see the states of Southeast Asia as targets of China throwing its weight around, especially in a sense of zero-sum competition with the United States as its identity antagonist, while the states of this region keep struggling for pragmatic balance without choosing China’s side.

The Chinese leadership’s operationalization of a particular vision of history, which emphasizes an premodern Sinocentric regional order, has greatly influenced its approach to ASEAN relations. Through OBOR, China seeks to rebuild a network of trade routes that link it to its neighbors. The PRC views itself as reclaiming its rightful position in the region, and sees its actions as those of a benevolent elder brother. At the same time, it seeks to reassert its authority over the regions that it claims were long under the control of imperial China. This idealized vision of Chinese history is combined with a set of normative expectations about the role that a regional and global great power plays on the international stage, concludes Cohen. The rise of China’s identity narrative has led it to weaken ASEAN and to challenge the U.S. role in Southeast Asia more vigorously than elsewhere. The identity critique here is less filtered by specific national themes such as with Japan, memories of imperialism, and with South Korea, the shadow of North Korea.

GILBERT ROZMAN, “SINO-RUSSIAN RELATIONS”

Chinese and Russians are adamant that their relationship eschews ideology or any other sign of national identity in favor of pure realpolitik. Yet, as the Sino-Russian relationship continues to strengthen in ways that make it imperative to explore its roots, we must keep in mind that in the 1960s–80s the Sino-Soviet dispute was derailed by notions of identity held on both sides. When both parties prioritized orthodox communist ideology, they were driven to split, while “communist legacy” identities are proving conducive to close relations. Three aspects of China’s ideological identity have far-reaching implications for relations with Russia. Socialism has positive implications. Even though Russia is not calling itself socialist and is not governed by a communist party, narratives about it serve to reinforce Chinese identity. Socialism is a story about the Russian Revolution and the overwhelmingly positive example of Soviet history from which China borrowed. Just conveying that narrative draws an important link with Russia. Salvaging the reputation of the traditional communist periods is a common objective of Putin and Xi Jinping. The history of Russia is a mostly positive narrative despite some explanation for what led to the collapse of the Soviet Union, which is blamed on Gorbachev as a traitor and the infection of Western cultural imperialism; little of Soviet policy needs to be questioned.

The second aspect of ideology is anti-imperialism or hegemonism—military, political, economic, and cultural. Russian writings have swung heavily in this direction, reviving much of the rhetoric of the Brezhnev era, while China has kept this theme alive. The language from both is close to the ideological tracts in their countries decades ago.

The third aspect of ideology is more divisive. Called Sinocentric or Russocentric, it glorifies the centrality of one’s country in its historical surroundings. This poses the most serious identity challenge for the relationship. On the Russian side, it means fear of losing a predominant

place in areas once part of the Soviet Union, such as Central Asia, as well as lingering sensitivity to perceived signs of “quiet expansionism” into the Russian Far East. On the Chinese side, it signifies reviving centrality over areas previously in China’s tributary system. The potential for a clash has existed even as the bilateral border dispute was resolved. The obvious testing grounds for such a clash was the Russian Far East.

Most recently, the potential for a clash rose as Russia established the Eurasian Economic Union (EEU) including much of Central Asia as China launched the Silk Road Economic Belt (SREB) across the same landscape. Yet, Putin and Xi instructed all media to laud the complementarity of these projects, allowing little language to seep into public purview to suggest that the Sinocentric and Russocentric agendas are at odds. Each side showcases this key identity agenda with emphasis on other arenas. These were oriented away from arenas where they could clash toward animosity for the U.S. role in other arenas.

Much of the criticism of U.S. policy toward China and Russia focuses on alleged designs to undermine stability. It warns against spreading ideas deemed to have the potential to prompt people to press for “human rights,” to promote “democracy” that damages “stability,” and to organize, perhaps in cooperation with NGOs, in support of the “rule of law.” Actions such as these are depicted as destabilizing not just to the regime in power, but to the essence of Chinese civilization, equated with national identity. Communist Party legitimacy is entwined with civilizational continuity. Conveying an image of beleaguered states, whose civilization is being attacked by forces plotting to weaken existing authority, Russians and Chinese leaders have reconstructed national identity around a looser ideological narrative and a more prioritized vertical dimension, which is the foundation of a narrower national identity gap, anchoring the relationship. The Xi-Putin period marks the culmination of four decades of narrowing national identity gaps following the death of Mao. Ideology is now more conspicuous. Both Russocentrism and Sinocentrism are more assertive. Anti-Western rhetoric has grown sharper. Controls have been greatly strengthened to maintain the vertical order. On this foundation, relations are closer than at any time since the 1950s without the narrow preoccupation with dogma as the core of national identity.

There remain conflicting national interests, e.g., in Central Asia, in dealing with the great powers Japan and India, and in managing some regional and global issues. Yet, China’s care in preventing any of them—deferring to Russia across Central Asia and controlling movement into the Russian Far East, for example—from rising to the level of a serious identity gap accounts for the closeness of relations. Chinese national identity may have appeared to flounder for two decades before Xi took the party secretary post, but that conclusion obscures the purposeful, top-down designs to reconstruct identity, including to minimize identity gaps with Russia—to satisfy Russians that there is no “quiet expansionism” that would set off identity alarms; to show deference in the SCO on matters of identity and security, while proceeding in an unobtrusive manner in projects that served economic objectives; to censor criticisms of Russia’s leadership and policies, keeping in mind the deleterious impact of repeated mutual attacks over two decades to 1982; and to do everything possible to boost a joint narrative on international affairs that would drown out potential conflicting accounts. Much as China’s narrative over 20 years drove the Sino-Soviet split to new lows, its narrative over the past 25 years has succeeded in minimizing awareness of a national identity gap. Keeping the SREB and EEU on track to be complementary, not contradictory, is not easy—national interests could be seen as in serious conflict—but censorship has sufficed to narrow the gap so far.

GUO YINGJIE, “SINO-U.S. RELATIONS”

Guo traces the preoccupation in China with national identity to the loss of legitimacy of communist ideology. The impact of contact with the United States, he finds, soon played a role in the “crisis of faith” in the existing national order. During the 1980s an unofficial national identity spread by intellectuals eased relations with the United States, but it had excluded traditional Chinese themes. In the 1990s latching onto those themes, those keen on constructing an identity supportive of reasserting communist party control strove to widen the identity gap with the United States. Leaders decided that waning patriotism amongst young Chinese bred widespread discontent with China’s political status quo and “foreign worship,” and that “evil foreign forces” intent on the “peaceful evolution” of China took advantage of and encouraged the discontent through mass popular media. By forging a mutually exclusive identity with that of the United States, China’s leadership proceeded in stages to rally support, while taking satisfaction the Sino-U.S. relations are more distant. Over time, China grew more confident, demanding more from boosters of the national identity and demonizing more fully the identity at fault for U.S. containment.

Guo describes a situation where those who continued to favor better relations with the United States or promote liberalization were condemned by some as “lapdogs.” Many came to believe that the U.S. strategy was to contain China’s development and prevent its rise in international affairs, constructing a “fan-shaped” structure centered on the U.S.-Japan axis and U.S. alliances. China’s rise, thus, came at the expense of U.S. insistence on its hegemony, a zero-sum process unshakable because U.S. behavior is rooted in national identity and China’s response is the only way it can be true to its own national identity.

The Party-state included love for Chinese cultural traditions as an essential component of patriotism, in addition to love for the CCP and love of socialism, Guo explains.

Whether the target is “constitutional democracy,” the “rule of law,” “universal values,” “judicial independence,” or “color revolutions,” the refrain is becoming familiar. These are “erroneous” notions, which not only threaten Chinese civilization, their advocacy by Chinese is evidence of traitorous conduct, and their support by U.S. officials or on the Western-led Internet must be resisted for bilateral relations to proceed successfully. Such admonishments reflect the official national identity espoused by leaders and propagated in the increasingly tightly controlled media. They have had a negative impact on the Sino-U.S. relationship, and are likely to continue to do so even as President Donald Trump refrains from talking about human rights and concentrates chiefly on “America First.”

Xi Jinping has carried the identity argument much further, combining cultural and political nationalism. As the “China Dream” has become more clearly defined, the urgency has grown to contrast what is constructed as the national identity of China with what is depicted as the identity of the United States. Recently, Xi has added “cultural confidence” to the “three confidences” the CCP wishes to boost—“ideological confidence,” “confidence in the [socialist] road,” and “confidence in the [socialist] system.” A central aim of his promotion of traditional culture was to legitimize and justify China’s current political system by portraying both as a natural outgrowth of cultural traditions and history. In the past, though the CCP was not interested in American-style democracy, division of power, or judicial independence, the CCP refrained from appearing explicitly critical, but not any more. Now large numbers of critical articles dwell on the shortcomings of liberal democracy and explain why it, an

independent judiciary, and universal values do not suit China. Guo concludes, the CCP feels compelled to differentiate China from the United States in political and cultural terms, so that its grip on power will not be jeopardized, while unity and identity will be maintained. Consequently, China is becoming increasingly more inward-looking and less open politically than any other time in the post-Mao era. Sino-U.S. relations have thus encountered a more fundamental impediment than any other time since normalization.

COMPARISONS AND GENERALIZATIONS

History pervades Chinese reasoning about Japan, not only because of memories stoked about WWII but also because of the righteous pursuit of Sinocentrism as the natural order in East Asia in civilizational opposition to the liberal U.S.-led world and regional order. In perceiving Japan as both history's prime victimizer of China and a vehement opponent of a China-led order, Chinese sources see no prospect of finding common ground over the national identity goals they embrace. South Koreans hoped to be spared similar treatment, as they encouraged Chinese to treat their country sympathetically as a fellow victim of Japan in the first half of the twentieth century—the era of paramount importance for their national identities. When the Koguryo issue emerged as a thorn in Sino-ROK relations, it became clear that Beijing would turn the historical dimension of identity against Seoul too. Three of four periods can count against Seoul: divergent views of what Chinese call the “harmonious” tributary system and South Koreans disparage as “sadae” or unequal obeisance demanded by hegemonic China; the Cold War era, which was recalled as the glorious war on behalf of North Korea by Xi Jinping as this era has increasingly been raised to the level of national identity pride; and the post Cold War era, when despite the claims by South Koreans that post-normalization ties had advanced swimmingly, Chinese insist that U.S.-led containment, abetted by South Korea, has kept East Asia in difficult straights. Only the anti-Japanese overlap keeps history from becoming an unmitigated source of a national identity gap, but Beijing has pressed Seoul to show more backbone and since 2015 found it increasingly wanting in its willingness to let Japan off too easy.

Sinocentrism serves as a common identity threat in Chinese critiques of ASEAN states, South Korea, and Japan. Linked to territorial claims and charges against U.S. designs to contain China, historical justifications prevail in narratives about Southeast Asia. They are deeply present in arguments about South Korea and the Korean Peninsula, but the Cold War era and Korean War legacy color the way Sinocentrism is presented. Even more obscured is the role of Sinocentrism in demonization of Japan, since the thrust of arguments remains centered on rejection of Japan's imperialist aggression and charges that it seeks to revive elements of this thinking. Yet, the case for Chinese territorial claims to the Diaoyu/Senkaku Islands is also rooted in historical justice, with some potential that this type of argument could be extended to Okinawa as illegitimately incorporated into Japan. On the surface, territorial disputes linked to realist goals and historical memories tied to Japanese colonialism and the Korean War are apparently the drivers of China's disputes with its neighbors, but in the background and coming more to the surface is Sinocentric identity placing China at the core of its own region not only economically or for security, but also as the civilization reviving its place in the region.

The Impact of Chinese National Identity on Sino-Japanese Relations

Yinan He

Sino-Japanese relations have been in another volatility cycle since the Diaoyu/Senkaku Islands disputes flared up again in summer 2012. The downward trend seems to have bottomed out in November 2014 when the two leaders Xi Jinping and Abe Shinzo finally held their first meeting since entering office. However, the anticipated recovery has proved tenuous; the momentum toward further improvement has halted since early 2016 when confrontation escalated in both the South China Sea and East China Sea. While acknowledging the role of realist power shift and geostrategic rivalry in causing Sino-Japanese tension, this paper argues that a widening gap between their national identities is also highly relevant. The current Xi government has promoted a national reinvigoration campaign emphasizing Chinese history and culture, the socialist model, and defense of core interests, which runs counter to that of Abe's Japan, a democratic and historically revisionist country. This national identity conflict has exacerbated mutual distrust, denied chances of reassurance, and generated domestic popular objections to diplomatic compromise between the two countries.

This paper first narrates major developments in Sino-Japanese relations in the past year, followed by a conceptualization of Xi-era official national identity themes and their implications for China's foreign relations. It then explains the impact of Chinese national identity on Sino-Japanese relations, in comparison to alternative assessments of the case from realist and liberal (i.e. economic and cultural) perspectives. The paper concludes by summarizing research findings and discussing the implications of the incoming Trump administration on Sino-Japanese relations.

RECENT DEVELOPMENTS IN SINO-JAPANESE RELATIONS: A SEMBLANCE OF NORMALCY?

High-level diplomacy, suspended since 2012, began to recover gradually starting in 2015. There was a China-Japan-South Korea foreign ministerial meeting in March 2015 and a trilateral summit of Premier Li Keqiang, Abe, and President Park Geun-hye in November 2015. In April 2016, Foreign Minister Kishida Fumio made his first visit to China in four years. Various business and friendship delegations also exchanged visits, and, from early 2015, the defense officials of the two sides resumed talks regarding the establishment of a maritime crisis management mechanism.

Meetings and visits notwithstanding, no major progress is in sight over any substantive bilateral issue. The much-anticipated maritime communications mechanism has yet to materialize, and the situation in the East China Sea remains unstable. The activities of Chinese coast guard ships near the disputed Diaoyu/Senkaku islands show no signs of abating. Additionally, in response to Chinese aircraft approaching its airspace, Japanese fighter jets scrambled a record high 571 times in fiscal year 2015,¹ and the number reached 407 times in the first half of fiscal 2016 alone.² Moreover, a new dispute erupted in September 2015 concerning China's unilateral exploration of natural gas in the East China Sea; although the exploration platforms are on the Chinese side of the median line, Japan perceived it as a violation of a bilateral agreement on joint exploration reached in 2008. Since early 2016 Japan became more actively involved in the South China Sea, another area where China is entangled in territorial disputes. Japan supported the Philippines' arbitration case against China in a UNCLOS court, conducted naval ship visits to other claimant countries in the region, orchestrated a G-7 summit statement expressing concern about East Asia's maritime disputes, and signaled its intention to carry out joint patrols with the United States there.

In retaliation, China stepped up pressure on the Diaoyu/Senkaku Islands, sending a naval ship for the first time into the contiguous waters in June 2016. In August 200-300 Chinese fishing boats entered the surrounding waters, escorted by maritime surveillance ships.

Exasperated by the troubles in the East China Sea and South China Sea, Beijing and Tokyo confronted each other diplomatically. Japan's 2016 Blue Book on foreign relations pointed to Chinese government vessel incursions into Japanese territorial waters as a major point of bilateral contention. In his April visit to Beijing, Kishida again raised concerns about maritime issues. Foreign Minister Wang Yi responded by laying out four conditions for improving ties that called on Japan: to face up to history and stick to the one-China policy, to stop spreading China threat theories, to pursue economic win-win cooperation, and to jettison the confrontation mentality in regional and international affairs.³ In May, Beijing lodged a diplomatic protest against the G-7 statement on maritime security, and slammed Japan, the host of the summit, for "hyping up the South China Sea issue and regional tensions." Xi, in his meeting with Abe at the G-20 summit in September, also admonished Japan to "exercise caution in its words and deeds" and "put aside disruptions" to bilateral relations.⁴ Toward the end of the year, Abe told Xi at the APEC summit in Lima that Tokyo was looking forward to two important anniversaries—the 45th anniversary of Sino-Japanese diplomatic normalization next year, and the 40th anniversary of their peace and friendship treaty in 2018—to "forge a stable and good relationship" with Beijing, a message that received a cool response from Xi.⁵

Compared to their open friction over maritime issues, the dispute about WWII memory was relatively muted, although mutual displeasure was thinly veiled. Abe's statement issued on the eve of the 70th anniversary of the end of the war, mentioning the four keywords demanded by China and South Korea—aggression, colonialism, apology, and remorse—was a relief to those who had worried about his right-wing nationalism. But it failed to satisfy China, who was critical of what the statement left out or played down, and of his call to end the apology business by Japan's future generations. Likewise, China's military parade celebrating the victory of war against Japan caused discomfort in Tokyo, which reacted that China should "show its future-oriented attitude to work on common issues which international society is facing, not focusing excessively on the unfortunate history in the past."⁶ In 2016, China was again irked by Japan's "wrong attitude toward the history issue" when Abe twice sent offerings to Yasukuni Shrine, and Japanese parliamentarians and incumbent and former government officials paid homage there around August 15. In the midst of these commotions, Mitsubishi Materials, a Japanese company that used Chinese forced labor during the war, agreed to compensate and apologize to thousands of victims and their families. However, it was not the kind of official compensation that is essential to inter-state reconciliation. Except for some online news sites, this story received minimal coverage in Chinese media.

XI'S CHINA DREAM: HISTORY, VALUES, AND INTERESTS

The Xi government's signature concept of official national identity is the "China Dream." In November 2012, after taking members of the Politburo Standing Committee to visit the "Road to Rejuvenation" exhibition at China's National History Museum, Xi enunciated his "China Dream" for the "great rejuvenation of the Chinese nation," which, as he later

explained, means “achieving a rich and powerful country, the revitalization of the nation, and the people’s happiness.”⁷ This concept was put forward against a paradoxical backdrop of both remarkable national strength and severe weakness. On the one hand, China had reemerged as a great economic and military power unprecedented since the 19th century. On the other hand, the country faced a plethora of domestic troubles, including the worst economic slowdown in a quarter century; exacerbation of social unrest; centrifugal tendencies in not just Xinjiang and Tibet but also Hong Kong and Taiwan; and sharp intra-party strife, evident in the chaotic leadership transition leading to the Xi administration, and his anti-corruption campaign that many believe aimed at eliminating his political opponents. At this juncture the government needed a nationalist doctrine to unite the Chinese people and inspire them to focus on national pride rather than immediate domestic challenges. Promoting the “China Dream,” therefore, served to maintain domestic stability and shore up the Party-state’s regime legitimacy and Xi’s personal authority.⁸

The Xi government’s national identity program contains two bifurcated themes that simultaneously stress China’s tradition and socialist modernity, and its historical trauma and current glory. Although mainly driven by domestic motivations, this new program does have significant bearing on China’s foreign relations. First, the concept of the “China Dream,” combining both traditional Chinese culture and socialist values, justifies China’s pursuit of regional dominance and objection to interference from the West, especially the United States. China’s Confucian view of the world is premised on a cultural hierarchy in which the Middle Kingdom is the civilized center and all others are the barbarian periphery subordinate to the center. Similarly, for the Xi government, reinvigorating the Chinese nation is to revive the Sinocentric international order in East Asia, where all countries will prosper under China’s leadership. At a regional confidence-building conference in 2014, Xi Jinping spoke of “a new Asian security concept” where “it is for the people of Asia to run the affairs of Asia, solve the problems of Asia and uphold the security of Asia.”⁹ If this notion was still implicit about excluding U.S. involvement from regional security affairs and establishing China’s sphere of influence there, he openly claimed the driver’s seat for China when he remarked at the APEC CEO summit later in the same year that “We are duty-bound to create and fulfill an Asia-Pacific dream for our people.” A number of regional trade and investment initiatives were proposed under Xi, most prominently the Asian Infrastructure Investment Bank (AIIB), Free Trade Area of the Asia Pacific (FTAAP), and One Belt One Road, consisting of a Silk Road Economic Belt extending from Central Asia to the Middle East to Europe and a Maritime Silk Road connecting China with Southeast Asia, Oceania, and North Africa. These regional security and economic visions can be understood as an ambitious attempt to construct a China-centered hub-and-spoke system as an alternative to the existing one sponsored by the United States.¹¹

While harking back to China’s cultural traditions, the “China Dream” discourse at the same time upholds the socialist model of political system and economic development as the key to success. As a dream of the Chinese people, Xi points out, it must follow a Chinese path, and the only path to attain it is through “socialism with Chinese characteristics.”¹² Furthermore, since the Party “is the core of socialism with Chinese characteristics, no “China Dream” will be possible without the leadership of the CCP.”¹³ The recent propaganda poster campaign in China promoting “core socialist values” sets China apart from Western values supporting liberal democracy and universal human rights.¹⁴ So a China-centric regional order prescribed by the “China Dream” not only opposes

the Western military and economic presence surrounding China, but also rejects Western political ideology and current international norms associated with it. To reach both goals would require other countries in the region, especially U.S. allies and partners such as Japan, to accommodate Chinese power, acquiesce to illiberal norms, and, ideally, to depend on China, not the United States, for security and prosperity.

In the second theme of the “China Dream” concept, notions of past victimhood and its present confidence and ambition are intertwined. The Chinese nation, proud of its ancient civilization and achievements, is said to have suffered humiliating trauma from foreign imperialist aggression in the so-called “century of humiliation,” before finally ascending to the ranks of great powers again.¹⁵ The entire “road to rejuvenation” exhibition that Xi used to launch the “China Dream” campaign drives home a tortuous national trajectory from past glory to trauma and finally to resurrection over a period of more than 170 years. The central message is about reviving national power and status, to which China is perfectly entitled but they were violently taken away by the Westerners and Japanese in modern history. Internally, the program spells out the goal of a “Double Centenary”: to turn China into a “moderately well-off society” by 2021, the 100th anniversary of the CCP, and to fully develop China into a rich, strong, “democratic,” civilized, and harmonious socialist modern nation by about 2049, the 100th anniversary of the founding of the People’s Republic.¹⁶ Externally, the Xi government seeks to regain China’s rightful international status. Here China no longer poses as a developing country but proclaims to conduct “great power diplomacy (*daguo waijiao*)” with “Chinese grandeur (*Zhongguo qipai*).”¹⁷

To convince the world that the new type of international relations that it envisions poses no threat, Beijing uses keywords such as “peace, development, cooperation and win-win.” Still, the nationalistic overtone of the new strategy betrays arrogance and toughness. Because the “China Dream” is preached as a national cause to wipe out the “century of humiliation,” foreign policy emphasizes not just peaceful development but also resolute defense of core national interests, most notably territorial sovereignty that was severely violated in modern history.¹⁸ At the same time, the “China Dream” motivates the country to take pride in its newly gained power and use that power to its advantage in handling international disputes. These entail two changes in its external behavior. One is that China feels no need to flinch from speaking its mind or demonstrating its strength. Best captured in the term “*fengfa youwei*” (striving for achievement) vowed by Xi at the Work Forum on Chinese Diplomacy Toward the Periphery in October 2013, this proactive strategic motif marks a discernible departure from the previously Dengist doctrine of “*taoguang yanghui*” (keep a low profile and bide your time). As Xu Jin explains, “We can now defend our interests, send out our voice, raise our initiatives, implement our policies, and help our friends.” In particular, adopting the new diplomatic keynote allows China to “openly maintain our bottom line” in territorial sovereignty disputes, something that China previously avoided for the sake of international image. This is all because in the past China lagged behind other major powers but now the trend has been reversed; China can “assume a brand-new posture” in the world.¹⁹

Another change in its foreign policy is that when defending its interests China will not budge under international pressure, nor will it hesitate to clash with other countries. Because China was victimized by foreign aggression before, the country must be prepared to stand up against any external encroachment at all times, even if it means fighting.²⁰ Xi, anticipating the award by the UNCLOS court on South China Sea, spoke at the Party anniversary in 2016, “The Chinese people will not be bullied; *we will not start trouble but we are not afraid of trouble, either* (emphasis by author). No country shall expect us to bargain away our core interests, or swallow the bitter fruit

of damage to our national sovereignty, security, and development.”²¹ Here China is presented as a truly independent nation that can be its own master, not like in modern history of national humiliation under the yoke of Western imperialism. Simply compromising to avoid conflicts is now considered suboptimal; China must “actively shape the external situation instead of adapting itself to the changes in external conditions,” says an influential Chinese expert on international affairs Yan Xuetong.²²

IDENTITY GAP AND SINO-JAPANESE SECURITY DILEMMA

The role of Chinese identity themes in Sino-Japanese relations needs to be gauged against alternative forces of influence, including balance of power, economic interdependence, and bilateral societal and cultural contacts. The Sino-Japanese balance of power shift since the end of the 2000s, indeed, served as the overall structural context in which their relationship made a sharp turn for the worse. A new feature of recent bilateral relations is an across-the-board escalation of tensions at sea, from island and gas field frictions in the East China Sea, to disputes in the South China Sea, and to naval contests near the first island chains outside China. The realpolitik stake in these disputes is real, including territorial sovereignty, hydrocarbon and fishing resources surrounding these territories, safety of sea lines of communication, and even strategic control of maritime East Asia and West Pacific. The conflict of interest between China and Japan is also intertwined with the emerging Sino-American competition for a sphere of influence in the region, which has been brought to the surface by the Obama administration’s strategy of rebalance to Asia.

To safeguard their interests, each side has taken steps to beef up its own military strength. Aside from its active land reclamation and militarization of reclaimed islands in the South China Sea, China also set out to build naval and coast guard bases in Zhejiang province near the Diaoyu/Senkaku Islands,²³ and its first indigenous aircraft carrier is well under construction, not to mention its ever-growing military spending and impressive expansion of Anti-Access/Area Denial (A2/AD) capabilities at sea and air. Moreover, in recent years Chinese naval vessels routinely transit through the Japanese archipelago via more diversified routes to advance to the open sea. Japan’s response to these Chinese security challenges is swift and firm. The military budget has been on the rise annually since 2013, and greater efforts are devoted to the defense of Japan’s southwestern islands. One important step to strengthen intelligence and reconnaissance capabilities was the setup of a permanent radar station in March 2016 to not just monitor China’s activities in the East China Sea but also receive communications within a wider radius covering the Chinese mainland, South China Sea, Russia, and North Korea.²⁴ In August Japan decided to develop a new land-to-sea missile to protect its remote islands, including the Diaoyu/Senkaku Islands.²⁵ Japan’s new security laws legalizing collective self-defense rights also became effective in March, paving the way for joint operations with the American military should security threats in the region necessitate them.

Given such defense buildup and military activism on both sides, China and Japan seem to have been stuck in an action-reaction spiral, where efforts to ensure one’s own security threaten the security of the other, causing responses that, in turn, threaten itself. The Sino-Japanese security

dilemma has become more intense than warranted by their conflict of interest—one's actions are not always out of reaction to material threat from the other, but because of intentional overplaying of one's hand. Much of their hard-line approach to bilateral disputes is attributable to non-realist calculations derived from domestic politics needs. Prime Minister Abe is known for his nationalist political agenda, the trademark of which is his push to overturn postwar constitutional constraints over the freedom of action of the Japanese Self-Defense Forces. As Amako Satoshi aptly points out, "Abe is pointing to the threat of China not so much in response to its expansionary strategy but as a means of expediency in helping to realise his pet policy of allowing Japan to exercise the right to collective self-defence."²⁶ The more China is portrayed as an imminent danger for Japanese national interests, the greater fear it would arouse among the public, who will then jettison the traditional pacifism to embrace a more visible and active role of Japan in international security affairs.

Likewise, Beijing's assertiveness in the East China and South China seas, initially reactive to other claimant states' actions in order to consolidate its own territorial claims there, is widely considered to have gone overboard and seriously hurt the region's trust in China.²⁷ Even some Chinese experts on international relations agree that overreliance on military means to coerce neighboring countries was counterproductive, and that China sometimes failed to appreciate the external backlash to its harsh behavior. The reason for Beijing's heavy-handed policy is ascribed to the replacement of "*taoguang yanghui*" by "*dayou zuowei*" under the Xi administration.²⁸ Although Chinese like to describe this doctrinal adjustment to be a natural product of rising nationalist sentiment at home, it is clear from the "China Dream" campaign that popular nationalism is, at least in part, the government's own making. Launched primarily for domestic consumption to shore up the legitimacy of the Party state, Xi's mobilization of an ethnocentric national identity compels a stringent foreign policy that defies foreign objections and rejects compromise.

The Sino-Japanese security dilemma is made worse by the lack of willingness to offer mutual reassurance, which has a great deal to do with the yawning gap between their national identities. In fact, all the central themes of the Xi government's national identity program collide with Japan's national self-identity and aspirations. First, exhorted by the "China Dream" to take pride in both traditional cultural superiority and newly gained strength, China is poised to become the leader of East Asia and expects other countries in the region to appreciate and welcome it. The envisioned Chinacentric order has little space for genuine multilateral collaboration with important regional players like Japan. Nor is there much thought given to the possibility that China's flexing of muscle externally may have jeopardized the legitimate national interests of others, and that their defiant actions may have been provoked by China's own. Therefore, when its anticipated leadership is resisted by Japan, a country that never endorsed cultural or political subordination to China throughout its history, China believes it is all Japan's fault because Japan is being jealous and is desperately trying to hold onto its previous advantage that no longer exists. With few exceptions, Chinese elites interpret Japan's recent turn towards international activism, embodied in the trend toward constitutional revision, new security legislation, military buildup, and diplomatic consorting with the United States, Australia, India, and Southeast Asian countries, as a coherent, calculated strategic move to contain China.²⁹ This conviction is driven home by Wang Yi, who said at the World Peace Forum held in Beijing in June 2015 that "the crux of

China-Japan relations is whether Japan can sincerely accept and welcome China's revival and rise."³⁰ Hence, instead of making a serious effort to reassure Japan and win over its support to China's dream of national greatness, Chinese elites dismiss Japan's national security concerns and blame the bilateral impasse solely on Japan.³¹

Second, because the "China Dream" is to be fulfilled through redeeming past trauma and regaining national dignity, the identity program drives the nation to take offense at any Japanese attempts to misinterpret WWII history or deny its responsibility for aggression. The historical revisionism of the Abe government has triggered strong emotional protests from the Chinese people. More importantly, many in China's elite are led to believe that Japan's "erroneous historical attitude" is symptomatic of its overall rightward shift in political ideology that abandons postwar pacifism and justifies external expansion. Some even draw the conclusion that Japan harbors malicious intent to upset the postwar international order laid down on the foundation of the allied defeat of Japan.³²

But such alarmist reading of Japanese politics and foreign strategy is disapproved by Tokyo, which contends that Japan is firmly committed to preserving world peace. Moreover, Tokyo has sought to counter China's "history card" with a "value card." From his first administration in 2006-2007, Abe already experimented with value diplomacy to establish an "arc of freedom and prosperity" along the outer rim of Eurasia, obviously leaving out China. Only one day after beginning his second administration, he proposed the concept of an "Asian Democratic Security Diamond," consisting of like-minded countries in the Indo-Pacific to curb China's maritime ambitions, and emphasized that Japanese diplomacy was "rooted in democracy, the rule of law, and respect for human rights."³³ In 2013, when laying out new principles of Japanese diplomacy, Abe again highlighted "universal values" and the "laws and rules" in governing the sea.³⁴ For Japan, ironically, it is China which is the real challenger to the prevailing international norms and order. As Ding Gang laments, "When we talk about historical views, they talk about values, so hard to find commonality."³⁵ Not surprisingly, Chinese elites flatly reject Abe's value diplomacy as an ideological instrument to undermine China's international image, and gain moral legitimacy to advance Japan's external expansion and encircle and contain China.³⁶

As a result of their sharp identity conflict in the cultural, historical, and ideological dimensions, both China and Japan are suspicious that the other country is trying to upset the international status quo, without realizing that their own ideological insistence may have biased their perceptions.³⁷ Each country has, thus, prized a stick policy aimed at deterrence against the other, over a carrot policy for mutual reassurance and accommodation. Xi Jinping's assertive diplomatic doctrine, in particular, has proclaimed a "new concept of morality and interests" (*xin yili guan*) that places justice and principles above economic profits. State Councilor for foreign affairs Yang Jiechi made it clear that China should reward those countries who are consistently friendly to China, which implies that those adversarial countries deserve punishment.³⁸ Yan Xuetong explicitly categorizes foreign relations into four types—strategic pillars, normal states, global competitors, and hostile countries—and labels Japan the last type, to which China should apply punitive pressure and contemplate no compromise. Treating Japan as an enemy only exacerbates its hostility to China; this is a self-fulfilling prophecy. Yan himself admits that the stick policy could only isolate Japan but "not soften Abe's confrontation against China."³⁹ The Sino-Japanese security dilemma continues to worsen.

COLD POLITICS, COOL ECONOMICS, AND HOT TOURISM?

China and Japan have unquestionably thick commercial ties. China is currently Japan's No. 1 trading partner, and Japan had long been China's top partner, only falling behind the EU and the United States since 2004. In 2015, China's share of Japan's total trade reached 21.2 percent. China is also a significant destination for Japanese FDI, receiving close to \$9 billion in 2015.⁴⁰ Japanese companies in China are estimated to have sustained nearly 10 million jobs.⁴¹ Not only highly interdependent, Chinese and Japanese economies are also mutually complementary. Japan used to export manufactured goods to China and import Chinese primary goods and cheap, labor-intensive products. From the 2000s the bilateral trade structure became less asymmetrical, where machinery began to make up their most important exports to each other. The two countries have also competed as exporters to ASEAN and elsewhere. Regardless, the fact that Japanese exports still consist largely of capital intensive, high value-added goods while China's are mostly low-priced, less complex goods shows that a large part of their trade is "vertical intra-industry trade," where the increase of one party's exports should not undermine the exports of the other.⁴²

According to the liberalist theory of commercial peace, increased economic interdependence discourages armed conflict. A logical corollary is that commerce can also moderate mutual policy in times short of war for fear that a deteriorating political relationship will eventually harm economic interests. Yet, close commercial ties did not prevent diplomatic volatility and military tensions between China and Japan. On the contrary, it is economics that fell victim to politics. Since the 2012 island dispute escalation the Sino-Japanese economic relationship is visibly cooling down. After temporary stabilization in 2014, the total trade decreased by 11.8 percent in 2015, a double-digit fall for the first time in six years.⁴³ The decline continued in 2016. By September, Japan's exports to China had fallen nearly 11 percent from a year earlier, well below the 7 percent drop in Japan's total exports.⁴⁴ Japanese companies have been rapidly shifting investment from China to ASEAN countries. By 2015 corporate investment toward ASEAN had outstripped that toward China for five years in a row, and doubled the combined value to China and Hong Kong. The Chinese Ministry of Commerce reported a 38.3 percent decline of Japanese FDI to China in 2014, and another 25.8 percent drop in 2015.⁴⁵ Chinese investment to Japan is also stagnating, an exception to the overall fast growth of Chinese outward investment. The adverse political climate of bilateral relations is cited as a significant cause of the downturn, in addition to the Japanese economic slowdown and rising labor and other production costs in China. Some consider the economic dimension even cooler than the political dimension, which is in a slow recovery from the 2014 low point.⁴⁶

Both governments, despite awareness of the severity of the business losses, are unwilling to compromise on political principles. China's "new concept of morality and interest" prioritizing national pride and core interests over economic interests determines that politics will trump economics in its foreign relations. This is evident in the fact that high-level economic dialogue between China and Japan has been put on hold since 2010 due to their territorial disputes.⁴⁷ Instead of softening its policy, Beijing expects Tokyo to concede ground. In April 2016, to show its displeasure with Japan's "meddling in the South China Sea,"

Beijing downgraded its hosting of a business delegation led by Kono Yohei, chairman of the Japan Association for the Promotion of International Trade, from Premier Li Keqiang the year before to Vice Premier Wang Yang. At the meeting, Wang urged Japan to “handle major sensitive issues cautiously and appropriately and promote economic and trade cooperation with China in a more positive demeanor to contribute more to the continual improvement of bilateral relationship.”⁴⁸ A Keizai Doyukai group likewise received a lecture from former State Councilor Tang Jiaxuan in Beijing in August, who said that politics and economics are not separable, and at a time of “cold politics” it was impossible to achieve “hot” economics.⁴⁹

Japanese business circles responded by accelerating withdrawal from China. Out of employment concerns the Chinese government often makes it difficult for foreign companies to exit China. In September 2016, a Keidaren delegation visited Beijing to lobby the Ministry of Commerce to create one window that handles approval by multiple agencies so as to speed up the process for foreign capital to get out.⁵⁰ In fact, Japanese business pessimism about China is a marked feature of bilateral economic relations. A 2016 CSIS-Nikkei survey of Japanese business people on Sino-Japanese relations shows that the majority believe China is an essential market for Japan, but its importance will decrease in the future, and China will no longer be Japan’s essential production base. When asked what is the biggest risk in doing business in China, “political risk” is selected by 79.8 percent of respondents. Furthermore, Japanese business interests are not as friendly or conciliatory to China as the liberalist interdependence theory predicts. Most of the respondents perceive the Xi government’s policy to China to be “tough and adversarial,” and believe that China “will follow neither the rules of diplomacy nor the rules of the market economy.” When asked about how to handle the Diaoyu/Senkaku disputes, 53.1 percent of respondents recommend “building permanent facilities or permanently stationing civil servants there,” compared to 35.8 percent who wish to shelf the disputes and maintain the status quo.⁵¹ Obviously, the kind of pro-China business lobby that propelled Sino-Japanese normalization at the turn of the 1970s is unlikely to occur in today’s bilateral setting.

Another hope for bilateral improvement is that, according to the sociological variant of liberalist theory, a greater degree of societal contacts will foster mutual understanding and trust, which, in turn, will contribute to the perception of shared interests. Unlike cooling economic interactions, Chinese tourism to Japan is booming. In 2015, Japan handed out 3.78 million visas to Chinese nationals, an 85 percent jump from 2014, thanks to a weaker yen and relaxed visa rules.⁵² The flocking of Chinese tourists to Japan has certainly benefited its retail industry because once there they plunge into *bakugai* (explosive buying). At the same time, for most of the past decade around 60 percent of the total of international students in Japan have come from China.⁵³

Whether there is a silver lining is questionable. For one thing, Japanese tourists and students to China are declining in recent years, due to a deteriorating political relationship, as well as air pollution and food safety problems in China.⁵⁴ In China, objective coverage of Japan in textbooks and mass media is still beyond reach, which contributes to anti-Japanese sentiment among the general public.⁵⁵ Biases are also recognizable in Japanese media coverage of China.⁵⁶ Non-governmental channels of confidence-building are still underdeveloped, and cultural exchanges are often hit hard by storms in the official relationship. Another significant means to bridge their gap in historical memory and national identity is historians’ dialogue, which materialized with Chinese and Japanese government sponsorship for the

first time during 2006-2009. But the downward spiral in bilateral relations thereafter has ruled out the resumption of such joint history study. At the same time, the bilateral popular relationship remains poor. The 2016 Genro NPO joint poll indicates that 76.7 percent of Chinese respondents and 91.6 percent of Japanese respondents held negative impressions of the other country.⁵⁷ Ultimately, even though the two countries are close by and not short of societal interactions, the kind of interactions taking place have had a weak effect in improving mutual image and perception.

PROSPECTS IN THE TRUMP ERA

With China's rapid rise in recent decades, now for the first time in history East Asia has two comparably strong regional powers in China and Japan. The Chinese idiom often used to describe the situation is that "a mountain cannot accommodate two tigers."⁵⁸ International structural conditions, including their geographic proximity, the power shift, territorial disputes, and U.S.-Japan opposition to Chinese hegemony in the region, have defined the perimeters for Sino-Japanese rivalry. Without a fundamental change to this structural environment, diplomatic maneuvers, business interests, and societal efforts striving for popular affinity can only produce tactical compromises and a short-term detente, not strategic accommodation.

But ideational and cultural factors can play a significant role in mollifying the current tension. It is observed that throughout history, due to pride and cultural biases, each of the two nations has refused to accept the other as an equal, nor would either concede a position of superiority to the other.⁵⁹ Today the Sino-Japanese national identity gap remains an invisible, yet formidable impediment to a pragmatic and rational relationship. Particularly, the Xi government's "China Dream" concept collides with the essentials of Japanese national psyche from cultural ego to historical memory and liberal values, which give rise to fundamental disagreement about their own national role, mission, and grand strategy. It is only natural that since its advent this identity program has elicited unnecessary emotional backlash from Japan and exacerbated mutual perceptions of threat.

Given the historical lessons from their catastrophic wars in modern history, the priority for now is to manage conflict and prevent escalation. For this, both need cool-headed assessments of regional power trends and to adjust mutual expectations. Japan has to face the hard reality that China is on its way to becoming a superpower, barring major endogenous shocks or external conflicts, and China should be given a seat at the table to forge a new international order. Likewise, nearly seven decades after the end of WWII, as a prosperous and mature political entity, Japan is entitled to normal international status with collective defense rights and political autonomy. Urging China and Japan to accept each other's deserved place in the world is not to argue that they should single-mindedly chase their goals in disregard of others' legitimate concerns. Instead, knowing that their national aspirations may strike a sensitive chord in each other's identity conception, both Beijing and Tokyo should take pain to demonstrate their willingness to adjust and restrain, rather than demand acceptance as is. Because neither country can recreate the other in its own image, ultimately the two must meet each other halfway.

How Sino-Japanese relations will develop in the Trump era is still uncertain. At the time this paper was written, Trump's "peace through strength vision for the Asia-Pacific" had incurred

a great deal of repercussions in the region.⁶⁰ On the one hand, he is poised to discard some important tenets of Obama diplomacy, such as free trade, liberal values and international law and rules, and to chastise regional allies for not paying their “fair share” to underwrite the existing world order. This may lead to speculation that Washington under Trump will exit the region, abandon Japan and other countries previously under U.S. protection, and forego power as well as ideological contest with China. But the fear of U.S. strategic retrenchment and Chinese hegemony in Asia can be offset by the other, and perhaps more emphatic aspect of his policy, which is to expand American strategic advantage by building up military power, pressuring allies for greater contributions, and forcing on China trade and security deals favorable to the U.S.

Although Trump’s policy thoughts can be incoherent and at times appear impulsive, there is an unmistakable undertone that China is seen as America’s top adversary. If this is true, then it is impossible for the new administration to turn its back on its allies. At the same time, countries like Japan, nervous about China’s rise, will spare no effort to keep the United States engaged in Asia. Japan’s enthusiasm about the U.S.-led TPP and detachment from China’s AIIB reveals a strong desire to draw U.S. support against China. Since TPP has been renounced by Trump, it falls on Japan to build a multilateral alternative so as to prevent China from filling in the vacuum with its own trade rules and institutions. Abe was the first foreign head of state who met with Trump after he won the presidential elections. At the end of 2016, Abe paid the first visit to Pearl Harbor and offered condolences as a sitting Japanese prime minister together with an American president. These gestures were intended to reaffirm the U.S.-Japan security alliance and ideological bonds. In order to solidify the U.S. commitment to Asia, Japan will have to do greater burden-sharing not just in trade deals but also collective security operations, which could be a timely, fitting justification for Abe’s own nationalist agenda. Demands on Tokyo may include keeping a united front with Washington on the Taiwan issue, a political card in which Trump has taken an interest to exert pressure on Beijing. In the eyes of China, however, all of this could mean that Japan is moving further toward military expansion and negation of the postwar international order. The bottom line is, as Trump brings Sino-American confrontation into the open, China and Japan will enter, voluntarily or involuntarily, more ostensible opposition against one another.

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The Impact of Chinese National Identity on Sino-South Korean Relations

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How do Chinese national identity narratives affect Sino-South Korean relations? The Koguryo history war more than a decade ago was a turning point in bilateral relations since diplomatic normalization in 1992, generating enduring competition over representations of history.¹ In 2010, China's commemoration of its entry into the Korean War raised early warnings in South Korea over Beijing's hostile foreign policy orientation under Xi Jinping. Contrary to such expectations, however, the earliest summit agreements between presidents Xi Jinping and Park Geun-hye after both took office in 2013 were on history cooperation as common victims of Japanese colonialism. Most notably in 2015, Park's participation in Beijing's 70th anniversary celebrations of the end of World War II consolidated joint claims of what was called the best period in bilateral relations.² This chapter assesses the impact of Chinese national identity on China-Republic of Korea (ROK) relations under the Xi and Park administrations since 2013. It examines Chinese constructions of national identity and their implications for the security, economic, and cultural dimensions of the Sino-South Korean relationship. Rather than promoting partnership, competing identities across these dimensions reinforce enduring differences over the region's political, economic, and cultural order. These differences surfaced most saliently in 2016, following an initial period of engagement that corresponds with the downward trend in China-Japan relations since 2012. Managing them requires the very trust-building that both Beijing and Seoul have prioritized since 2013.

Accounts of international relations (IR) based on rational, unitary-state assumptions have a hard time explaining why identity factors drive states toward costly confrontation.³ The external impact of national identity is clearly evident in the IR of East Asia, but remains obscured by theoretical traditions that overstate the international structural forces of state behavior understood primarily in material terms.⁴ Viewed through the lens of great-power politics, China's current engagement of neighbors is a response to U.S. "rebalancing" in the region. From a liberal perspective, the advancement of China's "partnership" relationships demonstrates the pacifying effects of trade. Both perspectives, however, do not fully explain what Park Geun-hye in 2012 called the "paradox" of a "rising but clashing Asia" constrained by enduring bilateral mistrust rooted in identity conflict.⁵ A fuller understanding of China-ROK relations in such an environment requires tracing their interactions to normative incentives and domestic politics rather than just external power dynamics or economic interdependence. It also requires reassessing the strategic implications of China-centered asymmetric interdependence as a source of leverage in political disputes.

This chapter begins with the assumption that, like national power, identity is a relational concept that distinguishes the "self" and "other," whose construction is shaped by the state's horizontal interactions with other states to identify friends and enemies, and vertical interactions with society to promote national unity at home.⁶ It relies primarily on Chinese official, scholarly, and popular narratives to analyze China's interpretations of national identity and implications for relations with South Korea. The China-ROK case underscores three main points on the politics of national identity. First, as a projection of ideas, identity can vary by functional area of interaction. Second, the impact on bilateral relations depends on how state and other actors claim such identities through discourse and actual actions.⁷ Third, these multiple identities can generate inconsistent images that intensify the external misperceptions that state leaders initially sought to dispel in the first place.

The cultural sources of China's strategic behavior are evident throughout its history, from the dynastic period to the Maoist era.⁸ In the Xi Jinping period, Chinese national identity is manifested in three lines of discourse. On the political and security dimension, China as a "new-type of big power" rejects assumptions of inevitable conflict in favor of cooperation based on mutual benefits and respect for vital interests, including "choice of social system and development path."⁹ Raised during Xi's visit to Washington in 2012 as vice president, the concept was initially applied to the U.S.-China relationship and later extended to the international level. This portrayal of China as an emerging power emerged alongside Xi's policy discourse on regional relations, introduced at the Communist Party of China (CPC) meeting on "periphery diplomacy" in October 2013.¹⁰ Xi's regional strategy supports a broader vision of China's foreign relations that distinguishes economically-oriented "partnerships" from military alliances.¹¹ As Foreign Minister Wang Yi noted at China's 2015 National People's Congress (NPC), "Focusing on building a new type of international relations featuring win-win cooperation, we are taking a new path of external relations characterized by partnership rather than alliance."¹²

On the economic dimension, China's expanding "global network of partnerships" is embodied in its "One Belt, One Road" initiative for regional integration, Beijing's biggest foreign policy priority since it was proposed during Xi's state visits to Central and Southeast Asia in 2013.¹³ This initiative emphasizes commercial linkages between China and its neighbors that date to the dynastic period in the form of the "Middle Kingdom's" ancient land and maritime Silk Road routes.¹⁴ The revival of Silk Road integration links to the third, cultural dimension of Chinese identity, embodied in the "China Dream" of "national rejuvenation."¹⁵ Rooted in the "moral strength of ancient Chinese civilization,"¹⁶ the "China Dream" is associated with "socialist modernization," framing a national ideological campaign of promoting a "culturally advanced China" abroad as a "socialist cultural power."¹⁷ Traditional Chinese culture forms the foundation for China's pursuit of modernization against "the global mingling and clashing of cultures," with "patriotism at the core."¹⁸

SINO-SOUTH KOREAN RELATIONS IN THE XI-PARK PERIOD (2013-2016)

China-ROK relations under Xi Jinping and Park Geun-hye have developed in two phases, beginning with a period of active diplomatic engagement that peaked with the launching of a bilateral free trade agreement (FTA) in December 2015. Familiar dilemmas, however, surfaced in 2016: the U.S.-ROK alliance and approaches to North Korea, territorial issues surrounding exclusive economic zones (EEZs), and trade frictions arising from deepening asymmetric interdependence. The two leaders advanced what they called the best period in diplomatic ties through seven summits in 2013-2016,¹⁹ but also confronted unprecedented regional and domestic challenges. Pyongyang under Kim Jong-un conducted three nuclear tests in February 2013, January 2016, and September 2016, while political turmoil in South Korea ended with the parliamentary impeachment of Park Geun-hye in December 2016.

The "Best" Period in History (2013-2015)

The renewal of the China-ROK "strategic cooperative partnership" under Xi and Park was historically significant in several aspects: it marked two decades since diplomatic normalization, accompanied leadership transitions in both Beijing and Seoul, and included

a summit in Seoul in July 2014 that broke a Chinese tradition of engaging the North Korean leader first. After a period of hostility under the Hu Jintao (2003-2013) and U.S.-centered Lee Myung-bak (2008-2013) administrations, bilateral ties focused on two priorities of building “mutual strategic trust” and advancing the trade relationship.²⁰ Although Park extended Seoul’s conservative rule, her promises of economic recovery and inter-Korean reconciliation won Chinese support for favoring closer ties with China.²¹ While Beijing reciprocated such hopes for engagement, the new leaderships in 2013 faced an immediate test of responding to Pyongyang’s third nuclear test in February 2013.

China-ROK relations in 2013 showed early signs of strategic alignment against North Korea’s military provocations, with the passing of two UN Security Council (UNSC) resolutions in January and March. Xi and Park’s first summit in Beijing in June centered on the further institutionalization of diplomatic exchanges, Korean Peninsula denuclearization, and conclusion of the FTA, forging a range of new agreements to strengthen the partnership over the next decade. The summit declarations produced immediate substantive results in advancing diplomatic exchanges as a means to build trust, including the initiation of a high-level security dialogue and a new working-level mechanism between foreign and defense ministries in 2013. As head of the China-ROK Inter-Parliamentary Council, Chung Mong-joon of the ruling Saenuri Party led more than 40 National Assembly members to China in February 2014, South Korea’s biggest parliamentary delegation to visit China since normalization. Park at her 2014 New Year press conference pointed to a historic high point in China-ROK relations, while Xi Jinping during his visit to Seoul in July claimed that bilateral ties were “at their best in history.”²²

Such convergence, however, masked underlying skepticism in both China and South Korea over respective policy tools for addressing North Korea as it declared its rise as a “full-fledged nuclear weapons state.”²³ Seoul’s “two track” strategy of pressure and dialogue stood in conflict with a Chinese stance that opposed not only DPRK aggression but also strengthened deterrence through the U.S.-ROK alliance. As China’s Foreign Ministry indicated in April 2014, “China is opposed to any move that may result in tensions in the region, whether they be joint drills or the threat of conducting nuclear tests.”²⁴ Chinese preferences for dialogue remained fixed on the Six-Party Talks, which for Seoul and Washington depended on tangible commitments from Pyongyang. The second Xi-Park statement on July 2014 reaffirmed common goals of denuclearization, but also revealed differences over the conditions for adding pressure and resuming dialogue.

In addition to conflicting North Korea policy, unresolved territorial disputes clouded Xi and Park’s early achievements. Submissions of competing claims to the UN on the East China Sea in 2013 threatened to rekindle maritime disputes that would also draw in Japan. In response to Beijing’s declaration of an air defense identification zone (ADIZ) in November 2013, Seoul announced a southward expansion of the Korea ADIZ, which includes the disputed submerged rock Suyan/Ieodo located in their overlapping EEZs. The fatal shooting of a Chinese fishing captain by the ROK Coast Guard during clashes in the Yellow Sea in October 2014 drove Chinese diplomatic complaints against South Korea’s “violent law-enforcement” and interrupted plans on new joint surveillance operations.

In 2015, however, the FTA was signed in June and implemented that December.²⁵ The trade deal also boosted prospects for joint negotiations with Tokyo as trilateral summit and foreign

ministerial talks resumed after a three-year deadlock. South Korea's formal joining of the AIIB in April as its fifth biggest shareholder consolidated the China-ROK trade relationship and respective strategies for regional integration under Xi's Silk Road and Park's Eurasia Initiatives, supported by Beijing and Seoul's new agreements with Russia to develop the northeast. Park Geun-hye's participation in China's 70th anniversary celebrations of the end of WWII in September 2015 symbolized Seoul's upgraded partnership with Beijing and drove regional debate over the broader strategic orientation of bilateral relations.

Old Dilemmas Revisited (2016)

North Korea's two nuclear tests in January and September 2016 prompted the adoption of two additional UNSC resolutions. However, they underscored existing weaknesses in both dialogue and pressure and forced Beijing and Seoul to confront their policy differences. U.S.-ROK actions in March—including the initiation of formal talks on Terminal High Altitude Area Defense (THAAD) and new high-level talks on implementing sanctions—reignited Chinese concerns over the implications for China's strategic interests. The September nuclear test coincided with Xi and Park's final summit on the sidelines of the G20 in Hangzhou and directly challenged a nonproliferation statement adopted at the East Asia Summit (EAS).

Bilateral ties further deteriorated in November with the suspension of all high-level defense talks. The sinking of a ROK Coast Guard boat by a Chinese fishing vessel led to a series of diplomatic confrontations in October-November, including the Foreign Ministry's formal protests to China's consul general and PRC Ambassador Qui Guohong on three occasions. Chinese objections to THAAD intensified in November after the ROK Defense Ministry concluded an agreement to acquire the site for its deployment from Lotte Group. Tensions in the final year of the Xi-Park period unraveled many of the achievements in the bilateral political and security relationship, and ignited South Korean accusations over Beijing's economic and cultural retaliation against Seoul's July decision to deploy THAAD.

IMPACT OF CHINESE NATIONAL IDENTITY ON SINO-SOUTH KOREAN RELATIONS

During his sixth summit with Park Geun-hye in September 2015, a day ahead of Beijing's WWII Victory Day parade, Xi Jinping indicated China's historical affinity with South Korea: "Looking at history, our two peoples' struggle has been very similar in our quest to liberate our people."²⁶ This portrayal of history contrasted sharply with his remarks five years ago as vice president on the 60th anniversary of China's entry into the Korean War, which he called a "great victory gained by the united combat forces of China's and the DPRK's civilians and soldiers."²⁷ The image of Xi, Putin, and Park overseeing the military parade triggered similar comparisons with China's past traditions of friendship with the other Korea. As a China Daily observer indicated, "Long gone are the Cold War days when China was inclined to engage with the DPRK and estrange itself from the ROK."²⁸

Sino-South Korean history cooperation, among the first substantive achievements of Xi and Park's summit diplomacy, indeed suggested unprecedented progress in bilateral relations. But like China's official framing of WWII, most of this cooperation centered on Japanese aggression. While China seized an opportunity opened by Park to establish a memorial for Korean independence fighter Ahn Jung-geun (the 1909 assassin of Governor-general Ito

Harubumi) in Harbin in 2014, grievances over interpretations of ancient history, territorial claims, and ideological orientations remained buried under the surface. A closer examination of Chinese national identity narratives reveals that China's relationship with South Korea is shaped by multiple identities across the political, economic, and cultural dimensions of interaction. While common experiences as victims of Japanese imperialism have emboldened Chinese overtures of alignment with Seoul, especially since Abe's return to power in 2012, conflicting identities across these dimensions have reinforced bilateral mistrust and conflict.

Political and Security Implications

By contrasting China's expanding "global network of partnerships" against "alliances," Foreign Minister Wang Yi at the 2015 NPC depicted the China-ROK partnership and U.S.-ROK alliance as opposing alternatives. Scholarly debate after the CPC's 2013 meeting on periphery diplomacy similarly assessed the consolidation of U.S. alliances against emerging trilateral cooperation between China, Japan, and South Korea since the ASEAN Plus Three mechanism of the 1990s.²⁹ Such views of the regional political order challenged the trust-building process Park proposed in her "Northeast Asia Peace and Cooperation Initiative," which framed Seoul's relationships with China and the United States in complementary terms.³⁰ But in addition to questioning South Korea's strategic position, it also raised debate over China's own orientation between the two Koreas at a time of escalating threats from its North Korean ally. Xi's July 2014 visit to Seoul drove much speculation in China over Beijing's shifting preferences from a "special relationship" with the North to partnership with the South.³¹ Party School journal editor Deng Yuwen's *Financial Times* column in 2013 revealed emerging domestic debate on whether "China should abandon North Korea."³² But his subsequent suspension suggested that such critical views remain outside Beijing's conventional policy line favoring North Korea's continued significance as "China's strategic shield."³³

More importantly, rather than being defined by partnership, China-ROK relations remain constrained by U.S.-China "great power relations," where a confrontation would present a major dilemma for South Korea as a U.S. ally.³⁴ The DPRK nuclear crisis in particular "is essentially not a problem between China and South Korea, but one resulting from U.S. Cold War strategies and reflecting the U.S. intent to contain China and Russia."³⁵ While proponents of broader Northeast Asian security cooperation identify South Korea as a "friend" of both China and the United States,³⁶ this historical legacy appears embedded in public assessments of the China-ROK relationship, responding to official claims of a "Cold War mentality" on the Korean Peninsula.³⁷ The puzzle of a divided Korea simultaneously aligned with two opposing forces is traced further back to the ancient Korean Peninsula, where Goryeo and Choson as core members of the Chinese tributary system relied on the protection of major powers and derived their legitimacy from the Han Dynasty.³⁸ The current deepening of the China-ROK partnership since 1992 is associated with a gradual retreat of the United States and its "full constraints" on peninsula affairs.³⁹

China's identity as a U.S. adversary on the peninsula underlies its opposition to the U.S.-ROK alliance as a source of North Korean belligerence and Beijing's own insecurities, justifying claims of limited Chinese influence on Pyongyang. At the 2014 National People's Congress, Wang Yi agreed that "only with denuclearization can the Korean Peninsula have genuine and lasting peace," but identified U.S.-DPRK mistrust as the primary source of "sustained tensions on the peninsula and several disruptions to the Six-Party Talks."⁴⁰

Although Beijing supported tougher sanctions at the UNSC in March 2016, it opposed U.S. and ROK unilateral sanctions that same month while consistently reminding the international community of Pyongyang's "legitimate security concerns."⁴¹ As the *Global Times* argued in June 2016 after talks between Xi and Workers' Party of Korea (WPK) International Department head Ri Su-yong, China "cannot make a breakthrough on North Korea's nuclear issue, but it serves as a balancing actor in the game."⁴²

Beijing's own mistrust of the U.S.-ROK alliance surfaced most pointedly in its response to Seoul's July 2016 decision to deploy THAAD, described by the state media as a "barrier to closer relations with China"⁴³ and part of U.S. efforts to create an "Asian version" of NATO.⁴⁴ A Xinhua editorial echoed official arguments that the agreement "damages the mutual trust and cooperation developed with China by threatening China's strategic security interests."⁴⁵ Such explanations for China's angry reactions were detailed in a China Institute of International Studies (CIIS) report warning that "sandwiched between the two major powers in this region, South Korea has to make a tough choice."⁴⁶ State media attacks on THAAD joined South Korean domestic protests against Seoul's decision by criticizing it as a "move to serve U.S. hegemony" and an outcome of "humiliated diplomacy."⁴⁷ These reports highlighted THAAD's immediate impact in reversing public perceptions since 2015, when Chinese media agencies placed Park among the top ten people of the year for her "balancing" role between major powers and participation in Beijing's military parade.⁴⁸

North Korea's January 2016 nuclear test not only challenged Park's policy of "pressure and dialogue" but also revived Beijing's propositions of parallel peace treaty and denuclearization talks, favoring a longstanding demand by Pyongyang that Seoul and Washington have rejected in favor of denuclearization first.⁴⁹ In addition to reinforcing immediate frictions over DPRK policy, such proposals forced Seoul to confront longer-term questions over the peninsula's future and role of the U.S.-ROK alliance. Xi Jinping as incoming president sent an early signal on Beijing's support for "independent and peaceful" unification,⁵⁰ which opened opportunities for Park to advance her regional and trilateral security initiatives with the United States and China. Her participation in Beijing's WWII events in September 2015 drove further efforts to win Chinese support for the reunification process she outlined in Germany in 2013.⁵¹ Even Chinese arguments for "abandoning North Korea" and actively promoting unification, however, are based on the expectation that unification would weaken U.S. alliances with Japan and South Korea, lift the geopolitical pressures on China, and help resolve the Taiwan issue.⁵² The core concern on both sides of China's Korea debate is the peninsula's future strategic orientation between China and the United States.

In contrast, common history grievances with Japan emerged as a strong basis for partnership ahead of China's WWII commemorations, amplifying joint opposition to Tokyo's perceived militarist orientation under Abe. After Seoul announced its plans to register "comfort women" records with UNESCO in January 2014, the PRC Foreign Ministry affirmed China's willingness to work together on "similar experiences and concerns on historical issues relating to Japan."⁵³ During his visit to Seoul in July 2014, Xi reached out to the South Korean public by reminding them that "Japanese militarists conducted barbaric wars of invasion against China and Korea,"⁵⁴ while China's state-run CCTV featured an interview with Park criticizing Japanese wartime atrocities and highlighting South Korea's cultural appeal to China.⁵⁵ NPC Standing Committee Chairman Zhang Dejiang's June 2015 visit to South Korea focused efforts on issuing the first joint statement from the two parliaments

marking the end of WWII.⁵⁶ Abe's WWII speech in August intensified Chinese calls for solidarity with South Korea emphasizing the significance of Park's visit for countering not just Pyongyang's military threats but also Tokyo's.

Efforts to promote partnership, however, were muted by China's own unresolved history and territorial issues with South Korea, and attitudes toward the U.S.-ROK alliance. Beijing's ADIZ decision in 2013 drew sharp criticism from U.S. allies, including warnings from Seoul on provoking nationalism and territorial disputes. Such consequences played out in Seoul's subsequent decision to expand the Korea ADIZ, which according to a Xinhua editorial was "grounded more on emotional impulse than on strategic thinking."⁵⁷ The primary sources of Chinese concern were U.S. "rebalancing" and Japan's "rapid slide to the right," on which Beijing sought convergence with South Korea through history, with contradictory effects of exposing bilateral differences.⁵⁸ As the South Korean media indicated in July 2014, Xi presented a story of Japanese aggression that ignored China's own history on the peninsula. Chinese reactions to THAAD catalyzed South Korean calls for greater Chinese cooperation on DPRK threats, hardened domestic criticism over Beijing's infringement of Seoul's sovereign rights, and reinforced the difficulties of developing common security interests in Northeast Asia.⁵⁹

Economic and Cultural Implications

Chinese assessments favoring the China-ROK economic partnership argue that Seoul's "middle power diplomacy" enhances China's regional environment, and emphasize the central role of the China-ROK trade relationship in promoting regional integration.⁶⁰ These implications were clearly evident in 2015 with South Korea joining the Asian Infrastructure Investment Bank (AIIB) and signing the FTA with China. Chinese media coverage of the AIIB's founding throughout 2015 centered on the successive joining of U.S. allies and apparent marginalization of the United States. For some skeptics, the regional geopolitical environment dictates the direction of China-ROK economic ties.⁶¹ Regional cooperation requires a common regional identity, on which nationalism has a profound effect. Prospects for cooperation remain challenged by a perceived new wave of nationalism in both South Korea and Japan in the post-Cold War period. Furthermore, the growing asymmetric structure of China-ROK interdependence implies greater economic vulnerability for South Korea.

The impact of national identity on both economic and cultural ties was most evident in 2016 in the form of Chinese threats of retaliation against THAAD. As a Xinhua editorial cautioned, the THAAD deal will not only "force Beijing and Moscow to take strategic countermeasures," but is also "an invitation for economic punishments."⁶³ The surge in China's rejections of South Korean food and cosmetics imports, from 5 to 26 percent of all Chinese customs rejections in July-August 2016, drove initial speculation over Beijing's raising of "nontariff barriers."⁶⁴ South Korean concerns surfaced in November when China launched a tax probe and health and safety inspections of Lotte Group units in China.⁶⁵ Accusations of Chinese retaliation have been strongest in the tourism and entertainment industries, associating tougher regulations on travel and Korean cultural content with growing anti-Korean sentiment within the PRC government.

South Korean officials publicly voiced their concerns over what they called effective "Chinese bans" on Korean cultural products, which overshadowed the China-ROK Public Diplomacy Forum in 2016.⁶⁶ The Korea Tourism Organization explicitly blamed diplomatic tensions

over THAAD for the slowing growth in the number of Chinese tourists traveling to South Korea.⁶⁷ At the closing ceremony of “Visit Korea Year 2016” in Beijing, China National Tourism Administration Chairman Li Jinzao and ROK Culture Minister Cho Yoon-sun expressed joint concerns over the negative ramifications of the THAAD dispute for cultural exchanges and overall bilateral relations.⁶⁸ Although both Chinese and Korean officials took steps to mitigate public hostilities, the Chinese public backlash against Seoul became clear by 2017. As one *Global Times* commentator indicated: “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.”⁶⁹

China-ROK cultural interactions under Xi and Park have been importantly driven by Beijing’s “soft power” push to shape China’s national cultural identity and international image.⁷⁰ But while the Chinese media popularized the “Korean Wave” trend in the 1990s to welcome the spread of Korean popular culture, recent assessments point to an “anti-Korean Wave” phenomenon in China, traced to not just issues of history and ideology, but also soft-power competition abroad.⁷¹ On the one hand, China’s “go out” strategy of outward investment in the cultural sector identifies South Korea as a key partner with a strong marketing base for cultural dissemination.⁷² On the other hand, South Korea is perceived as a rival in China’s global soft power campaign, aimed to promote the “construction of a core value system of international cooperation.”⁷³

While Xi’s “China Dream” envisions China’s national revival as a “socialist cultural power,” partly to bolster national unity and legitimacy at home, it also responds to current international perceptions of China’s “soft-power deficit.”⁷⁴ This deficit is reflected in patterns of China-ROK cultural cooperation, which has expanded primarily in terms of Chinese tourism flows to South Korea and South Korean cultural exports to China, including through state-led initiatives under the Joint Committee on people-to-people exchanges since 2015. Xi and Park’s “trust-building” diplomatic initiatives have diverted attention away from past clashes over interpretations of history and “plagiarism” of traditional culture, which initially inspired the production of South Korean historical dramas.⁷⁵ Since the Koguryo history war of the 2000s, the impact of national identity on bilateral cultural relations has been amplified by the rise of Chinese internet users and social media networks in China that have transformed traditional modes of communication.⁷⁶ Furthermore, Chinese criticism over the “interference” of South Korean political parties and media in exacerbating domestic forces of nationalism and influencing Seoul’s foreign policy toward Beijing has only served to further illuminate gaps in political systems and values.⁷⁷ These gaps remain evident at the international level in Beijing’s handling of North Korean refugees and human rights violations. In addition to opposing the discussion of such issues at the UNSC, China’s media outlets in 2014 published Pyongyang’s own human rights report amid EU and Japanese efforts to pass a resolution calling for the referral of DPRK rights violations to the International Criminal Court.

IDENTITY POLITICS AND THE PARADOX OF SINO-SOUTH KOREAN RELATIONS

Sino-South Korean relations in 2013-2016 from an identity perspective point to broader differences over Asia's envisioned political, economic, and social order. At the peak of China-ROK engagement in 2015, South Korea's joining of the AIIB, signing of the China-ROK FTA, and participation in Beijing's WWII commemorations, suggested a reorientation of bilateral ties toward closer partnership. But China's reactions to THAAD regenerated mutual suspicions, reinforcing Asia's enduring paradox of strong economic ties and weak political ties that Park Geun-hye promised to break as presidential candidate.

Chinese assessments of China-ROK relations in the Xi Jinping era raise two central questions about the future orientation of bilateral ties: 1) whether South Korea will align with its Chinese partner or U.S. ally, and 2) whether the China-ROK economic partnership will also promote closer political ties. The key variable in both questions is the issue of mutual trust, a common theme linking Xi's major-power model and Park's Northeast Asia Peace and Security Initiative. While Sino-South Korean policy priorities from 2013 centered on building trust, the development of bilateral ties during the Xi-Park period shows that conflicting identities have undermined this process.

According to most Chinese assessments, Sino-South Korean economic interdependence is unlikely to translate into closer political ties given fundamental differences over North Korea, territorial disputes, and cultural tensions stemming largely from history.⁷⁸ Current perceptions in South Korea of China's economic retaliation against THAAD further suggest that interdependence can instead be a source of power in political disputes. The China-ROK case in 2013-2016 highlights the broader corrosive impact of East Asian nationalism, which has weakened existing mechanisms of cooperation while retarding the formation of new ones.⁷⁹ Just a year after their resumption, China-Japan-ROK trilateral talks were again postponed in 2016 amid renewed history tensions with Tokyo, the THAAD dispute, and Park Geun-hye's impeachment.

Washington's potential isolationist orientation under President Donald Trump may further propel Chinese leadership in reshaping the post-2008 regional and global order, as suggested by Xi's remarks at the January 2017 World Economic Forum supporting "economic globalization."⁸⁰ But South Korea's domestic political vacuum after the impeachment of Park Geun-hye in December, upheld by the Constitutional Court in March 2017, overshadowed the immediate prospects for reorienting bilateral relations. Acting President Hwang Kyo-ahn did not indicate plans to introduce change in Park's controversial policies including THAAD deployment, the "biggest issue affecting China-ROK relations" according to PRC Foreign Minister Wang Yi at the March 2017 NPC session.⁸¹ Peninsula security issues will remain framed by the direction of U.S.-China relations under Trump, whose early engagement of Taiwanese president Tsai Ing-wen hardened Chinese views of North Korea's strategic significance to Beijing in what has been called the "Kim Jong-un era" since the May 2016 WPK congress.

Defense Secretary James Mattis in February signaled the Trump administration's continued engagement of U.S. allies in Asia. Korean Peninsula security was a priority concern during Secretary of State Rex Tillerson's Northeast Asia trip in March, following a new round of North Korean ballistic missile tests and the initiation of U.S.-ROK talks on finalizing

the terms of THAAD deployment.⁸² Pyongyang's military threats and the advancement of THAAD plans have been met with continued Chinese disapproval, feeding an intensifying domestic debate in South Korea at a time of leadership transition in 2017. Claims of China's economic retaliation have had real diplomatic repercussions, including Seoul's appeal to the WTO after Beijing's imposition of travel restrictions on South Korea, announced by the National Tourism Administration on March 2 at the start of U.S.-ROK THAAD talks. Defense officials associated Chinese intrusions into the Korea ADIZ in January with tensions over THAAD, which has fueled broader debate over core issues of sovereignty. The U.S. House of Representatives in March introduced a resolution condemning China's retaliatory actions and calling on Beijing to "cease its diplomatic intimidation and economic coercion" against South Korea.⁸³ Defense Secretary Mattis during a Senate hearing in March pointed to China's "tribute-nation" approach as a source of regional distrust, criticizing both Russia and China for "seeking veto power over the economic, diplomatic, and security decisions of nations on their periphery."⁸⁴

CONCLUSION

Chinese assessments of current China-ROK relations reveal understandings of China and South Korea as Asian partner and U.S. ally, Middle Kingdom and tributary state, and socialist cultural power and capitalist democracy. These interpretations reinforce differences with South Korea over the peninsula's political future, regional economic integration, and cultural and ideological values. The Xi-Park period can be placed within China's broader foreign policy discourse as an emerging power seeking "national rejuvenation." As Xi summarized at a CPC Central Committee Political Bureau meeting in December 2013, China is committed to building its image as an "Oriental power with honest and capable political administrations," a "responsible great power that is committed to peaceful development," and a "socialist power opening its door wider to the outside world," based on a long history of Chinese civilization.⁸⁵

But as Xie Guijuan points out, China and South Korea's mutual "hostile" images stem from almost half a century of "East and West confrontation" on the Korean Peninsula from the ROK's founding to normalization in 1992.⁸⁶ Such a history of antagonism as Cold War enemies is rooted far deeper in the dynastic era and the Middle Kingdom's tributary state system. Bilateral relations have progressed from "partnership" to a closer "strategic cooperative partnership" through interactions since 1992, but mutual suspicion remains.⁸⁷ The post-global financial crisis period since 2008 is associated with a heightened period of regional tensions between China and U.S. allies in Asia. As Chinese Academy of Social Sciences (CASS) experts suggested in 2009, Chinese and South Koreans appeared to be "fed up with each other" by the end of the decade.⁸⁸

China's current engagement of South Korea reflects a longer-term trajectory of regional relations since Jiang Zemin, when the 1997 Asian financial crisis intensified its pursuit of various partnership relationships.⁸⁹ Domestic debates under Xi Jinping continue to advance China's image as a friendly partner committed to peaceful development.⁹⁰ On the other hand, the Xi era suggests a new phase in China's international relations characterized by efforts to reshape the global normative order, where constructions of national identity will have an increasingly important impact on China's regional relationships.

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The Impact of Chinese National Identity on Sino-ASEAN Relations

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China and ASEAN possess tremendous opportunities for economic cooperation, but also face significant security challenges, particularly regarding the South China Sea. In both domains, China's national identity has greatly influenced the trajectory of the bilateral relationship. China's ASEAN policy is characterized by a desire to recreate the Sinocentric structures of the tributary system, a belief in the historical legitimacy of China's maritime and territorial claims, a vision of China as a global economic powerhouse, and a sense that China has already "peacefully risen" and can more actively assert itself to reap the rewards.

This paper first explicates the aspects of China's national identity that are most relevant for its ASEAN policy. It then reviews developments in the bilateral relationship in 2016, first between China and ASEAN as an institution, and then between China and each of the ASEAN member states. Third, it considers the impact of Chinese national identity on its ASEAN policy in two major issue areas: economic relations, including OBOR (One Belt, One Road) and the movement toward freer trade, and security issues related to the South China Sea. It next evaluates economic and geopolitical perspectives on the bilateral relationship. It concludes by briefly assessing the aspects of Chinese national identity that have proven most influential and evaluating the likely impact of Donald Trump's presidency on Sino-ASEAN relations.

CHINESE NATIONAL IDENTITY UNDER XI JINPING

Under the leadership of Xi Jinping, the PRC has sought to reassert its historical greatness. Shortly after taking power in November 2012, Xi urged his country to achieve the "China Dream" of "the great revival of the Chinese nation," while touring an exhibit that portrays the CCP's official interpretation of China's "century of humiliation." China perceives itself as "on the verge of reclaiming what it sees as its rightful position in the world."¹ This identity of rejuvenated greatness, which synthesizes historical legitimacy and inevitability with civilizational and economic superiority, permeates China's foreign policy. This paper focuses on four aspects of Chinese national identity under Xi that have been most salient for China's relations with ASEAN and its member states.

First, China has reclaimed its premodern identity as the center of a tributary system. Through this Sinocentric system, imperial China asserted its economic and cultural superiority over Southeast Asia for centuries, viewing itself as the benevolent patriarch to subordinate regimes. This view of the tributary system is, to some extent, a Chinese myth. As John Fairbank writes, "The Chinese world order was a unified concept only at the Chinese end and only on the normative level, as an ideal pattern."² Recent scholarship has made clear that the Chinese view of the regional hierarchy was not always shared by its interlocutors.³ Nevertheless, this vision of a historically rooted Sinocentric regional order influences current Chinese policy toward Southeast Asia.

Today, China's OBOR initiative and its pursuit of a "community of common destiny" with ASEAN states evoke a return to this historical role. Rather than receiving tribute from vassal states, modern China offers soft loans and construction deals to increase connectivity through better infrastructure and to advance its economic interests. In the official Chinese parlance, these are "win-win" deals, and they certainly have benefits for the Southeast Asian partners. However, the long list of projects abandoned or delayed at the

hands of Southeast Asian states suggests that China's interest in developing transportation pathways to new ports and markets dominates its decision-making.

Second, the current regime sees itself as the rightful heir to historical Chinese territorial and maritime claims. In its South China Sea dispute with the Philippines, China asserted its "historical rights" to the region within the "nine-dash line." In November 2015, for example, Xi contended that the disputed islands and other features "have been in China's territory since ancient times."⁴ These historical claims side-stepped principles of international law laid out in the 1982 UNCLOS, and were soundly rejected by the Hague Tribunal in July 2016. Nevertheless, China's belief in the historical legitimacy of its position continues to influence its stance on the disputes. In a December 2016 press conference, Ministry of Foreign Affairs spokeswoman Hua Chunying reiterated China's commitment to "firmly safeguarding territorial sovereignty and maritime rights and interests" while pursuing bilateral negotiations with claimant countries.⁵ China's insistence on direct, bilateral negotiations strengthens its hand, while weakening the ability of ASEAN, as an institution, to oppose it.

Third, the PRC's new identity as an economic powerhouse has gradually replaced its longstanding identity as the leader among developing states.⁶ China's economic boom catapulted its GDP per capita from \$377 in 1993 to \$8,028 in 2015 (in current U.S. dollars), landing it solidly among the ranks of upper middle-income countries. In per capita terms, China's GDP exceeds that of most ASEAN members, with the notable exceptions of Singapore, Brunei, and Malaysia.⁷ In size, China's economy dwarfs them all, with a total GDP of \$11 trillion in 2015. By contrast, Malaysia and Singapore's respective GDPs were just under \$300 billion.⁸ Relative to its ASEAN neighbors, China is a vastly larger economic power and is an important source of investment capital, and, increasingly, technical expertise. China's identity as an economic juggernaut inspires it to seek greater regional integration and expand free trade. In their call for a "21st century maritime silk route," Chinese leaders deliberately link China's contemporary regional economic influence to its earlier position as a wealthy terminus on the ancient Silk Road. This economic identity also has an important domestic component: with communist ideology no longer justifying the CCP regime, China's government depends on continued economic growth to maintain its domestic legitimacy.

Finally, China increasingly sees itself as "peacefully risen," rather than "peacefully rising," and is starting to reap the rewards. China is no longer biding its time, but is instead more assertively seizing global influence. This is most evident in the promotion of a "new model of great power relations" with the United States. In the Chinese view, the 2008 financial crisis and failed U.S. policy in the Middle East exposed cracks in U.S. global primacy.⁹ Donald Trump's election, on an isolationist platform, has reinforced this sense that the U.S.-led era is nearing an end. While only recently China insisted its aims were limited to regional influence, over the past several years it has increasingly asserted its global influence. With the successful creation of the AIIB and the BRICS-organized New Development Bank, and ongoing negotiations on RCEP, China is starting to rewrite the rules of the international system. China's more assertive pursuit of global influence vis-à-vis the United States significantly impacts China-ASEAN relations because many ASEAN member states are caught in a difficult balancing act between the two powers. In 2016 several ASEAN member states veered from one side to another in a quest to advance their national interests.

DEVELOPMENTS IN BILATERAL RELATIONS, 2016

ASEAN

China continued to emphasize economic cooperation with ASEAN in 2016, although maritime disputes in the South China Sea created challenges for the bilateral relationship. From a macro-perspective, China remained committed to Premier Li Keqiang's 2+7 Framework, which urges the two parties to seek stronger cooperation through strategic trust and mutually beneficial economic development in seven issue areas. In the November 2015 Plan of Action to Implement the Joint Declaration on ASEAN–China Strategic Partnership for Peace and Prosperity (2016–2020), China and ASEAN promoted high-level visits; political cooperation at ASEAN-led fora; military exchanges; economic, social, and cultural cooperation; and greater connectivity and sub-regional development.¹⁰

Maritime disputes in the South China Sea marred Sino–ASEAN security cooperation. China persistently worked to peel off ASEAN members by persuading them that maritime disputes should be handled through direct, bilateral negotiations rather than between China and ASEAN. At the ASEAN–China Special Foreign Ministers Meeting in mid-June 2016, China asked ASEAN to accept a ten-point statement on the South China Sea. In an embarrassing episode, Malaysia issued a joint ASEAN statement, which expressed concerns about the effects of recent developments on maritime peace and stability, but then retracted it a few hours later after Cambodia and Laos objected. Singapore's foreign minister, who was to represent ASEAN, failed to appear at a planned joint press conference with Chinese Foreign Minister Wang Yi, and, in the absence of a unified ASEAN document, several countries issued their own statements.¹¹ The failure to achieve consensus was a blow to ASEAN, for which unity is a foundational principle.

Shortly after the Hague Tribunal released its findings, which were highly favorable to the Philippines' position, in July, ASEAN and China released a Joint Statement on the Full and Effective Implementation of the Declaration on the Conduct of Parties in the South China Sea. The statement did not mention the arbitration results or express concerns about recent tensions. Instead, it reaffirmed the parties' commitment to the DOC and the adoption of a Code of Conduct (COC), freedom of navigation and overflight, self-restraint, and the peaceful resolution of "territorial and jurisdictional disputes...through friendly consultations and negotiations by sovereign states directly concerned" in a manner consistent with UNCLOS and other "universally recognized principles of international law."¹² In the September Joint Statement of the nineteenth ASEAN–China Summit, which marked the twenty-fifth anniversary of ASEAN–China dialogue relations, the parties announced their adoption of the Joint Statement on the Application of the Code for Unplanned Encounters at Sea (CUES) in the South China Sea and Guidelines for Hotline Communications among Senior Officials of the Ministries of Foreign Affairs in the event of maritime emergencies.¹³ In the Chairman's Statement, they further expressed their commitment to agreeing on a COC outline in 2017.¹⁴

Meanwhile, China continued to pursue economic development projects with ASEAN states as part of its OBOR strategy. In March, China, Myanmar, Laos, Thailand, Cambodia, and Vietnam held the first Lancong–Mekong Cooperation Leaders' Meeting to spur sub-regional development. China and ASEAN expressed their support for linking ASEAN's Master Plan on ASEAN Connectivity (MPAC) 2025 with China's OBOR objectives at their

July meeting.¹⁵ At the East Asia Summit that immediately followed, China and ASEAN joined other parties in agreeing to promote “enhanced investment, financial and technical support” for infrastructure and connectivity projects in Southeast Asia.¹⁶ RCEP negotiations continued, with the fifteenth round held in October in China. China and ASEAN also worked with other states to strengthen regional defenses against financial crises. In February, ASEAN+3 established a new Macroeconomic Research Office (AMRO) to support regional macroeconomic and financial stability. At the nineteenth ASEAN+3 Finance Ministers’ Meeting in May, attendees agreed to strengthen the Chiang Mai Initiative Multilateralization (CMIM) to shore up the regional financial safety net.¹⁷

Bilateral State-to-State Relations

Despite efforts to maintain ASEAN unity, substantial variation was evident in China’s relations with the ten ASEAN member states in 2016 as each state sought to advance its national interests and pursue a strategy toward China that took into account its bilateral relations with the United States. Bilateral relations between China and five of the ASEAN states moved in a generally positive direction. Most surprising, perhaps, was the sharp improvement in Sino–Philippine relations that occurred after new President Rodrigo Duterte decided to set aside the favorable Hague ruling and pursue bilateral talks. China rewarded Duterte with \$24 billion in deals in October and a \$500 million long-term soft loan in December.¹⁸

Chinese–Cambodian relations also drew closer, with the two countries holding their first joint naval drill in February.¹⁹ After Cambodia agreed that maritime disputes should be handled bilaterally, during an April visit by Wang Yi, Cambodia repeatedly blocked ASEAN statements that would have criticized Chinese military construction in the South China Sea or referenced the Hague decision. China rewarded Cambodia during Xi’s state visit in October: the two countries signed 31 agreements, including Chinese soft loans of approximately \$237 million, the cancellation of \$89 million in debt, and \$14 million in military aid. Xi also agreed to pursue Chinese support for high-speed railways and airport construction.²⁰

In Thailand, U.S. unwillingness to support the 2014 coup has driven closer Thailand–China relations, particularly regarding defense. In May, Thailand agreed to buy 28 Chinese battle tanks for \$150 million.²¹ From May–June, the two countries held their third joint land and sea exercises since 2010, focusing on humanitarian relief and maritime transport.²² In July, the Thai navy resumed a plan to buy three Chinese submarines for \$1 billion, first proposed in 2015.²³ During the Thai defense minister’s December visit to Beijing, the two countries discussed the construction of a joint military production facility in Thailand.²⁴

Chinese–Malaysian relations also improved as U.S.–Malaysian relations faltered. Li Keqiang announced Chinese support for Malaysia’s beleaguered sovereign wealth fund, 1MDB, in November 2015. In April 2016, China stabilized the Malaysian economy by purchasing \$7.2 billion in government securities.²⁵ The two countries announced railway and pipeline projects, in addition to ongoing port deals, in November. China is also the leading bidder for the construction of a high-speed railway between Kuala Lumpur and Singapore.²⁶ Despite tensions over the presence of Chinese fishing boats near Luconia Shoals in March, security relations have improved. The two countries have engaged in three joint military exercises since 2015, and Malaysia has agreed to purchase four Chinese patrol boats.²⁷

Finally, China continued to increase economic investment in Brunei. In July, the two countries announced a joint aquaculture venture that will produce \$300 million of golden pompano fish each year.²⁸ In December, the Bank of China opened the first Chinese bank branch in Brunei.²⁹

The direction of China's relations with Indonesia and Myanmar was more ambiguous. Indonesia and China announced several economic deals in 2015, and Chinese FDI accelerated in 2016. Nevertheless, the two countries engaged in repeated skirmishes off the coast of Indonesia's Natuna Islands. Meanwhile, Indonesian authorities repeatedly halted a \$5.5 billion Chinese high-speed rail project during early 2016 because of paperwork problems and failure to obtain proper work permits.³⁰

Despite Chinese investment, Myanmar remains nervous about Chinese influence and has recently moved closer to the United States. A Chinese-backed business district opened in Muse in January 2016 and state-controlled Guangdong Zhenrong Energy received Myanmar's approval to build a \$3 billion refinery in Dawei in April.³¹ Nevertheless, ethnic tensions at the border involving China-linked groups have exacerbated a difficult situation.³² Myanmar has halted many Chinese infrastructure and development projects, including the Myitsone dam, Letpadaung copper mine, and a proposed Yunnan–Rakhine railroad.³³ Despite rocky relations, Wang Yi visited Myanmar in April. In August, Aung San Suu Kyi said, in Beijing, that Myanmar would evaluate several joint hydro projects.³⁴

Chinese relations with the remaining three ASEAN members, Laos, Singapore, and Vietnam, worsened in 2016. Despite Chinese investments of about \$1 billion/year in 2014 and 2015 and an April 2016 visit by Wang Yi, the new Laotian administration is pulling away from China and pursuing closer relations with both Vietnam and the United States.³⁵ Construction on a joint rail project stalled, but finally began in late December.³⁶

China–Singapore relations ended 2015 on a positive note, with the launch of the Chongqing Connectivity Initiative and efforts to upgrade their FTA, but hit the skids in 2016.³⁷ Points of contention included Singapore allowing the U.S. navy to launch patrols of the Strait of Malacca from its territory; China's pursuit of a four-point consensus on the South China Sea with Laos, Cambodia, and Brunei; and allegations in China's state-run *Global Times* that Singapore tried to alter language on the South China Sea at the Non-Aligned Movement Summit. In November, Hong Kong's Customs and Excise Department confiscated nine Singaporean tanks, citing improper documentation.³⁸

Finally, repeated South China Sea incidents during early 2016 and negative public views of China soured Sino–Vietnamese relations.³⁹ Vietnam apparently continued to develop its Spratly Island installations and militarize the islands under its control.⁴⁰ Obama's May visit to Vietnam and the full lifting of the U.S. arms embargo supported the trend toward closer Vietnamese–U.S. relations.⁴¹ Nevertheless, the January 2017 Sino–Vietnamese joint communique, which pledges to avoid conflict in the South China Sea, is a possible sign of thawing relations.⁴² The enormous variation in China's bilateral relations with individual ASEAN members and the tremendous impact of the United States on these bilateral relations demonstrate the challenges ASEAN faces as an institution as it seeks a unified China policy.

THE IMPACT OF CHINESE NATIONAL IDENTITY ON BILATERAL RELATIONS WITH SOUTHEAST ASIA

Economic Relations: One Belt, One Road and Greater Trade Liberalization

China's revival of its ancient identity as the center of a tributary system, its vision of itself as an economic powerhouse, and its newfound confidence as a peacefully risen great power underpin its efforts to develop regional infrastructure in Southeast Asia under the auspices of OBOR. Although OBOR originally referred to the Eurasian economic belt and the 21st century maritime Silk Road, Chinese analysts now use the term to refer more broadly to regional development projects designed to increase international trade and develop trade routes through greater connectivity and productivity.⁴³ Progress on a number of bilateral infrastructure projects accompanied ASEAN and China's agreement to link ASEAN's MPAC 2025 initiative with China's OBOR policy. China pursued railroad construction projects in the Philippines, Cambodia, Thailand, Malaysia, Indonesia, Laos, and Vietnam. In September, China and Thailand agreed on the first stage of a high-speed Thai railway that will ultimately connect Thailand's ports to Kunming, Yunnan via Laos, although the start date has been delayed.⁴⁴ In November, China and Malaysia signed financing and construction deals for the \$13 billion East Coast Railway Line between Port Klang and Kuantan Port.⁴⁵ China is also improving maritime connections through its "port alliance" with Malaysia, which links six Malaysian and eleven Chinese ports, and has announced a \$10 billion plan to develop a deep-sea port at Malacca.⁴⁶ Through these projects, China is building the logistical infrastructure to transport goods throughout the region.

In addition to reconstituting trade routes, the modern reboot of the Silk Route includes efforts to integrate regional production capacity. Xu Bu and Yang Fan suggest that China should develop industrial parks in areas that highlight Chinese strengths, such as communication technologies, mining and metallurgy, and equipment manufacturing.⁴⁷ At their September summit, China and ASEAN released a joint statement on production capacity cooperation, in which they agreed to "encourage a business-led cooperation on production capacity to promote economic development though industrial upgrading."⁴⁸ Many of these businesses, of course, are closely linked to the Chinese state.

At the same time, China's identity as a peacefully risen economic great power gives it the confidence to operationalize its newfound strength. Chinese analysts portray China as a benevolent elder that will generously share its superior expertise, technology, and management capabilities with less developed Southeast Asian states as they industrialize.⁴⁹ China is also a vital source of capital, and is building institutional frameworks to dramatically expand regional investment. China holds approximately 30 percent of the shares of the AIIB, which is headquartered in Beijing and opened for business in January 2016.⁵⁰ In 2016, the AIIB approved a \$216.5 million loan for slum development in Indonesia and \$20 million in debt financing for a power plant in Myanmar.⁵¹ In early 2017, it approved two additional Indonesian projects and was evaluating a proposal from the Philippines.⁵² The Chinese Development Bank and the Export-Import Bank of China also play a key role in financing OBOR projects in Southeast Asia.

Convinced of the benefits of international infrastructure projects, many Chinese analysts are hard-pressed to understand why recipient countries would object to their largess. Officials portray OBOR projects as creating a “community of common destiny” that will provide mutually beneficial economic development.⁵³ Liu Jianwen, in considering why NGOs have successfully blocked OBOR projects like the Myitsone dam and the Myanmar–China railroad, is dismissive of the possibility that local populations might be genuinely hurt by large-scale development projects.⁵⁴ While conceding that ASEAN members’ concerns about massive foreign-directed infrastructure projects within their borders are “natural,” Li Dongyi argues that ASEAN states are enthusiastic about OBOR once they are fully informed of the details.⁵⁵

Yet, a trail of broken deals suggests that OBOR projects are not always as self-evidently “win-win” as the Chinese believe. Thailand cancelled its high-speed railroad deal in March 2016 out of dissatisfaction with the cost and interest rate proposed by China, before later resuming negotiations.⁵⁶ Laotian dissatisfaction with the terms of their railroad construction agreement with China, including how many Laotian workers will be employed, delayed work on a rail project from Vientiane to the Chinese border.⁵⁷ According to Shi Yinong, the main obstacle for OBOR is other countries’ lack of enthusiasm. He cautions that to progress, OBOR must serve other countries’ development interests, and that China cannot simply decide what other states should want or need. Furthermore, continued tensions over the South China Sea, discussed later, erode trust and limit China’s persuasiveness when trying to make OBOR deals with countries like Vietnam and Myanmar.⁵⁸

China’s belief that it should be at the center of regional economic relations also underlies its commitment to strengthening regional free trade. ASEAN and China upgraded their FTA (ACFTA) in November 2015. For much of the past decade, China has been ASEAN’s largest trading partner, while ASEAN is China’s third largest trading partner. The two parties seek to increase their rapidly growing trade volume to \$1 trillion by 2020. By removing barriers to trade and investment, ACFTA allows China to maximize its “going out” strategy in Southeast Asia.⁵⁹ Chinese analysts also support the creation of a single ASEAN market through the 2015 establishment of the ASEAN Economic Community, arguing that better ASEAN integration benefits trade relations with China.⁶⁰ Trade and investment liberalization through ACFTA goes hand-in-hand with China’s OBOR strategy. OBOR projects create the infrastructure to move goods between China and Southeast Asia; the FTA removes economic barriers that would limit this trade. Furthermore, the agreement sweetens the environment for Chinese FDI.

China’s enthusiasm for free trade extends beyond ACFTA. Chinese-led RCEP negotiations, launched at the 2012 ASEAN Summit, aim to create an FTA between ASEAN, China, Australia, India, Japan, South Korea, and New Zealand. At a 2014 APEC meeting, Xi pushed for an Asia–Pacific FTA (FTAAP) that would include even more economies than RCEP. With TPP dead, RCEP is now the most likely path to a future FTAAP. Chinese exports as a share of GDP have fallen from a peak of 37 percent in 2006 to 22 percent in 2015.⁶¹ Chinese officials, anxious about slacking domestic economic performance, are eager to expand the market for Chinese products through wide-ranging free-trade agreements.

Security Relations: Disputes in the South China Sea

China's belief in the historical legitimacy of its South China Sea claims, together with its newfound confidence in its regional and global status, has inspired it to push back against the United States, regional claimants, and the UN's Hague Tribunal. Flare-ups continued during the first half of 2016, as the region awaited the Tribunal's decision. In January, Vietnam protested that China's Haiyang Shiyu oil rig had re-entered disputed waters. Vietnam also objected to China's decision to repeatedly land civilian planes at a new airstrip on Fierly Cross Reef (Yongshu) and reported at least 46 incidents of Chinese planes flying through Vietnam-monitored airspace in the first week-and-a-half of the year. Adding to the tensions, Vietnam complained that a Chinese boat had rammed a Vietnamese fishing boat.⁶² In March, Vietnam claimed that two Chinese ships had intercepted a fishing boat near the Spratly Islands. During Chinese Defense Minister Chang Wanquan's visit to Vietnam in late March, the two countries agreed to pursue stronger military ties and avoid conflict in the South China Sea.⁶³ Nevertheless, in early April, Haiyang Shiyu returned to disputed waters, this time near the Gulf of Tonkin. The Vietnamese protested the Chinese construction of a lighthouse on Subi Reef (Truong Sa archipelagos) and seized a Chinese fuel resupply ship.⁶⁴

Meanwhile, Malaysia issued an official complaint in March over the presence of approximately 100 Chinese fishing boats near the Malaysian-administered Luconia Shoals.⁶⁵ That same month, Indonesia and China engaged in the first of three skirmishes in disputed waters off the coast of Indonesia's Natuna Islands; the Chinese Coast Guard freed the captured Chinese fishing boat by knocking it off the tow line, but Indonesia detained its crew.⁶⁶ In May, the Indonesian Navy engaged in a second skirmish with a Chinese fishing boat, resulting in shots fired and the detention of a second crew. After a third skirmish, in June, Indonesian President Joko Widodo visited the Natuna Islands on a naval warship.⁶⁷

In the lead up to the decision, Chinese analysts and officials argued that China holds "historical" sovereignty over the disputed features in the South China Sea. In its December 2014 Position Paper rejecting the jurisdiction of the Hague Tribunal, the PRC asserted, "Chinese activities in the South China Sea date back to over 2,000 years ago. China was the first country to discover, name, explore and exploit the resources of the South China Sea Islands and the first to continuously exercise sovereign powers over them." The paper further argued that China reclaimed these features from Japan after World War II and "published an official map which displayed a dotted line in the South China Sea" (the so-called "nine-dash line").⁶⁸ In a May 2016 piece in *The National Interest*, Fu Ying and Wu Shicun argued that the PRC's historical sovereign claims include the "four archipelagos in the South China Sea, namely, the Xisha [Paracel], Nansha [Spratly], Zhongsha [including Scarborough Shoal and Macclesfield Bank] and Dongsha [Pratas] Islands."⁶⁹ Reflecting widespread dissatisfaction with the arbitration process, Chinese experts criticized the Tribunal as unwilling to consider China's "historical rights" to the region within the "nine-dash line" and narrowly focused on legal precedent.⁷⁰ However, with its focus on denying the jurisdiction of the Tribunal and its official policy of "do not accept, do not participate, do not acknowledge, do not implement" (bu jieshou, bu canyu, bu chengren, bu zhixing), China did not defend its historical claims before the Tribunal.

Chinese analysts widely viewed the arbitration as a “legal trap” in which the United States colluded with the Philippines to achieve its regional, strategic objectives.⁷¹ Chinese observers worried that a loss at the Tribunal would inspire “copycat” cases, most likely by Japan and Vietnam.⁷² Some detected variation in ASEAN members’ enthusiasm for U.S. involvement. According to Chen Xiangmiao and Ma Chao, the Philippines, Vietnam, and Singapore broadly supported U.S. involvement in the South China Sea disputes, Malaysia and Indonesia were worried, and Cambodia was “indifferent.”⁷³

In the period immediately preceding the Tribunal’s decision, Chinese discourse and policy focused on breaking ASEAN unity by persuading individual countries to support direct, bilateral negotiations and arguing that the South China Sea should not be an ASEAN issue.⁷⁴ This approach was strategic (China recognized that it would likely lose the arbitration), and rested on a nuanced understanding of the particular national interests held by each ASEAN state in the South China Sea.⁷⁵ The strategy apparently worked. China persuaded several countries to accept its position, as Cambodia and Laos demonstrated by blocking the joint statement at the ASEAN–China Special Foreign Ministers Meeting in June.⁷⁶ With ASEAN unable to reach unanimity, China succeeded in throwing ASEAN South China Sea policy into disarray just weeks before the announcement of the Tribunal’s decision.

The Hague Tribunal released its decision on July 12. In a sharp blow to China, the Tribunal unanimously found that China’s claims, vis-à-vis the Philippines, to “historic rights” to maritime areas within the “nine-dash line” are invalid to the extent that they violate UNCLOS and that China’s accession to UNCLOS supersedes any prior historical claims.⁷⁷ It further found that the land features claimed by China are incapable of generating exclusive economic zones, and that Mischief Reef and Second Thomas Shoal lie within the Philippines’ EEZ.⁷⁸ China continued to reject the Tribunal’s jurisdiction. Its foreign ministry reiterated China’s historic maritime rights, castigated the Philippines for bringing the case, and vowed that “China’s territorial sovereignty and maritime rights and interests in the South China Sea shall under no circumstances be affected by those awards.”⁷⁹

In the decision’s aftermath, the most unexpected outcome was Duterte’s astonishing willingness to simply sidestep the ruling, and focus instead on improving ties with China.⁸⁰ China rewarded the Philippines handsomely through a series of investment and financing agreements.⁸¹ In November, Duterte announced plans to declare the lagoon within the Scarborough Shoal a “no-fishing zone” for both China and the Philippines.⁸² Nevertheless, Duterte’s embrace of China appears to have been short-lived. In February 2017, the Philippine defense minister asserted that Chinese control of Scarborough Shoal would be “unacceptable” and announced runway repair and barrack construction projects in the Spratlys.⁸³ In April, Duterte’s declaration that he would deploy troops to uninhabited features claimed by the Philippines was quickly walked back by defense and military officials.⁸⁴

Despite initially positive Sino–Philippine relations, the Tribunal’s decision did not ease China’s bilateral relations with several other states. In the immediate aftermath of the decision, Singapore and Indonesia angered China with statements on the ruling that China found to be unacceptably impartial.⁸⁵ In August, Reuters reported that Vietnam had moved rocket launchers to five bases in the Spratlys.⁸⁶ In November, CSIS reported that Vietnam had engaged in land reclamation, the construction of two hangars, and the extension of a runway on Spratly Island.⁸⁷ Although the ruling is, practically speaking, unenforceable,

the Tribunal's decision provides a legal basis for other claimants to reject China's position in international courts. Perhaps more important, continued disputes undermine China's strategic position by undermining regional trust.⁸⁸ By lending credence to "China threat theory," continuing tensions will motivate ASEAN to unify against China and create a Code of Conduct to restrain it.⁸⁹

IDENTITY, GEOPOLITICS, AND ECONOMICS

It is worth considering the identity lens stressed here against other perspectives that focus on economic and geopolitical explanations for Chinese behavior. China's enthusiasm for infrastructure building abroad results, at least in part, from its slowing domestic growth and the resulting pressure to increase external demand for Chinese products.⁹⁰ OBOR projects, including infrastructure construction and financing agreements in Southeast Asia, provide an outlet for China's excess industrial capacity, capital, and labor. In 2015, China produced an astonishing 803.8 million tons of crude steel, accounting for nearly half the world's total production.⁹¹ Unable to find a use for about half of this product, the Chinese leadership sought to cut overproduction and increase exports.⁹² OBOR initiatives also provide an outlet for Chinese capital. The Silk Road Fund, for example, brings together Chinese foreign currency reserves, its sovereign wealth fund, and two development banks.⁹³ To a lesser degree, overseas infrastructure projects also provide employment opportunities for Chinese workers who have been displaced domestically by slowing construction demand. Consequently, OBOR projects solve many Chinese economic problems at once: they channel excess capital in the direction of regional infrastructure projects that will enhance long-term economic integration and provide trade routes to growing markets for Chinese products, while using surplus steel and other construction commodities. China's 2015 upgrading of ACFTA demonstrates its commitment to better trade integration with its Southeast Asian neighbors.

Geopolitical considerations also inform China's ASEAN policy. In addition to drawing China closer to its Southeast Asian neighbors, China's infrastructure projects increase its national security by giving it more control over transportation routes. Chinese and Malaysian companies have proposed the construction of a new deep-sea port off the shore of Malacca. Meanwhile, the expanded Kuantan Port, co-owned by Chinese and Malaysian companies, will connect, via the Chinese-financed East Coast Railway Line, to Port Klang on Malaysia's west coast. This port-rail-port pathway from Kuantan Port to Port Klang will completely bypass the Strait of Malacca, through which approximately 80 percent of China's energy imports currently flow.⁹⁴ The Chinese have long expressed concerns about the "Malacca dilemma" and the possibility that the United States might intervene to prevent its ships' passage in a time of conflict; the construction of an alternative pathway somewhat alleviates these security concerns. Furthermore, although the Chinese government officially rejects Cold War-style zero-sum views of its relations with the United States, positive relations with ASEAN clearly counter the U.S. Asia-Pacific rebalance by expanding China's regional sphere of influence.

Geopolitical motivations also influence China's South China Sea island reclamation and construction activities, which strengthen its platform for maritime influence. China's recent construction of functional air bases on Subi, Mischief, and Fiery Cross reefs belies

its insistence that its interests in the South China Sea lie only in maintaining its territorial sovereignty, exploration rights, and freedom of navigation.⁹⁵ Jin Canrong asserts that China has no desire to control the South China Sea or restrict access to trade routes, but his contention that superior Chinese naval capabilities will rout the United States from this region in the medium term undermines these claims.⁹⁶ In an unusually critical piece, Lu Peng argues that China's current South China Sea policy is inconsistent with its stated policy of a peaceful rise, and that a policy focused on regional power and control makes little sense if the objective is not global dominance vis-à-vis the United States.⁹⁷ Geopolitical considerations offer a compelling explanation for China's continued assertiveness in the South China Sea, despite the damage this causes to its bilateral relationships with ASEAN and its members, and to its regional economic interests.

In short, economic and geopolitical perspectives offer useful insights into China's recent relations with ASEAN. Nevertheless, states that experience dramatic economic growth do not necessarily develop major infrastructure projects abroad or fortify reefs and islands in their surrounding seas. China's interest in "going out," both economically and militarily, indicates its fundamental perception of itself as a state that should rightfully possess greater influence over international affairs on historical grounds. Xi's "China Dream," in which China reclaims its historical role as a major power center and reaps the benefits of its remarkable rise, permeates these other perspectives.

CONCLUSION

The Chinese leadership's operationalization of a particular vision of history, which emphasizes a premodern Sinocentric regional order, greatly influences its ASEAN policy. Its idealization of the ancient Silk Route and its identity as a contemporary economic powerhouse motivate China to rebuild a regional network of trade routes through OBOR. The PRC views itself as reclaiming its rightful regional position, and sees its actions as those of a benevolent elder. At the same time, it seeks to reassert its authority over areas it claims were long under imperial China's control. This idealized vision of Chinese history is combined with a set of normative expectations about the role that a regional and global great power plays on the international stage. Although official party doctrine holds that China has until 2049 to become "fully developed," now that the goal of achieving a "well-off society" by 2020 is well in hand, China increasingly acts as it believes a populous, developed state is entitled to do. China's rapid economic growth has given it the confidence to assert its right to remake international institutions, most notably in the areas of trade and development. How China's vision of its role in Southeast Asia will collide with U.S. policy under Trump remains uncertain.

Trump's unexpected election in November 2016 brought into question U.S. commitment to the Obama administration's Asia pivot. Sino-U.S. relations, which seemed to be headed for the rocks after Trump accepted a congratulatory phone call from Taiwanese President Tsai Ing-wen and publicly questioned U.S. support for the "One China" policy, recovered dramatically in the first few months of the administration as Trump reversed his previous positions and met with Xi at Mar-a-Lago. Nevertheless, given Trump's tendency to erratically shift his foreign policy positions and the stressor of the North Korean nuclear crisis, it remains to be seen whether the post-summit bump will continue.

Broadly speaking, increased Sino–U.S. tension would complicate foreign policy for ASEAN states, which manage their bilateral relations with each power with one eye on the other. For the past several years, many ASEAN members have intensified economic relations with China, while maintaining security relations with the United States. A tense Sino–U.S. relationship would make it harder for these states to continue to have it both ways, and might force them to make difficult decisions about which relationship to prioritize.

In the economic realm, Trump’s strong trade isolationism will likely have the largest influence on China–ASEAN relations. Trump’s rejection of the TPP as a threat to U.S. jobs embodies his rejection of free trade and his pledge to extricate the United States from agreements like NAFTA. Not only does Trump’s policy approach set up an odd tableau, in which the United States seeks protectionist trade policies while China pursues FTAs and accelerating regional economic integration, but it also threatens to put the United States at a strategic disadvantage as RCEP negotiations, which exclude the United States, move forward. Moreover, the U.S. decision undermines the efforts of countries like Vietnam to “diversify away from reliance on China” through closer economic relations with the United States.⁹⁸

In the security realm, the impact of Trump’s election is more uncertain. Trump ran on a platform of U.S. isolationism, but his decision to bomb Syria and his deployment of a strike group off the Korean Peninsula suggest that he is still willing to let the United States act as the world’s policeman. Trump is pushing China to more actively prevent North Korea from continuing its nuclear and missile testing; dissatisfaction with China’s efforts would strain Sino–U.S. relations. Disagreements in the South China Sea remain another possible trigger for a rapid decline in bilateral relations. Any disruption in the Sino–U.S. relationship would significantly complicate Sino–ASEAN relations. The interaction between China’s vision and the U.S. vision of its own role in the world and in the Asia–Pacific—now in flux—will greatly impact the future of Southeast Asia and China’s relations with its ASEAN neighbors.

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ENDNOTES

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The Impact of Chinese National Identity on Sino-Russian Relations

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When we think of national identity as a factor in China's external relations, we normally focus on Japan or, for those bolder in their thinking, the United States. Few recently have put China's policies toward Russia in that context. After all, the Chinese and Russians are adamant that their relationship eschews ideology or any other sign of national identity in favor of pure *realpolitik*. This paper takes exception to that interpretation, arguing that it would be difficult to understand the Sino-Russian relationship without paying close heed to the identity factor, not just from the Russian side, but seen in China's views of Russia. Moreover, in the mid-2010s this factor has intensified, now favoring a closer relationship.

Vladimir Putin has made forging a new world order so much a part of his foreign policy that it is becoming ever easier to find links between his reconstruction of Russian identity and his antipathy toward the West with spillover to his embrace of China. The pursuit of a "China Dream" by Xi Jinping is often discussed in other ways: incremental territorial expansion, economic integration through "One Belt, One Road," and a new division of labor with the United States as part of a "new type of major power relations." Notably, in the South Korean coverage of Xi, as in Japanese coverage of Putin, national identity has often been overlooked, as if options are open due to balance of power logic.¹ Yet, there is no less justification for attributing Xi's foreign policy, not least with Russia, as part of a drive to realize a vision of national identity. The Sino-Russian relationship continues to strengthen in ways that make it imperative to explore its roots, keeping in mind that in the 1960s-80s the Sino-Soviet dispute was derailed by notions of identity held on both sides.² Ironically, when both parties prioritized orthodox communist ideology, they were driven to split, while "communist legacy" identities are proving conducive to close relations. Yet, if Xi's handling of national identity has been conducive to a boost in Sino-Russian ties, it can carry the seeds of troubled relations ahead if not carefully managed by the two sides. We need to leave that possibility open without allowing it to obscure the ongoing trends of the past quarter century and the reality that they have recently kept growing stronger.

The relationship between China and Russia (the Soviet Union too) has long been heavily couched in terms of national identity. This was once manifest in the jargon of communist ideology, but the elimination of that type of vocabulary did not mean that relations solely depend on realist thinking or that it is just an "axis of convenience" lacking deeper glue.³ As international observers strain for a clearer understanding of a "strategic partnership" that some now call a "quasi-alliance," it behooves us to look closely at how worldviews matter. In 2014 I studied this question from the point of view of both China and Russia.⁴ Updating that analysis with attention to Chinese national identity is timely since there have been far-reaching, new developments as Xi and Putin have become more assertive. The identity connection, as discussed later, is strengthening in this vital relationship, but Chinese insensitivity and impatience needs to be watched as a possible stumbling block.

In this analysis I apply a framework with two dimensions of national identity to Chinese views on Russia. First, the ideological dimension is introduced with emphasis on three aspects of ideology that are no longer buttressed by the old shibboleth of class struggle. Second, the vertical dimension is presented, as the core of today's identity centered on defense against "regime change" and a "color revolution." Third, a chronology of this bilateral relationship is reviewed to assess how national identity has mattered: the era of Sino-Soviet alliance; the era of the Sino-Soviet split; the 1980s search for normalization when the Soviet Union remained under communism; the 1990s effort to forge a close partnership; the critical interval before Xi became China's leader and Putin returned to the presidency with new assertiveness in 2012; and the current Putin-Xi period.

Fourth, the strength of Sino-Russian relations is examined in light of Chinese narratives about national identity. Conclusions about the implications of this approach for both U.S. and Japanese foreign policy (Trump and Abe are each striving to find ways to weaken Sino-Russian relations by concentrating on overtures to Putin) are then drawn, recognizing throughout the salience of Chinese national identity as a driving force in this bonding.

THE IDEOLOGICAL DIMENSION

Chinese and Russians too insist that there is no ideological element in their bilateral ties since the fact that one state is socialist and the other is not means that this is a relationship between states with different systems. Yet, communist ideology has changed so much in the time since traditional socialist thought prevailed in both countries (to the early or mid-80s) that we would be remiss to take these assertions at face value. Actually, quotes from Marx, Lenin, Stalin, and Mao became rare (much more so in Russia), and class struggle was dropped as an ideological matter, but ideology can take other forms. As long as the premises of a narrative are regarded as unassailable and essential to national pride, they can be said to be part of a nation's ideology—even more so if censorship protects them.

Three aspects of China's ideological identity have far-reaching implications for relations with Russia. The aspect of socialism has positive implications. Even though Russia is not calling itself socialist and is not governed by a communist party, narratives about it serve to reinforce Chinese identity. After all, socialism is a story about the Russian Revolution and the overwhelmingly positive example of Soviet history from which China borrowed. Just conveying that narrative draws an important link with Russia that is not comparable to any other link China can establish. In repudiating aspects of socialism in the 1980s and early 1990s—limits existed, and soon there was backtracking and little amplifying—the Chinese writers about the history of socialism, under considerable censorship, took care not to denigrate much of the history of Soviet socialism.⁵ Moreover, the sharp divide over what constitutes socialism during the period of the Sino-Soviet split, when much about the Soviet Union was demonized and its foreign policy blamed no less than that of the United States, has been reversed. Blame for what went wrong in this period is centered now on the U.S. side, helping to redeem the Soviet image. Second, since Vladimir Putin replaced Boris Yeltsin, Russian glorification of Soviet history has established much more overlap with Chinese socialist historiography, and restraint in criticism of Mao and the history of Chinese communism has removed what could have been a serious thorn in relations. Whereas Soviets demonized Mao, while the entire history of the communist movement in China was blamed for the distorted track taken,⁶ and Chinese demonized Khrushchev and Brezhnev in pinpointing the post-Stalin era as a “bourgeois deviation,” historical memory with emphasis on socialism draws the two countries closer of late.⁷

Salvaging the reputation of the traditional communist periods is a common objective of Vladimir Putin and Xi Jinping. These are times remembered today not for class struggle and the mass murders it entailed, but for economic construction and the glorious foreign policy choices that were made (except for the relative quiet about decisions that led to the Sino-Soviet split). This is of such unassailable significance in China that designating it an ideological priority is justified. Although there is more diversity of opinion in Russian publications and less insistence on towing a narrow line when the subject of historical socialism arises, history education has shifted in a direction parallel to that of China.

The renewal of ideology in China has not received adequate attention. Intensification of education in what is now authenticated as Marxist and Maoist thought is unmistakable.⁸ This introduces not only the history of China under communist party leadership, but also the history of Russia in a mostly positive narrative despite some explanation for what led to the collapse. To the extent the collapse of the Soviet Union is blamed on Gorbachev as a traitor and the infection of Western cultural imperialism, little about Soviet policy needs to be questioned. The lessons learned in the first half of the 1990s from that failure were more conducive to reform, while those stressed of late serve more to legitimize socialism. David Shambaugh has recognized this shift, arguing that this makes reform difficult.⁹ A more ideological China in parallel with Putin's orthodoxy is boosting bilateral relations.

The second aspect of ideology is anti-imperialism or, in recent parlance, opposition to hegemonism—military, political, economic, and cultural. Russian writings have swung heavily in this direction, reviving much of the rhetoric of the Brezhnev era, while China has kept this theme alive with scarcely any hiatus since reforms began in 1978.¹⁰ Even more than in the case of writings on socialism, there is overlap. Chinese do not treat this as ideological, arguing that great power reasoning and realist thought account for their opposition to U.S. hegemonism, while they accuse the U.S. side of arousing alarm about the “China threat” as a form of anti-communist ideology, which they also dub a continuation of “Cold War mentality.” This is precisely what Russians call the same phenomenon. The language from both partners is so close to the ideological tracts in their countries decades ago that there is no good reason to call it ideology then and refrain from that label today. An overlap against imperialism plus that in favor of socialism makes for a powerful mix.

Whereas class struggle and quotations from the Marxist classics were long treated as the crux of the communist ideology, Lenin, Stalin, Mao, and others raised anti-imperialism to the same pedestal. This appeared to be eclipsed with the shift to market integration into the global economy in China from 1978 and in the Soviet Union before its demise, but it was never allowed to drown out the charges against imperialism or hegemonism except in a small range of publications and for a very limited timeframe, which was compressed further in China by the backlash against the June 4 demonstrations and the sanctions that followed. It was not long before Chinese recognized close overlap in Russian thinking.¹¹

The third aspect of ideology is more divisive. It is nationally specific, called Sinocentric in China and Russocentric in Russia, and it glorifies the centrality of one's country in its historical surroundings. This poses the most serious identity challenge for the relationship. On the Russian side, it means fear of losing a predominant place in areas once part of the Soviet Union, such as Central Asia, as well as lingering sensitivity to perceived signs of “quiet expansionism” into the Russian Far East. On the Chinese side, it signifies reviving centrality over areas previously in China's tributary system as well as establishing control without contestation over minority-centered areas and maritime zones. The potential for clashes premised not just on national interest, maximizing power nearby, but on national identity, justifying the moral authority to deserve this sphere of influence, is considerable. For Russia, fear of China's intentions has, at times, been widespread, evoking emotions fanned at the time of the Sino-Soviet split. China has taken pains to quiet such concerns.

The potential for a clash between Sinocentric and Russocentric thinking has existed even as the bilateral border dispute was resolved with successive decisions in the 1980s, 1990s, and 2000s.

The obvious testing grounds for such a clash was the Russian Far East, where Russian “yellow peril” emotions were aroused in the 1990s—over migration and various types of economic activities—even as China’s leaders worked to minimize reasons for any identity dispute despite having for a quarter century aroused irredentism over this very area. Most recently, the potential for a clash rose as Russia established the Eurasian Economic Union (EEU) including much of Central Asia as China launched the Silk Road Economic Belt (SREB) across the same landscape. Yet, Putin and Xi instructed all media to laud the complementarity of these projects, allowing little language to seep into public purview to suggest that the Sinocentric and Russocentric agendas are at odds. Each side is showcasing this key identity agenda with emphasis on other arenas—directing an identity gap toward the West in Ukraine or the South China Sea—not versus each other. Whether this will endure is questionable, as Russia indirectly tries to evade China’s calls for acquiescence to advancing Sinocentrism, but, so far, the situation is under control for reasons one can attribute to the weight of other dimensions of national identity and to the sleight of hand of diverting discussions of Sinocentrism and Russocentrism elsewhere. It is also relevant that Russia could be badly hurt should China retaliate over a policy shift.

For a period Mao’s charges targeting tsarist imperialism in taking China’s land sustained by the border dispute with the Soviet Union, accompanied by accusations against the illegitimacy of Soviet control in Central Asia, made Moscow the principal target of Sinocentrism. Even as this focus was greatly diminishing, there was concern through the 1990s of a national identity clash over Central Asia—now cut loose from Moscow’s sovereignty. When that was handled well enough to prevent a widening identity gap—at a time of de-emphasis on both Sinocentrism (except for Taiwan) and Russocentrism—it remained unclear if this could be sustained as the balance of economic power shifted to Beijing from Moscow at an accelerating speed. Increasingly in the 2000s it was Putin’s Russocentrism that appeared to be the foremost stumbling block to mutual trust as many Chinese proposals on the Shanghai Cooperation Organization (SCO) were turned aside in fear that Central Asia would be torn from the Russian orbit. Abruptly, in the mid-2010s Xi and Putin both reinforced their country’s involvement in Central Asia and diffused the tensions by proclaiming the complementarity of their signature initiatives—the SREB and EEU. The significance of this agreement for the way the two sides define national interests has been recognized. How it alters national identity narratives is less noticed.

Mao’s decision to showcase the border dispute with Moscow in the 1960s and 1970s rather than the Taiwan issue (both were highlighted during the late 1960s but the balance was shifting toward the former even before Nixon went to China) indicated that he was more focused on widening the identity gap with Moscow than with Washington. Deng’s decision to downplay the border dispute with Moscow in the 1980s paved the way to normalization of relations and removing this problem from national consciousness, as Jiang Zemin and then Hu Jintao refocused on the Taiwan issue. The identity gaps with Washington and Moscow are constructed depending on national priorities. Even more so, this happened when Xi Jinping chose to raise tensions over the East and South China seas and to look aside as North Korea grew more aggressive—all related to demonization of the United States. When Putin decided to annex Crimea and demonize the United States over its conduct in Europe, the overlapping identity gap widening with the West proved decisive. Sinocentrism and Russocentrism were oriented away from Sino-Russian ties and arenas where they could clash toward animosity toward the United States and its allies. The forces behind this reorientation are still formidable with no fading in sight.

THE VERTICAL DIMENSION

Setting aside international relations, which could be construed as maximizing a positive balance of power, historical themes, which could be attributed to responding to images of past humiliation and injustice, and other dimensions of identity closely linked to pride in economic or political success, a focus on the vertical dimension concentrates attention on the state's control of society against potential threats, both internal and external. Keeping the communist party in power looms as a theme in Chinese writings covering at least four issues: 1) lessons from how the Russian empire and, later, the Soviet Union collapsed; 2) arguments on what the United States does to undermine regimes elsewhere; 3) specific arguments on what the United States seeks to do to undermine China as well as Russia; and 4) assertions about China's national identity and what internal forces could become a threat to its survival. Along with ideology, I argue, the vertical dimension serves to open a window on what matters most for national identity in not only opposing the West and the United States, but also finding common cause with Russia and boosting bilateral ties.

The collapse of the Soviet Union continues to resonate in China, as in Russia, as an event of earth-shaking importance, traumatic for its impact on the development of socialism as the successor to capitalism in the evolution of the globe and for the potential duplication of this outcome in China. Much of the analysis of why this happened is found in efforts to analyze what I call the vertical dimension. Coverage ranges from how the state manages ethnic minorities to issues of centralization and decentralization in managing society. The shortcomings of Soviet policies are, in some cases, traced back to the Russian empire.¹²

U.S. cultural imperialism, interference in the internal affairs of other states with the goal of undermining a regime or even a civilization, and devious use of exchanges for intellectual subversion, are all matters raised in Chinese publications. Promotion of "freedom of the press and religion" is portrayed as a threat to state-society relations. Struggle over this dimension of national identity involves the promotion of ideas that can alter the balance between the state's authority and that of civil society, including international NGOs. The danger to Russia is often associated with that to China also coming from Western ideas.

Much of the criticism of U.S. policy toward China and Russia focuses on alleged designs to undermine stability. This is not about sending armed provocateurs into the country to plot the use of violence. Rather, it is warnings against spreading ideas deemed to have the potential to prompt people to press for "human rights," to promote "democracy" that damages stability, and to organize, perhaps in cooperation with NGOs in support of the "rule of law." Actions such as these are depicted as destabilizing not just to the regime in power, but to the essence of Chinese civilization, which is equated with national identity. Communist Party legitimacy is entwined with civilizational continuity, however at odds that is with the vilification of much of that civilization during the heyday of Maoism.

Beyond the promotion of "universal values" treated as antithetical to national values, the threat identified in China comes from efforts to report on China and explain its policies in ways that the regime considers not only critical, but destabilizing. Negative reporting and the promotion of unfettered Internet access able to promote criticisms draw harsh rebukes in defense of the "vertical" dimension of national identity. Chinese sources take a similar stance against Western criticisms of Russia, as they find common cause with that nation.

Observers have been prone to treat warnings about the threat of a “color revolution” as a weak thread holding China and Russia together due only to overlapping opposition to U.S. foreign policy. They make this into a realist concern, leading to balance of power moves. Instead, it should be recognized as a partner with anti-imperialist ideology no less salient in reinforcing bilateral relations than support for democracy, human rights, and universal values is for bonding between the United States and its closest allies. Indeed, the vertical dimension of identity already was overshadowing class struggle in the Soviet Union from the 1950s and quickly came to do the same in China in the 1980s, leaving a clear legacy.

The vertical dimension has acquired greater immediacy of late due to Russian hacking to influence the U.S. presidential elections, explained as retaliation for what Putin sees as U.S. interference in Russia’s internal affairs, and to Chinese tightening of controls over all areas of information and expression with warnings against the danger of Western thought. Conveying an image of beleaguered states, whose civilization is being attacked by forces plotting to weaken existing authority, Russians and Chinese leaders have found common cause, which had eluded their predecessors in the 1960s-80s. Reconstruction of national identity around a looser ideological narrative and a more prioritized vertical dimension is the foundation of a narrower national identity gap, which is the anchor of the relationship.

A CHRONOLOGY OF BILATERAL RELATIONS

Orthodox communist ideology to which both Moscow and Beijing subscribed held the bilateral relationship together in the 1950s. Strong similarities in thinking about the vertical dimension of identity were conducive to close cooperation, even as rifts were appearing. While there were resentments over particular affronts by one country to the other, there was no open and direct mutual criticism. Yet, focusing on these dimensions we observe strains in the relationship, especially on the Chinese side. This was an era in which even minor differences in ideological interpretation aroused consternation. Stalin and then Mao had made ideology the core of national identity, revising it as a weapon in intra-party struggles. When Khrushchev chose to make fundamental changes in ideology in 1956, it threatened Mao’s legitimacy and led to a disguised ideological counterattack. Also, by challenging some core elements of the vertical dimension of identity, notably the “cult of personality,” Khrushchev had shifted the national identity terrain for Mao. By the end of the 1950s Mao had determined that the gap between the two communist giants was so serious that China had to reconstruct its national identity independently. The gap opened the way to the Sino-Soviet split, as clashing national interests grew uncontrollable.

The Sino-Soviet split was difficult to resolve in large part because of the national identity choices made by Mao. He doubled down on ideology and the vertical dimension as the core of national identity, while pushing China into more extreme positions that allowed no room for reconciling with the Soviet Union, whose identity was demonized. As much as the Soviet side was guilty of demonizing China too in ways that stymied those eager to find common ground, it was China until the end of the 1970s that so sharply defined its national identity in opposition to Soviet betrayal of socialist ideology and class struggle that even talks toward ameliorating tensions could not have any chance of success.

The decade before normalization in 1989 was a more interesting period for bilateral ties, as Chinese national identity shed much of its rigidity and responded to the changes under

Gorbachev in ways that could have led not just to normalization talks and a suspension in mutual criticisms, but also to reconciliation. From the Chinese side, what prevented this outcome? First, it was a decision to block publication of reform writings about socialist ideology beyond a small number, which largely interpreted statements by China's leaders. Reform sociology was narrowly focused, above all on economic change, without turning back to Khrushchev's reform inspirations (he remained a villain) or finding inspiration in Gorbachev's reform quest. Insistent on maintaining its ideological control over critical aspects of identity and blaming Soviet reformers for undermining the communist party and the vertical dimension of identity, China's leadership—many of whom were skeptical of Deng Xiaoping's reforms and the intentions of the two successive party secretaries Hu Yaobang and Zhao Ziyang—found the Soviet Union to be an identity challenge. After all, they were conscious of the shared challenge of breaking away from traditional socialism. It would have been easier to narrow the identity gap with a non-reformist Soviet Union if the Soviet side had merely dropped the identity obsession of just a few holdouts against China's reforms than to do so with reformers seen as more threatening to China's identity. The realist obstacles of Soviet troops in Afghanistan and Mongolia and support for the Vietnamese troops in Cambodia mattered, but not as much as many analysts have argued.

In the 1990s not only was China's national identity gap with Russia less than many think, identity overlap was drawing the two countries together more than most have suggested. It was seen in rapid mobilization by guardians of the legacy of socialist identity against “westernizers,” a target shared with the Chinese. There was a strong ideological element to what was portrayed as resistance to U.S. unipolarity, given the large weight assigned to “anti-imperialism” in past doctrine. The U.S. presence in areas deemed to belong to China or Russia historically—Taiwan and Ukraine—also brought the two together in support of each other's ideological stress on a natural Sinocentric or Russocentric order. Finally, the vertical dimension was redefined in both cases as a struggle to protect a top-down system against foreign infiltration, civil society inspired from abroad, and “universal values” that threatened the power of the political elite, whether a communist party of something else. As China and Russia were tightening economic ties with the United States and its allies, they were circumspect in spelling out the full extent of their rapprochement, and many on the outside mesmerized by Russia's shedding of communism and China's enthusiasm for a market economy did not recognize how much the Sino-Russian relationship owed to the legacy of traditional communism and to the way national identities were being rebuilt.

The decisions by Putin from 2003 to greatly strengthen vertical control and from 2004 to more aggressively oppose “color revolutions” and by China's leadership from 2008 to do the same greatly raised the level of national identity consensus and fueled closer ties. The Putin era reassessed ideological themes—the verdict on Stalin, the victory in WWII, the pride in Soviet power, the justice in Cold War resistance to the West, etc.—and put great stress on the vertical dimension of Russian power—historically and at present. In turn, China was proceeding in the same direction. Chinese welcomed the negative view on the Gorbachev and Yeltsin eras in Moscow and found increasing familiarity in what they were hearing from their Russian counterparts. Although some Russian barriers to Chinese objectives—a stronger SCO, investment by China in major Russian firms, open borders between Northeast China and the Russian Far East, etc.—rankled China's leaders, the growing national identity overlap outweighed such matters.

The Xi-Putin period marks the culmination of four decades of narrowing national identity gaps following the death of Mao. Ideology is more conspicuous. Both Russocentrism and

Sinocentrism are more assertive. Anti-Western rhetoric has grown sharper. Controls have been greatly strengthened to maintain the vertical order. On this foundation, relations are closer than at any time since the 1950s without the narrow preoccupation with dogma as the core of national identity, which proved to be a time bomb for relations in that decade. Chinese did not trust Gorbachev at all, came to trust Yeltsin somewhat, and have grown to trust Putin in large part because they understand the national identity forces that drive his policies. To be sure, there remain conflicting national interests, e.g., in Central Asia, in dealing with the great powers Japan and India, and in managing some regional and global issues. Yet, China's care in preventing any of them—deferring to Russia across Central Asia and controlling movement into the Russian Far East, for example—from rising to the level of a serious identity gap accounts for the closeness of relations.

THE STRENGTH OF SINO-RUSSIAN RELATIONS AND CHINESE NATIONAL IDENTITY

Chinese were confused by Gorbachev and then, briefly, by Yeltsin because not only did they find the betrayal of socialism unfathomable—seen within their own identity fetters—but the emergent national identity they encountered was inexplicable to them. Did the U.S. subversion behind Gorbachev's "treason" really have the capability of transplanting such an alien identity? Was Russia actually part of the West onto which communism had been only superficially grafted? Was the intellectual elite in a more urbanized and educated socialist state so easily turned against the system that had nurtured them? Were the ethnic minorities so obsessed with divisive identities that the socialist system was left in danger? The questions asked about the Soviet collapse resonated as challenges for communist rule in China, not easily dismissed with assurances that China's national identity is distinctive.

Reassuringly, intensified Chinese meetings with Russians from 1992 revealed that many were more influenced by the legacy of Soviet identity themes than Western ones. While a few policymakers for a short time defied this interpretation, the interlocutors meeting the Chinese came largely from communities critical of the West and defensive of the vertical identity of a state endangered by external pressure and newly unleashed centrifugal forces. Arms salesmen, academic leaders, local authorities, and enterprise heads—those in contact during the first half of the 1990s before Westernizers were swept from their positions—found common cause with the Chinese. As the *siloviki* came to dominate, their distrust of the West easily overshadowed their concerns about China, despite some demagogues in the Russian Far East or elsewhere. Chinese were reassured that the identity gap is narrow.

Chinese national identity may have appeared to flounder for two decades before Xi took the party secretary post, but that conclusion obscures the purposeful, top-down designs to reconstruct identity without contradicting Deng's dictum to "keep a low profile." Part of this strategy was to minimize identity gaps with Russia—to satisfy Russians that there is no "quiet expansionism" that would set off identity alarms; to show deference in the SCO on matters of identity and security, while proceeding in an unobtrusive manner in projects that served economic objectives; to censor criticisms of Russia's leadership and policies, keeping in mind the deleterious impact of repeated mutual attacks over two decades to 1982; and to do everything possible to boost a joint narrative on international affairs that would drown out potential conflicting accounts. Much as China's

narrative over 20 years drove the Sino-Soviet split to new lows, its narrative over the past 25 years has succeeded in minimizing awareness of a national identity gap. Conscious shaping of discourse can have a powerful effect, especially when Putin has enthusiastically joined in a conspiracy of silence about anything that could inflame public opinion on either side.

Management of national identity challenges has been tested in the past few years. When Xi announced the SREB, there was reportedly consternation in Russia before agreement was reached that this would be treated as an opportunity, not a danger. When Putin went into Crimea and annexed it, disregarding the sanctity of national borders, China refused to endorse the move, concerned about the ramifications for its territorial claims—notably to Taiwan. Yet, Chinese rhetoric was uncritical of Russia, while laying the blame on the West for disrupting the status quo in Ukraine, and Russia credited China with showing an understanding of the Russian position. The two sides strive to diffuse possible sources of tension and public distrust. This is proof of cooperative management of identity arousal. Recalling the legacy of the Sino-Soviet dispute and the damage it did to both countries' foreign policy and capacity to keep the target on the West, they are exercising restraint.

China and Russia have founded their post Cold War relationship on an understanding on how to keep national identities from damaging their relationship and, even more, to make them a source of support. Each side silences or marginalizes those who would raise any sensitive issue: imputing the motives of the other side, as if it has long-range ambitions to deny one's own side its rightful role, i.e., Sinocentrism or Russocentrism. Despite certain challenges, they have dug down deeper in this understanding. For Chinese at least three identity themes have contributed to relative confidence that Russia is a reliable partner. First, the debate about civilizations excludes Russia from the West, views efforts by U.S. officials and others to disseminate values as unacceptable interference so provocative to Russians that they fear their civilization is in danger, and concludes (without forthright discussion of the communist legacy on civilizational rhetoric) that Russia will remain hostile to the West. Yet, there is a counter-argument that traditional thinking in Russia is holding back its turn to the East (to China) and still keeping Sino-Russian relations from realizing their full potential. Even the Ukraine crisis has failed to quiet such reservations.

One article reports on a debate in China whether after the Ukraine crisis Russia would turn to the East. Disagreeing with many specialists, the authors argue that its center will remain in the West not only for structural reasons, but due to the limitations of traditional thinking. Yet, they see more opportunities than challenges ahead for the Sino-Russian relationship and urge China to seize the chance to deepen relations, while not becoming so optimistic it is blind to the challenges or allows these ties to damage ties to other great powers. One viewpoint is that Russia's interests in Asia are economic, while its security interests are mostly elsewhere, and security takes precedence. Another is that Russia has too little power to gain a large voice in Asia, especially relative to China's rise. Examples cited are Russia's weak leverage in ASEAN and reluctance to strengthen the SCO given fears that China is likely to benefit due to the power imbalance. Holding Russia back in its movement to the East, the article stresses, are concerns about China: expansionism in the Russian Far East to the point of occupation; imbalance in military power, leading to restraint in selling some arms; and the lingering impact of the "China threat theory." Yet, these old concerns are being overshadowed by recent developments, the authors assert, as they list ways in which relations have been drawing closer. As for challenges, they note: Russia's desire to diversify its Asian ties, pursuing states with territorial disputes

with China—Vietnam, India, Japan, and South Korea—and a desire to both have close ties to China and to balance it and prevent polarization; a quest to become the third force, as small powers try to hedge in their dealings with China and the United States with the possibility that Russia will find convenience in working with Japan, South Korea, and the United States in limiting China and developing energy ties; a goal of increasing influence in Asia that raises the possibility as it turns more to the East competition will grow with China as Russia favors the EEU; concern that a sharp shift by the United States to drop sanctions and improve ties to Russia could turn Russia away from China and back to Europe. Missing in this contrarian analysis is any sense of what is driving Russia away from the West apart from Ukraine in contrast to its stress on fear of China traditionally embedded in Russian thought.¹³ Chinese wariness of the inadequacy of Russia's shift to China, especially by those who miss the big picture of national identity, must be noted. It suggests impatience that as far as Russia has shifted, China keeps insisting on even more.

Chinese sources found Russia in 2015, when optimism about joining the SREB and EEU was reaching a high pitch, not doing enough to solidify relations. Sought was a fuller embrace of SREB, not remaining a bystander on Asia-Pacific security, stability, and also identity matters. It should not encourage those, such as India and Vietnam, striving to balance China. To do so is to fail to stand against the identity target—the United States—while assisting its balancing. This is a plea for a much closer relationship, as if there is no difference between Russia and China's national interests. While calling the relationship equal, mutually trusting, and serving mutual interests, the article sets aside the potential conflict between Sinocentrism and Russocentrism. Another article offers a reminder that Russia is not essential for the SREB, and there are many challenges to overcome before its role there is secure. While the apparent stress is on acceptance of China's economic presence beyond anything previously acceptable (a kind of Eurasian regional economic integration with a division of labor long opposed by Russia), the idea that the SREB can satisfy Russian national interests is buttressed by claims that it, as well as a much stronger SCO, would enable joint identity goals to be realized. Reforming the world order, blocking U.S. hegemonism, reinforcing the principle of non-interference in internal affairs, cooperating against color revolutions, forging a regional order opposed to a revival of Japan's militarism, and defining Russia's turn to the East in a manner China prefers, are all signs that Chinese are pressing for Sinocentrism without giving adequate thought to accommodating Russocentrism. Tensions associated with this type of thinking are bound to give Russians pause, but the alternatives remain unclear.¹⁴

Further evidence of Chinese positive expectations for Russia come from a mid-2016 poll, in which 46.8 percent expected Russia's influence in Asia to grow over the next decade and 74.1 percent trust Russia to deal responsibly with world problems.¹⁵ Over 80 percent of Chinese respondents see Russia as a very or somewhat reliable partner. Compared to the other great powers, Russia is held in high regard, a reflection of a narrow identity gap.

CONCLUSIONS: IMPLICATIONS FOR THE TRUMP AND ABE OVERTURES TO PUTIN

As a businessman seen by some as ready to deal and as an advocate of close relations with Putin independent of national identity considerations, Trump appears to be taking issues such as democracy and human rights off the table. His promises to get tough on

China over trade suggest that he is focused on jobs. Yet, the potential for disruption over national identity themes should not be discounted. Trump's appointees are not realists with diplomatic background or economists with a deep understanding of commerce, but believers in particular causes with a record of dismissing balanced assessments of how to make policy decisions. The way Trump handled Taiwan in December attests to this. His impact on Sino-Russian relations may not be what many observers have anticipated.

One possible impact is removing identity from Russo-U.S. relations and, in the process, reducing Russia's responsiveness to Chinese identity appeals. Russia, presumably, would become less critical of the West, which is a major part of its ideological impetus. Spared attacks for its disregard of human rights and civil society, Russia would not feel a need to make common cause with China on the vertical dimension, one could assume. Yet, this expectation depends on three unlikely developments: 1) Trump's success in removing values from U.S. foreign policy, when his own "American first" approach and disrespect for liberal integration through economic ties and realist balancing through security ties is likely to make others even more wary of U.S. foreign policy; 2) Putin's willingness to put national identity aside in Russian foreign policy, instead of driving hard to achieve goals based on it given weakening U.S. resistance; and 3) Xi's inability to make a counter offer to Putin more favorable to his economic aspirations as well as his national identity ones.

Abe's wooing of Putin suggests the limitations of an offer based on what are assumed to be shared national interests. Conclusions drawn from the unsuccessful December 15-16 summit in Japan indicate: Japanese overestimated the pull of balancing China in Asia via closer ties to Japan; economic lures were welcome, but they only led to more demands and no sign of a breakthrough in relations; as talks progressed there was no movement on national identity issues to indicate that Russia was seeking more common ground, at odds with the experiences in bilateral talks of 1986-94 and 1996-2001; and when the Japanese side became excited by the slightest signs of improvement, the Russian side responded by driving a harder bargain. Abe-Putin personal ties have raised hopes, as Trump-Putin ties may also do, but they have not proven to be a stimulus for give-and-take negotiations. If some observers blame the lingering territorial dispute for the impasse, I disagree since the formula for resolving it once pursued by Putin is now championed by Abe to no avail.¹⁶

Two national identity dimensions—ideological and vertical—propelling Sino-Russian relations onto a higher level have grown more conspicuous in the mid-2010s. Their role, building on a quarter century of identity reconstruction as bilateral ties have improved, is increasingly emphasized by Putin and Xi. While Putin's assertive Russocentrism raises the danger for China of being turned against it, especially in case of careless handling of Central Asia, an understanding holds that this will be focused on the West just as China's rising Sinocentrism will be centered on the East. Keeping the SREB and EEU on track to be complementary rather than contradictory is no easy task—national interests could be seen as in serious conflict—but censorship has sufficed to narrow the identity gap so far.

Abe and apparently Trump too seek to wean Russia away from China, counting on moves to refocus national interests—economic agreements for the Russian Far East, security ties of a less confrontational nature in the Middle East and Eastern Europe, common interests showcased at summits as leaders speak warmly of each other, etc. To succeed requires a clear understanding of the nature and strength of the Sino-Russian bond. This is missing in

Japanese media, and it is unlikely to be present in Trump's makeshift calculations. To focus on balance-of-power reasoning and conventional conflicts of interest is to miss the essence of China's long-term strategy, Xi Jinping's recent re-enforcement of the role of national identity, and Putin's overall national identity rationale for close ties to China.

ENDNOTES

1. Just as Japanese leaders and much of the media treat Putin as a realist ready to cut a deal with Abe without regard to national identity or anything but imputed balance of power considerations with China, many South Koreans and their media have treated Xi Jinping as a realist, whose policies toward Seoul, Pyongyang, Tokyo, and Washington are limited to balance of power concerns. U.S. skepticism about how Japan is treating Putin and how many in the ROK are treating Xi is leading to divisive exchanges in DC seminars. See the bi-monthly "Washington Insights" in *The Asan Forum* in 2016 and No. 1, 2017.
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3. Bobo Lo, *Axis of Convenience: Moscow, Beijing, and the New Geopolitics* (Washington, DC: Brookings Institution Press, 2008).
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5. Gilbert Rozman, *The Chinese Debate about Soviet Socialism* (Princeton, NJ: Princeton University Press, 1987).
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7. Gilbert Rozman, "The Comparative Study of Socialism in China: The Social Sciences at a Crossroads," *Social Research*, 54:4 (Winter 1987), 631-61; Gilbert Rozman, *The Chinese Debate about Soviet Socialism, 1978-1985* (Princeton University Press, 1987); Gilbert Rozman, Ch. 1, "The Sino-Russian Strategic Partnership: How Close? Where To?" in James Bellacqua, ed., *The Future of China-Russia Relations* (Lexington, KY: Univ. of Kentucky Press), pp. 12-32.
8. Elizabeth Redden, "Calls to Strengthen Ideological Education in China," *Inside Higher Ed*, December 9, 2016.
9. David Shambaugh, *China's Communist Party: Atrophy and Adaptation* (Berkeley, CA and Washington, DC: University of California Press and Woodrow Wilson Center Press, 2008); David Shambaugh, *China's Future* (Cambridge: Polity Press, 2016).
10. David Shambaugh, *Beautiful Imperialist: China Perceives America, 1972-1990* (Princeton, NJ: Princeton University Press, 1993).
11. Gilbert Rozman, "Sino-Russian Mutual Assessments," in Sherman Garnett, ed., *Rapprochement or Rivalry? Russia-China Relations in a Changing Asia* (Armonk, NY: M.E. Sharpe, 2000), pp. 147-74.
12. Ethnic separatism has become the No. 1 bogeyman in Chinese writings about what can undo socialism. It also figures heavily in discussions of what brought down, first, the Russian empire and, later, the Soviet Union. One article charges that Russian policies in the late imperial period erred in handling this question. Unjust governance, readers are told, did a disservice to various nationalities. This mismanagement of the vertical order is often linked to Western interference to achieve a color revolution, in China as in Russia.
13. Wang Shuchun and Liu Sien, "Eluosi xin Yazhou zhanlue jiqi dui Zhonghe guanxi de yingxiang," *Dangdai Yatai*, No. 6, 2015, pp. 82-100.
14. Zu Lichao, "Eluosi dui 21 shiji haishang sichouzhilu de zhanlue renzhi yu zhengce xuanze," *Taipingyang xuebao*, November 2015, pp. 64-72; Zhao Huirong, "Zhonghe gongjian sichouzhilu jingjidai wenti tanzhe," *Eluosi Dongou Zhongya yanjiu*, December 2015, pp. 71-93.
15. The Genron NPO, "The Genron NPO Poll 2016: The Future of Northeast Asia and Public Opinions."
16. Gilbert Rozman, ed., *Japan-Russia Relations: Implications for the U.S.-Japan Alliance* (Washington, DC: Sasakawa USA, 2016); Gilbert Rozman, "Will Japan and Russia Reach a Breakthrough at the Yamaguchi Summit?" Brookings op-ed, November 2016; "Alternative Scenarios: Breakthrough in Japan-Russia Relations and Advancing Regional Security," *The Asan Forum*, Vol. 4, No. 6 (December 2016).

The Impact of Chinese National Identity on Sino-U.S. Relations

Guo Yingjie

The Chinese Party-state's warnings about the danger of Western ideas appear with increasing frequency. Whether the target is "constitutional democracy," the "rule of law," "universal values," "judicial independence," or "color revolutions," the refrain is becoming familiar. These are "erroneous" notions in the public discourse of the Chinese Communist Party (CCP), which not only threaten CCP rule, their advocacy by Chinese is evidence of traitorous conduct, and their support by U.S. officials or on the Western-led internet must be resisted for bilateral relations to proceed successfully. Such admonishments are consistent with the CCP's official ideology and reflect the national identity currently espoused by CCP leaders and propagated in the increasingly tightly controlled media and academia. They have had a negative impact on the Sino-U.S. relationship, and are likely to continue to do so even as President Donald Trump remains largely silent on China's human rights record and concentrates on "America First" economically and on tough talk about pressuring China regarding issues such as Taiwan, the South China Sea, and North Korea.

This chapter proceeds from the assumption national identity can be seen as a stable but changing foundation for international relations with the capacity to survive major conflicts between nation-states, and as a source of differences and conflicts between nations. It is also a valuable resource for enhancing a nation-state's soft power, which, as well as tangible benefits it can offer others, might give the latter more incentive to pursue good relations. Thus, other things being equal, nation-states with compatible or overlapping national identities are more likely to establish and maintain good relations with each other than those with incompatible identities.

Part of the construct of Chinese national identity is its images and representations of the United States. The prevailing Chinese narrative about the country and its people has changed over the years, especially under the influence of various kinds of nationalism. Contrary to common perceptions and opinions in the Chinese- and English-language scholarship and mass media, Chinese nationalism has not invariably strained China's relations with the United States or any other country, but has at times contributed to good relations. It is erroneous to assume that nationalism necessarily hampers bilateral relations; the right question to begin with is how various kinds of nationalism affect international relations. Much depends on the goals of ideological nationalist movements. According to Anthony Smith, all such movements seek to retain or maintain national identity, national unity, and national autonomy.¹ It should be added, however, that while unity and autonomy are usually well-defined, identity is often varied and contested, and that various kinds of nationalism – even within the same nation-state – may not seek to retain or maintain the same national identity.

To put Chinese nationalism in perspective, it is worth stressing that this momentous movement metamorphosed over and over again, and Chinese national identity has been deconstructed and reconstructed repeatedly in this process. It is readily admitted that Chinese national identity does not affect every aspect of China's international relations and that it has often been trumped by conflicts of national interest, but its impact grows when peace prevails and cannot be ignored even during conflicts. Sino-U.S. relations improved dramatically while the CCP moved away from Marxism-Leninism and upheld a political nationalism that sought to reconstruct the authority of the state and rejected Chinese cultural traditions. Under President Xi Jinping, however, bilateral relations have deteriorated as a result of a concatenation of contributing factors. One of these is China's rapidly growing economic and military power as well as unprecedented competition between the two countries. Of critical significance is the CCP's shift from political nationalism in the post-Tiananmen era and, particularly since 2013,

its endorsement of cultural nationalism, which has facilitated the construction of a new, resinicized national identity with far-reaching implications for Sino-U.S. relations.

This can be traced to show how the current nationalist discourse under Xi Jinping has emerged. As the “China Dream” has become more clearly defined, the urgency has grown to contrast what is constructed as the national identity of China with what is contrasted with it, centered on images of the United States. As Trump takes the reins of U.S. power, it is increasingly possible to observe further clarifications as to how Chinese identity relates to Sino-U.S. relations. This chapter reviews the impact of national identity during the early reform era (1978-1989) and in the aftermath of June Fourth (1989-2012) before concentrating on the era of Xi Jinping. It looks closely at the response to the Trump transition to power. Finally, it discusses lessons for the governments of China and the United States in relation to possible trajectories of Sino-U.S. relations during the rest of Xi’s tenure in office.

A PRO-AMERICAN NATIONAL IDENTITY IN THE EARLY REFORM ERA

David Shambaugh is right to note that the phrase “beautiful imperialist,” one of the most memorable in the literature on Sino-U.S. relations, nicely captures the ambivalence—admiration and denigration—that distinguishes China’s perceptions of the United States.² He is also right to attribute ambivalent Chinese images of the United States to recurring cycles of amity and enmity that have characterized Sino-American relations since the late nineteenth century. Between 1978 and 1989, however, amity predominated in Sino-U.S. relations, and the two countries enjoyed the best bilateral relations in recent memory despite intermittent wrangling over China’s most favored nation status, human rights abuses by the Party-state, and American arms sales to Taiwan.

The beginning of “reform and opening-up” in 1978 nearly coincided with the normalization of diplomatic relations between the PRC and the United States. In fact, the latter marked the beginning of the PRC’s openness to the West and resulted in a flurry of state-to-state and people-to-people interactions, which facilitated mutual understanding as never before. It led to large-scale people-to-people interactions for the first time since 1949, and immense interest in Western knowledge and Western countries more broadly. More and more Chinese people became increasingly exposed to American ideas, values, and practices. Contact with the United States contributed to what Chinese academics and media commentators commonly referred to as a “crisis of faith,” which was initially a loss of faith in the ideology of the Party-state and eventually evolved into a loss of faith in Chinese cultural traditions as well. The crisis emerged as the myth about the superiority of state socialism and China’s political system was shattered. At the same time, the false image of the United States—a capitalist country where ordinary people suffered exploitation and lived in poverty—became discredited too. The myth could no longer be sustained as Chinese realized that the U.S. was actually much more modern, prosperous, vibrant, free, and attractive than socialist China, contrary to what they had been told.

Untenable was the state-defined national identity of the Chinese as a new species of “socialist men and women with socialist consciousness who are cultured and love working.” It is hard to tell how many Chinese genuinely identified themselves as such even during the Mao era, but there is no doubt that many, including CCP leaders and Party-state officials, abandoned that identity together with state socialism, although they were obliged not to renounce either

openly. Those who detached themselves from the socialist identity and Maoism were eager to embrace the United States as a source of inspiration and a model for emulation, and those who embraced it all the more resolutely rejected state socialism, Maoism, and everything else that made up the official Chinese identity. Of course, the Maoist case obliterated discussion of any alternative, while the insurgent identity pursuit growing in the 1980s came against a robust push back from much of the leadership, which controlled most of the media and already was struggling to impose a national identity more antagonistic toward the West.

The struggle for a reform-oriented national identity facilitated better relations with the United States. It was intellectuals who spearheaded the project instead of Party-state leaders, who continued to be constrained by ideological dogma irrespective of the Party's repeated calls for the "emancipation of the mind." The unofficial national identity that gained currency in academia and the mass media in the 1980s incorporated Western ideas and values and included the United States in China's positive reference group, but it deliberately excluded traditional Chinese values. This and the socialist identity of the Mao era were both characterized by wholesale anti-traditionalism. What set the two apart is the belief, on the one hand, that the end will be achieved by the means of state socialism, and on the other, unshakable faith in Westernization.

The controversial TV series *River Elegy* (*Heshang*), which was broadcast on China Central Television (CCTV) in 1988, sparked a debate in China and overseas about Chinese traditions and modernity, Westernization, and love of country. The blunt message of the series was that current obstacles to reform and modernization had deep roots in Chinese polity, society, and culture. Chinese traditions must be rejected in total. The dragon, the symbol of Chinese ancestry, was condemned as outmoded authoritarianism. The Great Wall, the symbol of historical continuity, was depicted as a manifestation of close-minded conservatism. The Yellow River, the cradle of Chinese civilization, was said to symbolize unmitigated violence. Confucianism, the mainstay of the Chinese cultural tradition, was blamed for failing to give China "a national spirit of enterprise, a system of laws, or a mechanism of cultural renewal, but a fearsome self-killing machine that, as it degenerated, constantly devoured its best and its brightest, its own vital elements." The "ugly, despotism-engendering Yellow Earth and Yellow River" were urged to surrender to the "beautiful and great blue Ocean" beyond it that bore science and democracy on its waters.³

The series' message was publicly unacceptable to the Party-state as a whole. The top leadership was divided about the series and its message. General Secretary Zhao Zhiyang tacitly endorsed it, and President Yang Shangkun recommended that cadres, Party members, and PLA officers and soldiers should watch it for the purpose of "emancipating the minds."⁴ But Vice President Wang Zhen slammed it in fury for its offensive comments on the CCP, the Chinese nation, and Chinese civilization.⁵ Though the reformers were backing the series' critique of traditional Chinese identity, they were really targeting conservative mindsets among Party-state cadres, which impeded "reform and opening-up." Party traditionalists, in contrast, were not so much defensive of Chinese civilization as they were against the reformers' liberal inclinations. Though they refrained from arguing outright against better relations with the United States and the West, they continually cautioned against being oblivious to American ploys of "peaceful evolution"—a warning that was repeated with paranoia in the aftermath of the Tiananmen events of 1989.

The warning reflected a double ambivalence that pervades late modernizing societies vis-à-vis the collective Self and the foreign Other, namely the admiration of the foreigner with strenuous opposition to his domination, and consciousness of inferiority of the indigenous tradition with a determination to reassert one's strength.⁶ However, the CCP differs from many other late modernizers in that its ambivalence toward the United States has manifested itself primarily in ideological terms. As the debate about socialism and capitalism was discouraged under Deng Xiaoping and as Chinese socialism was redefined time and again in the reform era, the ideological conflict between the Chinese Party-state and the United States had in effect narrowed down to restricted civil liberties under the CCP. From Deng to Xi, ideological opposition to American foreign policy has invariably centered on the legitimacy and security of CCP rule.

It has been possible for China's modernizers, whatever their political persuasion, to overcome any hatred for foreign Others by persuading themselves that they are learning from them in order to defeat them (*shiyi zhiyi*). In the case of the United States, there has rarely been widespread hatred toward the country and few psychological barriers to learning from the Americans or establishing good bilateral relations, for China has never suffered the same humiliation as at the hands of Great Britain, Russia, and Japan. Sino-U.S. cooperation during World War II became one of the most popular themes in Chinese films and TV dramas during the eras of Jiang Zemin and Hu Jintao. In the post-Mao era, it is hard to find depictions in literature, art, and cinema or on TV of American atrocities during the Korean War or representations of the United States or Americans which incite hatred. There was much admiration for the United States even during the Mao era, captured in the image of "beautiful imperialist." The term "imperialist" had become essentially irrelevant to the reformers within the CCP and advocates of Westernization in society. Not only had the United States ceased to be a threat to China, it had become a model for emulation and an object of admiration. America, and the West as a whole, caught the Chinese imagination. The goodwill of the reformist leadership was reciprocated by the United States, which welcomed and supported China's "reform and opening-up" not just because China was strategically aligned with it against the Soviet Union but also because it was moving away from communism and beginning to embrace capitalism and American values. Still, though the top leaders rejoiced over the enormous benefit from normalization, entrenched notions of a clash between the socialist and capitalist camps were not erased easily from the Chinese communist psyche. These notions gained currency again in the wake of the Tiananmen events, affecting Sino-U.S. relations dramatically.

AN ANTI-AMERICAN NATIONAL IDENTITY IN THE AFTERMATH OF JUNE FOURTH

From 1978 to mid-1989 there were no major incidents which heavily damaged Sino-U.S. relations and forced a re-imagination of perceptions of the Chinese Self and foreign Other and a re-evaluation of prevailing visions as to what China ought to be and how it should relate to the United States or other Western countries. Student demonstrations on Tiananmen Square and across the country, the government's crackdown, and the comprehensive international sanctions on China changed the trajectory of identity politics in the country. Sino-U.S. relations have been strained further as enmity surges as a result of continual friction over such events as the bombing of the Chinese embassy in Belgrade and the collision of a Chinese F-8 fighter with a U.S. Navy EP-3 spy plane near Hainan.

The historic Tiananmen events marked an upheaval along three interrelated fault lines: between conservatives and reformers within the Party, between the Party-state and the emerging forces of society, and between China and the outside world, particularly the United States.⁷ China moved away from open identification with the United States. Conservatives within the Party-state hierarchy gained support from the top leadership and began to dominate the Party's political agenda and propaganda after Zhao Ziyang was ousted. The new leadership's diagnosis of the students' movement was that waning patriotism amongst young Chinese bred widespread discontent with China's political status quo and "foreign worship," and that "evil foreign forces" intent on the "peaceful evolution" of China took advantage of and encouraged the discontent through mass popular media, such as the VOA, CNN, and Radio Free Asia. Though the CCP had been warning Party-state cadres of the danger of the United States and Western imperialists subverting socialist China by peaceful means, the danger was not fully grasped until the Tiananmen events.

Against this backdrop, China's U.S. watchers felt compelled to refrain from challenging negative perceptions of the United States. Some research institutes shelved analysis supporting a more conciliatory U.S. policy.⁸ Those who continued to favor better relations with the United States or promote liberalization were condemned by some as "lapdogs."⁹ Many came to believe that the U.S. strategy was to contain China's development and prevent its rise in international affairs, constructing a "fan-shaped" structure centered on the U.S.-Japan axis and U.S. alliances with Australia, South Korea, Taiwan, and ASEAN, and radiating to China, North Korea, and the Russian Far East,¹⁰ and that a clash between China and the United States was inevitable.¹¹ The popular image of the United States in the 1990s was also negative. A survey conducted in 2000 revealed that the overwhelming majority of the respondents considered it and Japan to be China's main threats, with 78 percent agreeing that the United States had hostile intentions against China.¹² Such findings must be reconciled though with the large number of Chinese students who continued to crave American products, especially Hollywood movies, and opportunities to study in the United States. The Chinese leadership under Jiang Zemin was eager to seize every opportunity for mending relations with the United States, and it downplayed "peaceful evolution" again as soon as international sanctions had been lifted and Sino-U.S. relations were normalized. The term was rarely mentioned in the official media during the Hu and Xi eras.

What had more impact on Chinese national identity was the CCP's prescribed remedy to waning patriotism amongst Chinese youth. The remedy was to instill love for the Party and country and to foster a nation-wide "patriotic education campaign." In the campaign, the Party-state included love for Chinese cultural traditions as an essential component of patriotism, in addition to love for the CCP and love of socialism. Before long large numbers of books about traditional Chinese culture, ranging from classical literature and philosophy to divination and *fengshui*, appeared in bookstores, and renewed interest in China's cultural heritage spread across the country. The CCP had embraced cultural nationalism, allowing its advocates to articulate their version of national identity publicly for the first time since the Cultural Revolution.

Two groups of cultural nationalists were particularly articulate in this period: Confucians and postcolonial cultural critics. They both sought to subvert the socialist national identity of the Mao era and the Westernization discourse of the 1980s and to construct an authentic Chinese identity. The former focused on "cultural Chineseness." Their objective was to reconnect with the Confucian orthodoxy as a way of identifying the nation with its cultural essence and setting

it back on track from the socialist and Westernizing abrasions. For the postcolonial nationalists, the central task was resistance to the hegemonic power of “Western knowledge of China” and the construction of a truly Chinese identity.¹³ They criticized discourse that had relegated China to the position of the West’s “backward” and “exotic” Other, and thus induced China to anxiously remake itself in the West’s image.¹⁴ To project modernity as an absolute universal was to ignore the fact of power relations and cultural hegemony. In order for China to restore its Chineseness, so goes the argument, the hegemonic knowledge of the West and the “Western-centred modernity” must be “deconstructed.”¹⁵ What the postcolonial nationalists wanted to reconstruct was a new culture, which would differ from the type of universalism that Western countries sought to impose on the rest of the world. They celebrated the emergence in the post-Tiananmen era of a new national consciousness or an awakening of the Chinese Self in defiance of the colonized identity as an “Other” of the West.

Few took the Confucians, the postcolonial critics, and other cultural nationalists seriously when they gained prominence in the 1990s. Indeed, though they helped keep Westernizers in check in conjunction with the Party-state, they were ideologically alienated from officialdom and failed to win official endorsement; their influence scarcely extended beyond Chinese academia and received little popular support; and they lost much of their discursive legitimacy with the restoration of normal relations with the United States from the mid-1990s and the Party-state’s renewed emphasis on external openness. Still, the anti-Western “nativism” and cultural nationalism which informed the postcolonial critics’ reconstruction of Chineseness and the Confucians’ advocacy of traditional values are evidently entrenched and remain resilient. These ideologies have been carried on and gained prominence again in the era of Xi Jinping. A result of Xi’s promotion of Chinese cultural traditions is the convergence of political and cultural nationalism and the emergence of a wave of cultural nationalism, which have no parallel since the Opium Wars. The new integrated nationalism, which seeks, at the same time, to maintain China’s political identity, unity, and autonomy and to identify the Chinese nation to itself by returning to its cultural traditions, has gained discursive hegemony.

THE PROMOTION OF A SINICIZED NATIONAL IDENTITY IN THE ERA OF XI JINPING

Official Discourse of De-Westernization and Re-Sinicization

China’s new integrated nationalism finds better expression in Xi’s “China Dream” than anywhere else. Foregrounded in the dream, when he launched it in the State Museum on November 29, 2012, were economic, military, and political dimensions encompassing national strength and prosperity to be achieved through “socialism with Chinese characteristics,” while culture took a back seat. Though “cultural construction” was designated as a principal task, it was not clear then what cultural revival meant and what kind of culture would fit the dream. Xi and Party theoreticians have gradually clarified these questions in the past five years. In its current form, Xi’s “China Dream,” is the imagined identity of China as an emergent superpower catching up with the United States not only in economic, political, and military terms but culturally as well.

At the heart of the discourse is a two-pronged strategy, namely political de-Westernization and cultural re-Sinicization. The former is an ideological defense that is designed to counter

the influence of “universal values” detrimental to the CCP’s grip on power and to maintain the political identity of the Party and the state. Delegitimizing Western political ideologies is also a way of undermining the discursive and moral advantage of the United States and Western countries over China in ideological debates. Re-Sinicization serves the same purposes and aims more broadly to maintain China’s cultural identity, unity, and autonomy so that the revitalized national spirit will at the same time propel the “China Dream” and manifest national revival. Neither de-Westernization nor re-Sinicization, to be sure, is Xi’s initiative; both were Party-state policies under Jiang and Hu. But there is a difference: Xi is taking the CCP’s political ideology and cultural Chineseness more seriously than any other Party leader since Mao and adding more substance to both than any of his predecessors in the post-Mao era.

To the surprise of analysts and commentators who anticipated greater political liberalization under the new leadership, Xi affirmed unequivocally the Party-state’s ideology and reiterated his unwavering commitment to its political system and socialist road.¹⁶ A key message he has been hammering is that reform is not meant to transform the identity of the Party or the state but to perfect and develop China’s socialist system, that the CCP will continue to adhere to the socialist road instead of returning to old policies of closure and dogmatism or being led astray by heretical ideologies.¹⁷ He has repeatedly warned the Party against the evil intentions of hostile forces inside and outside China who cast reform as the transformation of China’s political system into a Western political system and against the danger of China being “Westernized and divided” (*xihua he fenhua*).¹⁸ Unlike Deng Xiaoping, Jiang Zemin, and Hu Jintao before him, Xi does not beat around the bush with his opposition to “universal values,” American-style democracy, and Western political systems or models of development. *People’s Daily*, for the first time in the reform era, has now chosen to publicly engage with Western democratic theories and practices and to elaborate on why China does not need, and will be badly served by, Western political systems.¹⁹

Xi’s de-Westernization offensive is by no means empty rhetoric, as was often the case during the eras of Jiang and Hu. He has taken concrete measures to retain the CCP’s leadership in the ideological field and to tighten political control over expression and academic research. One such measure is draconian disciplinary action against Party members who oppose its “four cardinal principles” or engage in “bourgeois liberalization.”²⁰ At the same time, the educational authorities have stepped up de-Westernization and political-ideological indoctrination in Chinese universities and schools. Education Minister Yuan Guiren articulated the Party-state’s de-Westernization policy more explicitly than any other official in his comments that school teachers and academics should guard against the infiltration of Western ideas and that Chinese universities should never allow textbooks promoting Western values to appear in China’s classrooms.²¹

Above all, Xi’s political de-Westernization campaign is geared toward maintaining the identity of the CCP and PRC and ensuring the security of Party rule. The result of Westernization that Chinese leaders envision is not just the Party’s loss of power and socialism’s defeat by capitalism but also national disintegration, as happened in the Soviet Union and Yugoslavia. It is not surprising, then, that the CCP treats the identity of the Party and the state as a matter of life and death and has stepped up efforts at containing American and Western influence, especially in the mass media, educational system, and people-to-people relations involving NGOs and critical Western academics.

Still, Xi's de-Westernization is largely confined to the domestic arena, where ideological hegemony must be maintained and Western influence contained in order to secure Party rule. Ever since the Sino-Soviet split in the 1960s, Chinese leadership has refrained from engaging in an ideological war in the international arena while trying to prevent, in varying degrees, foreign influence from having negative effects in the country, choosing instead to concentrate on practical matters such as trade and economic, political, military, and cultural cooperation. For that reason, Trump's economic pragmatism and his apparent lack of interest in promoting democracy and human rights suit the Chinese leadership perfectly. Trump is not using human rights as a bargaining chip in advancing American interest in trade. So far, he and his team have mentioned human rights in relation to China only once in public.²² However daunting the challenge of dealing with Sino-U.S. differences over currency manipulation, trade imbalances, the South China Sea, and North Korea may be, it is less thorny for the leadership than "human rights diplomacy." Chinese leaders are no longer reminded to their chagrin that they are on the wrong side of history and, therefore, must mend their ways, which entails the relaxation of political-ideological control over expression, association, and religious beliefs.²³ Indeed, the leadership is now off the ideological hook and under less pressure than under previous American administrations to make compromises on human rights and political liberalization or undertake systemic reform with the potential to alter the identity of the Party and the state. It has gained a welcome opportunity to consolidate the identity of the CCP and PRC and to promote official Party ideology more aggressively in internal and external propaganda without having to worry about ideological confrontation with the American government.

That in part explains the general sense of relief among PRC commentators that Trump, a pragmatic businessman who is more interested in making business deals than promoting American values, won the election instead of Hillary Clinton, an advocate of democracy and human rights.²⁴ That sense of relief gave way to grave concerns after Trump threatened to review America's one-China policy and Tillerson's comments in Congress on blocking Chinese access to artificial islands in the South China Sea. But those concerns vanished after Xi's visit to the "Southern White House," which was reported in the Chinese media as a success since the two sides had cleared the uncertainties in bilateral relations, defused the tension over Trump's threats, and agreed to develop normal relations on the basis of "non-conflict, non-confrontation, mutual respect, and win-win cooperation."²⁵ While it is not clear how the Trump administration understands "mutual respect," for Chinese leaders the term means, above all, refraining from criticizing the Chinese government for human right abuses or government policies and actions. Even if Trump becomes more critical of China on human rights, open ideological confrontation between the two governments has ended.

The cultural turn of Xi's "China Dream" became visible a year or so after he came into power. He promoted "excellent" Confucian thoughts and values during his visit to Qufu – Confucius' hometown – on November 26, 2013, and attended the anniversary of Confucius' birthday on September 24, 2014. The themes of the Politburo's 12th and 18th group study sessions were China's cultural soft power and traditional Chinese statecraft. Xi deplored the "de-Sinification" of China during his visit to Beijing Normal University on Chinese Teachers' Day in 2014. The first series of National Learning textbooks for Party and government officials was published on June 15, 2015. Officials at all levels are now required to attend "study sessions" at Party schools and state administration colleges. The Ministry of Education released

“Guidelines on the Teaching of Traditional Chinese Culture” in the schools and universities on April 1, 2014. More recently, Xi has added “cultural confidence” to the “three confidences” that the CCP wishes to boost – “ideological confidence,” “confidence in the [socialist] road,” and “confidence in the [socialist] system.”

The reasons for the Party-state’s unprecedented promotion of traditional culture can be seen from Xi’s speech in Qufu.²⁶ First, since every country and every nation have their own historical traditions and deep-rooted cultures, the basic national conditions differ, and so do their models of development. Second, the spiritual pursuit of the Chinese nation is rooted in Chinese culture and the latter gives the nation rich nourishment and enables it to survive and thrive generation after generation. Third, Chinese culture is the Chinese nation’s unique advantage and its richest source of soft power. And fourth, socialism with Chinese characteristics is deeply rooted in the fertile soil of Chinese culture. In other words, a central aim of his promotion of traditional culture was to legitimize and justify China’s current political system by portraying both as a natural outgrowth of cultural traditions and history. Xi also pointed to the connection between cultural traditions, on the one hand, and national spirit, national identity, and soft power, on the other. The need for tapping cultural resources arises from the Party-state’s recognition that it is more likely to derive soft power from Chinese values than from Marxism, Sinicized or not, or from state socialism with or without Chinese characteristics not just because of the dwindling credibility and attraction of Marxism and state socialism but also because of the CCP’s loss of faith in core Marxist and socialist principles.

It is possible to see the Party-state’s cultural strategy as a sign of a rising superpower, which looks to foster a new national spirit and identity and to cultivate a higher level of cultural confidence and soft power that match its emergent and aspired status. Part of the cultural strategy is the export of culture, which has become a prominent component of foreign policy and an increasingly aggressive “go-out” strategy in the past decade. Coupled with the cultural strategy is intensified efforts to enhance China’s discursive power, or the “right to speak” (*huayu quan*), in the international arena. Not only is the government becoming more assertive in justifying its chosen model of development in its expanded external-oriented propaganda (*waixuan*), but it is increasingly proactive in changing rules of the game in the international market. The new foreign policy prompted Obama to stress that the United States, instead of other countries like China, should write the trade rules and call the shots, that other countries should play by the rules that America and its partners set, and not the other way around.²⁷ It is consistent with “America First” to ensure that America and its allies set the rules, and it is inconceivable that Trump will be able to bring about fair trade for America as he understands it without setting the rules accordingly. Thus, Sino-U.S. competition on this front is likely to continue and escalate under Trump and Xi.

A more immediate and urgent task for the Party-state, however, is to address its disadvantageous position in the international community, or to solve the problem of China being a target of criticism. A common perception pervading China’s social media is that Mao saved China from being bashed around (*aida*), Deng put an end to starvation (*ai’e*) in the country, and the problem for Xi to solve is international criticism of China (*aima*). It is hard to ascertain whether the popular perception has any impact on the government’s foreign policy, but there can be no doubt that its continued emphasis on mutual respect in international relations is motivated by the desire to avoid criticism and that tackling criticism is a top priority in foreign policy. It is apparent too that a rising China will become increasingly intolerant of international criticism and have more effective economic, political, and diplomatic means of silencing criticism.

Academic Critiques of American Cultural Imperialism and Colonialism

As a result of the convergence of political and cultural nationalism in the Xi era, the voices of officialdom and academia have become harder to distinguish than at any other time since 1978. This is coupled with tighter political control over expression, which has induced greater conformity among intellectuals to the Party line, encouraging larger numbers to support and repeat the line in the mass media and academic journals. It is apparent at a glance that the point of the media commentaries and academic publications is not so much to disseminate the findings of original or innovative research as to declare loyalty to the Party and reinforce the Party line by justifying it, substantiating it, and securing its hegemony. Hence, in contrast to the 1980s or even the 1990s, it is now difficult to find publicly articulated views which speak favorably of American values. Instead, scathing critiques abound even in unofficial media and academic journals.

Critiques related to Chinese national identity typically concentrate on “American-style democracy,” “color revolution,” “universal values,” “American cultural imperialism,” “American cultural colonialism,” and “American cultural hegemony.” Their political thrust resonates with the frontal assault on “peaceful evolution” which was sustained through most of the Mao era and swept across the Chinese media and academia again in the wake of June Fourth, while their cultural assumptions are consistent with the postcolonial criticism of the 1990s. The authors unanimously equate “color revolution” or democratization advocated by the West with “peaceful evolution” and dismiss “universal values” as nothing more than American and Western values; they also treat, without any critical analysis, the prevalence and popularity of American culture in China as manifestations of American cultural hegemony, American imperialism or colonialism; and they go on to assert that the cultural hegemony of the United States and the West is the ideological foundation and root cause of “color revolutions.”²⁸ The uniform conclusion is that Western ideological infiltration, through peaceful evolution, democratization, color revolutions, human rights diplomacy, or the dissemination of American or Western values under the name of “universal values,” is designed to sabotage China’s political system and transform the identity of the CCP and the PRC.

Yu Haijun, Zhang Huichun, and Zhao Yuying’s recent article, which exemplifies the tone and reasoning of those critiques, is worth quoting at some length. In their words,

U.S.-led Western countries impose their cultural hegemony on our country, first and foremost, through distorting and denigrating its socialist cultural production. Western intellectuals “demonize” China’s socialist culture, describing it as “ignorant” and “inferior,” and they spread all kinds of “China threat” theories, smear our country’s image, undermine its international reputation, and create tension between China and other countries. Meanwhile, Western intellectuals instill capitalist ideologies into China’s cultural production and provide cultural support to the advancement of Western interests. Through well-developed mass media, they export their values to our country, harp on the superiority of their “democratic” political systems and the universality of their political outlooks and lifestyles, and imperceptibly spread Western capitalist ideologies to every aspect of daily life in our country so that our people are attracted to Western culture, identify with it and imitate it. Consequently, the socialist nature of Chinese culture is being gradually eroded and the Western conspiracy of subverting and controlling China is likely to succeed.²⁹

Similar critiques can be found in a large number of publications. A subject search in the China National Knowledge Infrastructure on “*xifang wenhua baquan*” (Western cultural hegemony), “*wenhua diguozhuyi*” (cultural imperialism) and “*wenhua zhiminzhuyi*” (cultural colonialism) published between 2013 and 2016 brought up 1271, 251, and 203 articles respectively.

Such cultural hegemony, imperialism, and colonialism do not just undermine the “ideological security” and identity of the CCP and PRR but also challenge and erode the identity of the Chinese nation. Western lifestyles and cultural practices, propagated through cultural products ranging from television drama, Hollywood movies, music, arts, and food and drinks, encourage acceptance of and identification with Western value systems and lead to apathy to Chinese beliefs, values, and practices as well as a sense of cultural inferiority and lack of individual and collective confidence.³⁰ In this view, the Chinese are no longer who they are, as their own way of life and values give way to Western ways and values. Erosion of national identity means the nation’s loss of self-respect, self-confidence, cultural autonomy, cultural unity, and spiritual connection with its rich past.

The common recommendation ensuing from these critiques is heightened vigilance and resistance combined with intensified patriotic education and the re-education of Chinese in cultural traditions. In this, Party-state officials and intellectual elites, be they inside or outside the establishment, are largely agreed, although it is hard to know whether they are truly convinced about cultural imperialism or colonialism, or whether they are merely toeing the Party line. It is also hard to know how many of China’s political and intellectual elites are genuinely committed to the current identity of the Party and the state and the re-Sinicization of national identity. Nevertheless, so far as public discourse is concerned, officials and academics agree that American and Western influence must be contained and Chinese cultural traditions promoted so that the Party, the state, and nation will retain their own identity.

CONCLUSION

Chinese images of the United States since the late 1970s have rarely been clear-cut but are characterized by ambivalence in response to recurring cycles of amity and enmity in Sino-American relations. Yet, the causes of ambivalence and the sources of amity and enmity have varied greatly. Amity in the pre-Tiananmen era was not simply related to the emergence of a pro-American Chinese national identity but also a political nationalism which promoted “reform and opening-up” and sought to strengthen China by working with and emulating the United States, as well as popular admiration for American ways of life. While admiration remains strong in the post-Tiananmen era, America is no longer available as an economic, political, or cultural model for emulation under a new, integrated nationalism that promotes “de-Westernization” and “re-Sinicization.” In contrast, enmity toward America throughout the past four decades has centered on America’s alleged subversion of China’s political system and one-party rule.

The convergence of political and cultural nationalism in the Xi era has had significant ramifications for Chinese perceptions of the United States and its values and for Sino-U.S. relations. The CCP leadership is no longer simply justifying China’s political system and development model on the basis of “national conditions” but also with reference to age-old

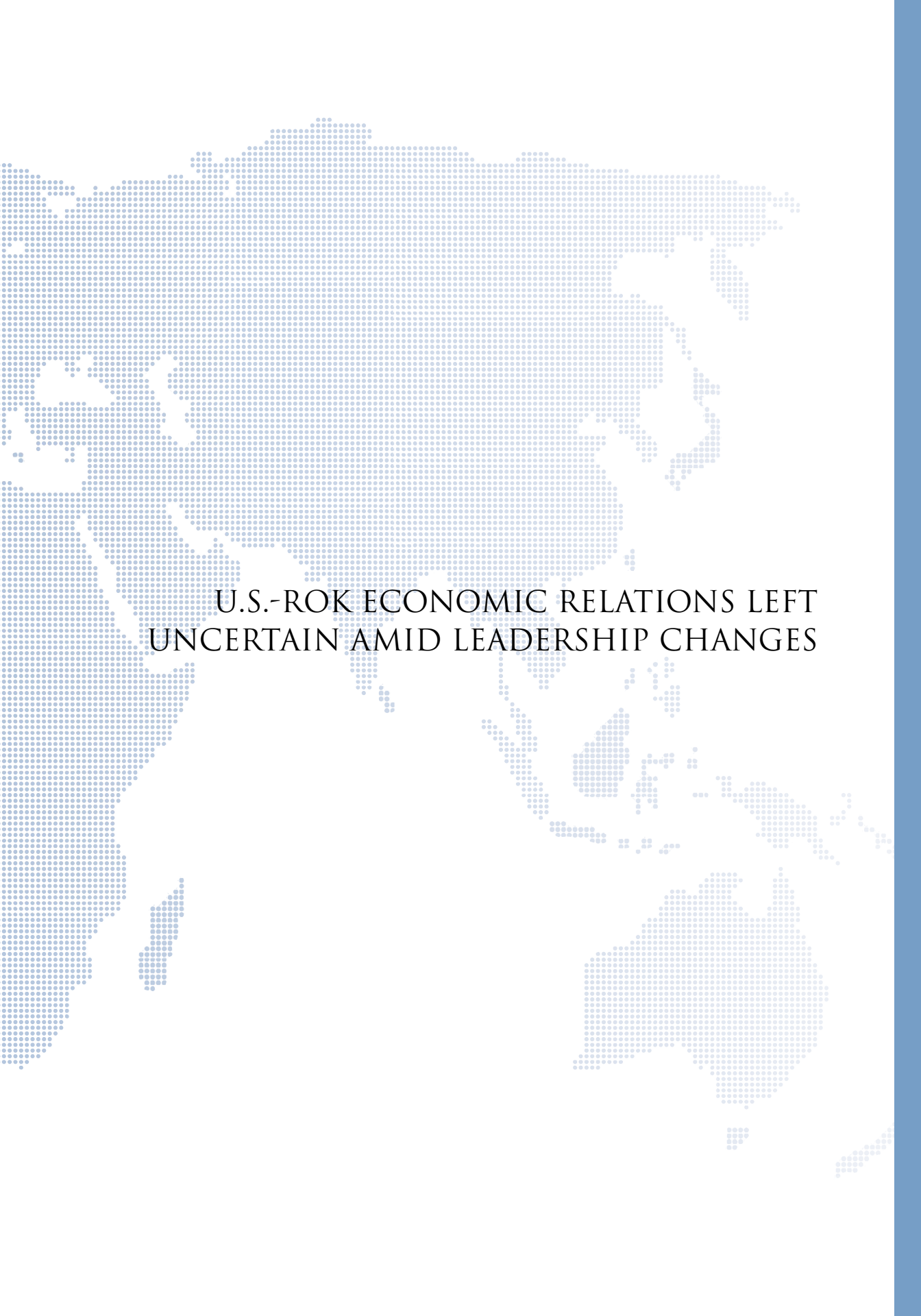
Chinese traditions. This is followed by a comprehensive re-evaluation in the official media of political ideologies, political systems, and development models. Hence, “American values” and “models of development” have lost discursive legitimacy in the official discourse. The CCP feels compelled to differentiate China, especially in political and cultural terms, so that its grip on power will not be jeopardized, while unity and identity will be maintained. Consequently, China is becoming increasingly inward-looking and less open politically than at any other time in the post-Mao era. That is not to say that American values have lost their attraction in China; rather, American values might have to be called something else.

Trump’s economic pragmatism and lack of interest in “human rights diplomacy” are already having a significant impact on Sino-U.S. relations and Chinese national identity, and the impact is likely to grow. One effect is reduced tension between governments on ideological grounds. The other is reduced pressure on the CCP and the PRC to alter their identities. The Party-state has been and will continue to be less constrained in promoting its official ideology internally and externally and solidifying the identity of the Party and the state. All the same, ideological differences will continue to have considerable impact on Sino-U.S. relations not least because American politicians, NGOs, and society at large are generally predisposed against China’s one-party rule and the government’s denial of civil liberties. Furthermore, “re-Sinicization” has the potential of pitting Chinese values against American values and American national identity against Chinese national identity. Thus, Sino-U.S. relations will encounter a more fundamental impediment than at any other time since normalization. Mutual trust and cordial bilateral relations will not just depend on reconciling core national interests but also the construction of compatible national identities.

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U.S.-ROK ECONOMIC RELATIONS LEFT UNCERTAIN AMID LEADERSHIP CHANGES

INTRODUCTION

While the other parts of this book bring China fully into the coverage—diplomacy, national identities, and sanctions—here we narrow the focus on U.S.-ROK relations with an eye to the current uncertainty about the future of the KORUS FTA, the five-year old bilateral trade agreement. Donald Trump has assumed the presidency critical of trade imbalances in goods, including assertions about the negative impact of the FTA with South Korea. It appears that the U.S. side will insist on renegotiating the agreement. In order to assess what this could mean, we take a close look at what the impact of KORUS has been and at how the debate in Washington has been unfolding under Trump's watch. The three chapters were written in the early spring of 2017; so they could capture only the initial impact of Trump at a time when South Korean leadership was paralyzed between impeachment and the election of a new president without any serious bilateral engagement over economic issues. Yet, as tensions over economics are expected to rise, our objective is to inform the discussion with relevant economic background and with awareness of what Trump has been saying and how it may shape the political debate.

The following chapters all seek to improve our understanding of what KORUS is and what its impact has been. They make sure to distinguish trade in goods, where the growth in trade has widened the deficit in South Korea's favor, and trade in services, which has expanded in favor of the U.S. side. Efforts are made to explain what causes trade deficits, attentive to macroeconomics and the distinction between final goods and inputs that originate in other countries. Links between economics and security are taken into account. In each case, there is an attempt to grasp the reasoning behind the policies Trump appears intent on pursuing and the logic of economic or strategic analysis. The reader will find both overlap and complementarity across this set of chapters.

As for what to expect, one prospect is minor adjustments without damaging the positive essence of KORUS, another is bypassing the United States in pursuit of regionalism that might draw Japan and South Korea together in a multilateral context, and a third is to address U.S. concerns through mostly unilateral enforcement measures as well as a serious rethinking of bilateral trade ties. All of the authors are concerned about myths distorting what economists understand about trade and abuse of security ties to affect trade ties. It is early to grasp how the U.S. review of trade policy will unfold as well as how Trump and Moon Jae-in will refocus the bilateral relationship from the time they meet in June 2017.

TOWARD A BETTER UNDERSTANDING OF KORUS FTA: SUH JIN KYO

Suh Jin Kyo observes that Trump has threatened to terminate KORUS, which, Trump claims, has been devastating for the American economy, unless Korea gives the United States better terms. Given Trump's talk also of linking security and economic concerns and demand that South Korea pay for THAAD, Suh warns of a backlash that could trigger latent anti-Americanism, adding that neither side should want severe trade frictions to undercut or even signal discord in the U.S.-Korea strategic alliance. After all, the motives behind the U.S. effort to sign the trade deal were predominantly political and strategic, which reflects the changing geopolitical environment in Northeast Asia, Suh further argues.

Trump is seemingly against KORUS, calling it a “horrible deal” that has left America “destroyed.” This gross oversimplification of the impact of KORUS is indicative of his administration’s lack of understanding of data used in creating trade policy. Contrary to what Trump has stated, U.S. FTAs are not the main cause of job losses, especially in manufacturing. Persistent U.S. trade deficits do not reflect recent FTAs. The U.S. has had continuous annual trade deficits since 1976. If one only looked at trade in goods, as Trump has consistently done, it is apparent that the deficit with Korea has increased in the years since KORUS was implemented. In 2016, U.S. goods exports to Korea were \$42.4 billion, a decrease of 6.3 percent (\$2.8 billion) from pre-KORUS levels, while goods imports from Korea were \$70.5 billion, an increase of 22.4 percent (\$12.9 billion). Yet, trade surpluses or deficits are not reflective of the fairness of a trade deal. Bilateral deficits tend to be connected more with a country’s macroeconomic characteristics than unfair trade practices. Misunderstanding trade deficits has fostered a number of myths about international trade and U.S. trade policies. Those myths have allowed trade deficits to be used to further anti-trade and anti-market positions, concludes Suh warily.

Suh is positive about what KORUS has accomplished as the centerpiece of U.S.-ROK trade and economic relations since it went into effect on March 15, 2012. Six rounds of tariff cuts have occurred, resulting in the elimination of 92 percent of South Korean tariff lines and 93 percent of U.S. ones. Trade in goods and services has risen from \$129.2 billion in 2011 to \$145.3 billion in 2016—almost five times as fast as the U.S. growth rate in goods and service trade to the world over the same period. KORUS has benefitted both economies during a slowdown in global trade. The United States runs huge surpluses in services—particularly in education, banking, and intellectual property. This includes travel (for all purposes including education) services, and fees for the use of intellectual property rights.

While the service surplus with Korea (\$10.7 billion in 2016) is overshadowed by a larger goods deficit, it has doubled over the past decade and is an important sector where the United States could keep making crucial gains, given its highly skilled and educated workforce. The content of imports from Korea is no less important than their monetary value. Most U.S. goods imports from Korea are not final goods but industrial supplies and capital goods, which can help U.S. companies raise their international competitiveness. The main import categories in 2016 were: industrial supplies and capital goods (\$30.0 billion, 42.6 percent of total goods imports) and automotive vehicles, parts, and engines (\$25.1 billion, 35.6 percent). South Korea is also the fifth fastest growing source of FDI in the United States; investment doubled between 2011 and 2015, directly creating 45,100 jobs. The deficit would be further reduced if FDI were taken into consideration. South Korea’s goods imports from the world fell 22.5 percent from \$524.4 billion to \$406 billion since 2011. However, its imports from the United States grew 3.3 percent. Moreover, adjusting the trade balance to account for the value-added content of exports would cut the U.S. trade deficit with Korea by roughly 60 percent. Bilateral trade deficits have to take into consideration how global supply chains affect bilateral trade, Suh observes.

The goods and services trade deficit with South Korea was only \$17 billion, much less than the \$28 billion goods trade deficit often referenced by the Trump administration.

If the Trump administration is serious about reducing the overall U.S. trade deficit, it must focus its attention on China, Germany, Mexico or Japan, not South Korea, Suh adds. A distorted trade picture can inflame bilateral relations, while raising anti-trade sentiment at a

time when protectionist pressures are already rising. All outstanding issues—including specific market access concessions, rules of origin, financial services, even regulatory transparency and regulatory overreach—can be fully and effectively discussed within the current framework of the agreement. This calls for modifying, not ending KORUS.

TRUMP, U.S.-ROK ECONOMIC RELATIONS, AND ASIAN REGIONALISM: CLAUDE BARFIELD

Claude Barfield outlines the main tenets and priorities visible at the outset of the Trump administration's trade policies. He first comments on the organizational structure for developing and executing trade policies: who is in charge and what their roles are so far as we know. He also describes the administration's initial actions, the implications of the new U.S. trade agenda for Asia, with particular attention to Japan and Korea, and options for an East Asian response to Trump's decision to withdraw from the TPP. Barfield urges the remaining nations (TPP-11) to recreate the provisions without the United States. He concludes that it would be hard to overestimate the upheaval promised by Trump during the presidential campaign—and reiterated by the new president and his trade counselors since taking office—referring to a seminal document published during the fall campaign by incoming Commerce Secretary Wilbur Ross and trade advisor Peter Navarro.

Much of the underlying analysis by Ross, Navarro, and also Steve Bannon—and certainly Trump himself—is deeply flawed and contested by almost every economics professional, argues Barfield. The Trump team finds two underlying sources of U.S. economic decline: persistent trade deficits and the rise of offshoring of jobs by unpatriotic U.S. corporations. It judges good or bad trade deals on the basis of whether they are followed by an increase (bad) or decrease (good) in the bilateral trade deficit (likewise with an existing trade surplus). Trump and his trade advisers strongly believe the United States is surrounded by nations who “game the system” and cheat with abandon. They plan to try to negotiate policies that will (in their faulty view) decrease the U.S. trade deficit, introduce unilateral actions against allegedly unfair trade practices, and renegotiate and/or withdraw from existing FTAs (and the WTO) if trading partners prove to be recalcitrant.

As for KORUS, there are lingering complaints from key U.S. business sectors that could form the basis for a Trump administration push for changes. These include issues related to pharmaceutical regulations and to the establishment of an independent review mechanism for pricing; greater liberalization for legal services; problems with implementing data transfer liberalization; and transparency and procedural clarity by Korean regulators, particularly the Fair Trade Commission on competition policy matters. Most of the issues that surfaced during the Obama administration could be handled without provoking a real crisis in U.S.-Korean trade. What is unclear, however, is how many of the new Trump policy demands that emerged during the campaign and since, will be carried over into any negotiations to update KORUS FTA, observes Barfield.

On Asian regionalism, Barfield argues that Asian nations should not remain supine and reactive. Specifically, TPP-11 nations will be in a much stronger negotiating position if they find common cause in a revamped TPP than if they only face the United States one-on-one.

Moreover, given increasingly fraught security conditions in Northeast Asia, it is imperative that Korea and Japan pursue closer relations. Since a bilateral FTA is politically difficult for both nations, as with TPP, Korean membership in a TPP-11 would finesse the political snares while achieving the same result. Already the other eleven TPP members have largely changed their law and practices in preparation for the once-projected TPP entry. Barfield doubts that RCEP will succeed as a Chinese-led Asian economic architecture. India is opposed and plays an increasing role. No matter how weak their unity, ASEAN nations have always been fiercely protective of an ASEAN-centric regional future. At some point, should the Chinese push too hard, there will be an inevitable backlash, Barfield anticipates, adding that, despite Xi Jinping's effusions about global markets and multilateralism, Beijing is by no means ready for an economic leadership role. With Trump and Xi abnegating leadership, the best hope, readers are told, is for Seoul and Tokyo to cast bygones aside for regionalism.

A U.S. PERSPECTIVE ON BILATERAL ECONOMIC RELATIONS: MARK MANYIN, BROCK WILLIAMS

Manyin and Williams find the Trump administration signaling two potential paradigm shifts that could lead to greater tension in the U.S.-ROK economic relationship. First is the president's negative view of existing U.S. trade policy and willingness to at least threaten the use of measures infrequently deployed to correct its "failures." Second, Trump has signaled a willingness to use U.S. security relationships to influence economic relations and vice versa. The likelihood of this succeeding may depend on at least four factors: North Korea policy coordination, alliance relations, consultations over how best to approach China, and the U.S. and Trump's popularity among South Koreans. Elevation of North Korea to a top-tier foreign policy issue, combined with the greater probability of tensions over North Korea policy, and the administration's inclination to explicitly use economic and security issues to increase bargaining leverage could mean that significant tension over economic issues is more likely to occur than at any time in the past decade. This is the warning offered by the two authors as they anticipate tough negotiations.

The two authors find that those supporting the KORUS FTA agreement note that U.S. exports of certain products with tariff reductions under KORUS have risen considerably as have U.S. services exports, while those opposed to the agreement note that the bilateral trade deficit with South Korea has more than doubled since the agreement has been in effect. In its first Trade Policy Agenda, issued in March 2017, the Trump administration, which has sharply criticized prior U.S. trade policies and trade agreements, in particular highlighted the bilateral trade deficit with South Korea. Yet, the authors point to drivers of the overall fall in U.S. goods exports since 2011 as a \$1.1 billion decline in ferrous scrap exports and a \$1 billion decline in corn exports, partly reflecting lower commodity prices over the period. Overall exports to South Korea were also likely depressed by the country's economic slowdown as evidenced by a similar drop in South Korea's imports from its other top trading partners. As for rising U.S. imports, the authors point to autos and auto parts accounting for a large share, increasing by roughly \$9 billion, or nearly 70 percent of the \$13 billion increase in overall goods imports from South Korea. However, one should be cautious in attributing this increase solely to the FTA, they add. For example, auto imports grew by approximately 15 percent each year from 2012 to 2015, before the United States made any reduction to its 2.5

percent auto tariff, and the bilateral trade deficit with South Korea would have been even larger without the agreement in place, they note. Moreover, the value of South Korean FDI in the United States increased from \$19.9 to \$40.1 billion, more than doubling. Thus, trade issues defy recent simplifications.

Although the general perception from the business community is that market access in South Korea has improved significantly on a number of fronts, U.S. firms have raised complaints over South Korea's implementation of its FTA commitments, Manyin and Williams add. For example, the Korean Customs Service reportedly required particularly onerous origin verifications on a variety of U.S. exports. Vestiges of a regulatory system with an inherent, if sometimes subtle, bias toward the protection of businesses, are cited in instances that suggest South Korea has not lived up to the spirit of the agreement. Most likely to be used to address such concerns are enhanced enforcement activities, involving mostly unilateral steps, avoiding the need for lengthy and challenging negotiations. These may include bringing more cases against South Korea in the WTO, potentially utilizing the dispute-settlement mechanisms of the KORUS FTA, or making greater use of U.S. anti-dumping and countervailing duty (AD/CVD) and other trade remedy laws. A protracted effort in foreign exchange markets to resist the won's appreciation would almost surely result in increased engagement by the Treasury Department and stronger actions by the Trump administration. Yet, were South Korea to take a proactive step to increase the transparency of its transactions on foreign exchange markets, a long-standing complaint of the Treasury Department, it could potentially help diffuse concerns.

Unless South Korea's domestic economy picks up steam, trade negotiations appear unlikely to have a major impact. Indeed, a broader challenge to focusing so heavily on this single metric in trade relations is that even if the administration's investigation unveils and new negotiations address remaining barriers to competition in the South Korean market, if the trade deficit persists, such negotiations could be deemed a failure even if they have positive benefits in both countries, as many argue the KORUS has had.

The shift from TPP to bilateral negotiations changes the venue for future U.S.-South Korea trade discussions. South Korea had repeatedly expressed interest in joining the TPP and, arguably, was the most likely new candidate for membership due to its comparable FTA with the United States. The Obama administration welcomed its interest, while also using the possibility of entry as leverage to push South Korea to resolve outstanding bilateral frictions. Now that bilateral talks are expected, four areas may be covered: the trade deficit, currency issues, KORUS FTA modifications, and trade enforcement. Besides, Trump has appeared to go beyond the subtle interplay between economics and security by explicitly arguing that the two should be used to extract gains for the United States.

The likelihood of the Trump administration tying commitments in either the trade or security realm to concessions in the other and of such an approach succeeding may depend on at least four factors: the level of U.S.-ROK coordination over North Korea policy, alliance relations, consultations over how best to approach China, and U.S. and Trump's popularity among South Koreans. A lot of factors enter the overall picture in the Manyin-Williams analysis of what to expect as talk of U.S.-ROK trade ties goes forward.

Reinforcing U.S.-ROK Economic Relations through a Better Understanding of the KORUS FTA

Suh Jin Kyo

President Donald Trump has made it clear that he intends to follow through on his protectionist campaign promises. On his first day in office, he formally removed the United States from the TPP. Trump has also informed congressional leaders of his intent to renegotiate NAFTA, the biggest trade deal ever signed by Washington. If a draft letter being circulated by the U.S. Trade Representative (USTR) is approved by Congress, formal negotiations with Canada and Mexico could start later this year. Additionally, the president signed an executive order for USTR and the Department of Commerce to lead a comprehensive study of unfair trade practices of major trading partners. The result could provide the economic and political justifications needed to take bold and legally defensible actions. The administration also launched an investigation into the national security risks that may arise from a global oversupply of aluminum and steel. There are clear indications it may look to restrict aluminum and steel imports before long. Trump is now targeting the KORUS FTA. He has threatened to terminate the five-year-old trade deal, which, he claims, has been devastating for the American economy, unless Korea gives the United States better terms, citing the arrangement's simpler process of termination relative to NAFTA.

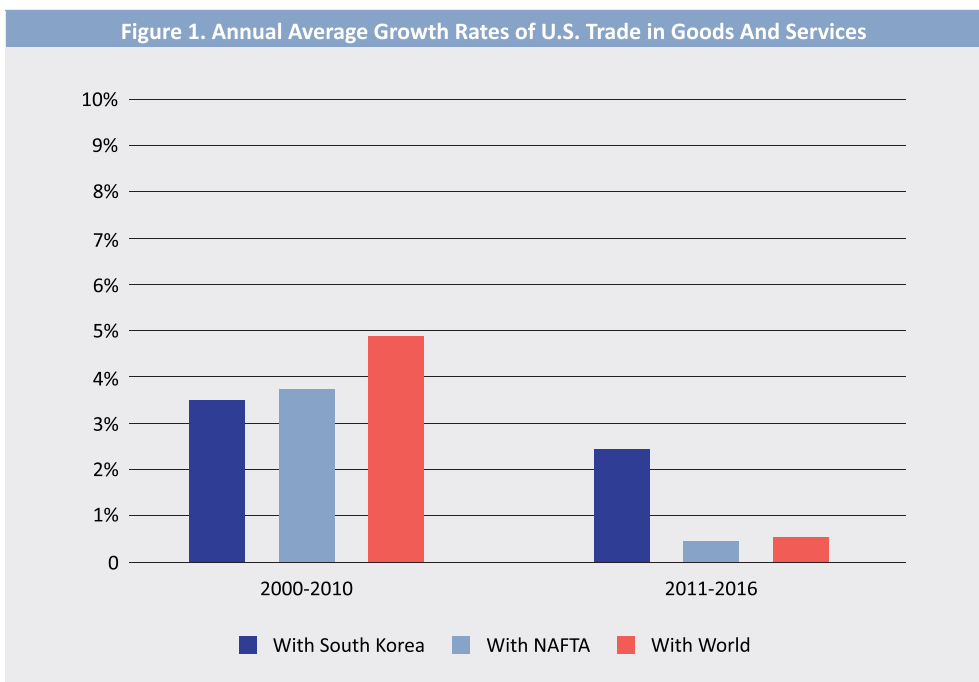
Trump's preference for linking security and economic concerns could also pose a challenge in working with recently elected President Moon Jae-in, who is seen as less hawkish on North Korea. As a career human rights lawyer and the son of North Korean refugees, he has pledged to review his predecessor's deployment of the THAAD missile defense system and said he wanted to improve relations with North Korea, including reopening the Kaesong Industrial Complex. Clearly, that position stands in stark contrast to the Trump administration's far more aggressive stance toward the dictatorial regime in Pyongyang. Although Moon seems to be taking a more centrist approach to North Korea as president, it is too early to make a definitive judgment.

Under these circumstances, renegotiating KORUS would not only be difficult, but also politically painful for both Washington and Seoul. Trump's threat to terminate KORUS and demand that South Korea pay for THAAD could trigger latent anti-Americanism among some South Koreans. Eventually, the collective emotion of anti-Americanism may explode into protests that would shock Washington. Moon could face severe domestic pressure to distance himself from Washington, with a strong anti-American strain among some South Korean voters. Clearly, such a situation would reduce Moon's room to maneuver on KORUS and prevent Trump from achieving satisfactory results from renegotiations.

There is no inevitability for the two administrations to be at odds with each other. South Korea has been one of the most important U.S. strategic and economic partners in Asia since the early 1950s. Most South Koreans still firmly believe that the relationship is "forged in blood." On broad strategic matters in Northeast Asia, Korean and U.S. perspectives could fully overlap, despite some key differences. Thus, both new administrations must take steps to bring the United States and South Korea closer on shifting geopolitical dynamics in Northeast Asia. To boost the chances for effective cooperation through an objective understanding of current conditions this chapter reviews bilateral trade relations after the KORUS FTA took effect and explores ways to strengthen relations. Policy suggestions for both countries are included in the conclusion.

U.S.-KOREA BILATERAL TRADE FACTS

KORUS has been the centerpiece of U.S.-South Korean trade and economic relations since it went into effect on March 15, 2012. Six rounds of tariff cuts have occurred to date, resulting in the elimination of 92 percent of South Korean tariff lines and 93 percent of U.S. tariff lines. Trade and investment are now substantially larger than before KORUS. Overall, goods and services trade has risen from \$129.2 billion in 2011 to \$145.3 billion in 2016. This is almost five times as fast as the U.S. growth rate in goods and service trade to the world over the same period. The annual growth rate of the U.S. trade in goods and services with South Korea between 2011 and 2016 was 2.4 percent while the figures with NAFTA and the rest of world were 0.4 percent and 0.5 percent, respectively. Clearly, KORUS has benefitted both economies during a slowdown in global trade.

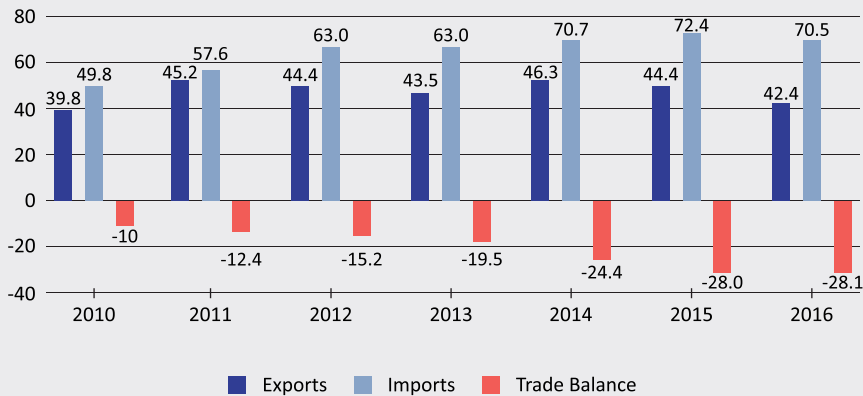


Source: U.S. Bureau of Economic Analysis (BEA)

U.S. Trade in Goods with Korea

If one only looked at trade in goods, as Trump has consistently done, it is apparent that the deficit with Korea has increased in the years since KORUS was implemented. In 2016, U.S. goods exports to Korea were \$42.4 billion, a decrease of 6.3 percent (\$2.8 billion) from pre-KORUS levels, while goods imports from Korea were \$70.5 billion, an increase of 22.4 percent (\$12.9 billion). Accordingly, the U.S. deficit from trade in goods with Korea increased \$15.7 billion between 2011 and 2016, an increase of 127 percent, more than double over the last five years.

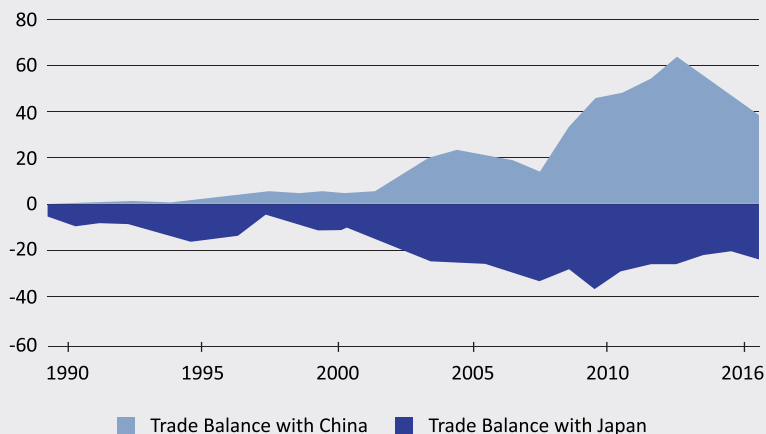
Figure 2. Trade in Goods Between the U.S. and Korea, 2010-2016 (USD billion)



Source: U.S. Bureau of Economic Analysis (BEA)

However, trade surpluses or deficits are not reflective of the fairness of a trade deal.¹ Bilateral deficits tend to be connected more with a country's macroeconomic characteristics than unfair trade practices. For example, Korea has a large trade deficit with Japan and a large surplus with China. Japan, in general, produces high-tech intermediate goods, which Korean firms need, while Korea produces goods that Chinese assembling factories need. China then assembles goods which U.S. companies or consumers want. Due to this structural characteristic in trilateral trade, Korea has continuously run a trade deficit with Japan since diplomatic relations were established in 1965, while trade with China has run a surplus since 1993.

Figure 3. Korea's Trade Balance with China and Japan, 1990-2016 (USD billion)



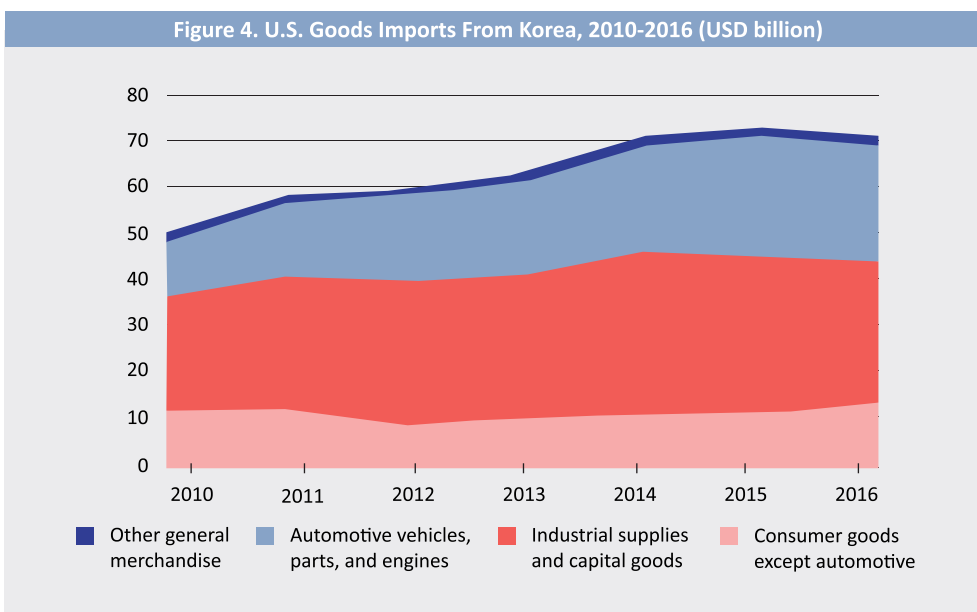
Source: KITA (Korea International Trade Association)

Recent research has shown that U.S. trade deficits also tend to be reflective of a partner's domestic economic characteristics. Caroline Freund of the Peterson Institute for International Economics said,

“The U.S. has a large trade deficit with Germany and a large surplus with the Netherlands. Both countries have the same trade policy under the European Union. So why does the United States run a deficit with one country and a surplus with the other? There are several explanations, an important one of which is structural. ... The United States tends to run bilateral deficits mainly with countries that produce things it likes or needs. For example, as long as the United States uses more oil than it produces, it will run a trade deficit with some oil producers.”²

It is also hard to argue industry-level imbalances are indicative of unfair trade practices. For example, the United States runs huge surpluses in services—education, banking, and intellectual property. Yet, it is not criticized for engaging in unfair trade practices in these areas. Instead, it is implied that the U.S. service sector is more efficient. While the service surplus with Korea (\$10.7 billion in 2016)³ is overshadowed by the larger goods deficit, it has doubled over the past decade and is an important sector where the United States could keep making crucial gains, given its highly skilled and educated workforce and, therefore, high international competitiveness.

Furthermore, most U.S. goods imports from Korea are not final goods but industrial supplies and capital goods, which can help U.S. companies raise their international competitiveness. The main import categories in 2016 were: industrial supplies and capital goods (\$30.0 billion, 42.6 percent of total goods imports), automotive vehicles, parts, and engines (\$25.1 billion, 35.6 percent), consumer goods except automotive (\$1.5 billion, 2.2 percent.)⁴



Source: U.S. Bureau of Economic Analysis (BEA)

Labor-intensive inputs or high-level industrial supplies—machinery, materials, and other components for industries or firms—clearly allow U.S. manufacturers to be more competitive in the global economy. Competitive U.S. production is dependent on specialization across countries by stage of production, where the United States maintains the core, high-skill stages and Korea performs the complementary-skill stages. Thus, the content of imports from Korea are just as important as their monetary value.

Korean automotive exports to the United States are often cited as one of the key driving forces behind the growing U.S. trade deficit with South Korea.⁵ In 2016, automotive vehicles and parts constituted almost 36 percent of total imports from South Korea.⁶ However, automotive tariffs for both countries were eliminated on January 1, 2016, though the U.S. still retains some tariffs on trucks. Thus, KORUS is not to blame for an increase in automotive imports from South Korea.

Bilateral deficits tend to be exaggerated because of deepening global production networks and the way in which trade is measured. Apple's iPhone illustrates this clearly: components from numerous countries are sent to China, where they are then assembled, and finally exported to the United States and elsewhere. According to an Asian Development Bank Institute study, the iPhone contributed \$1.9 billion to the U.S. trade deficit with China, using the traditional country of origin concept. But if China's iPhone exports to the United States were measured in value-added—added in China to the final product—those exports would come to only \$73.5 million.⁷

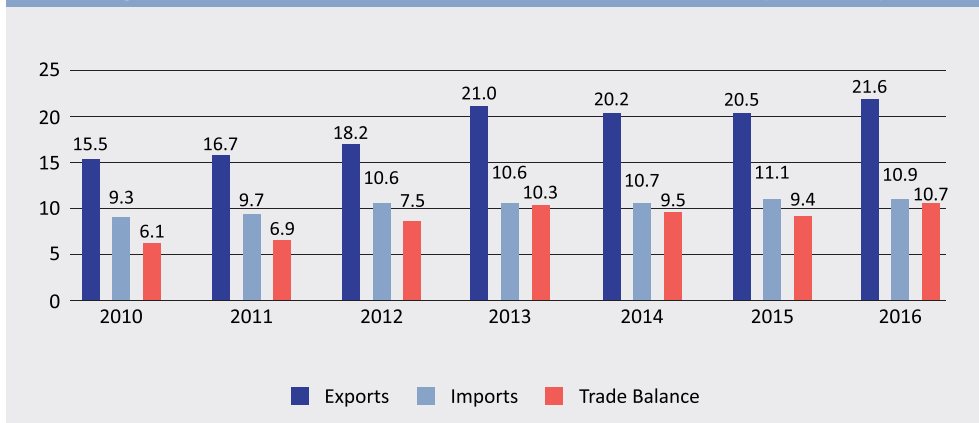
As recently as 30 years ago, products were assembled in one country, using inputs from that same country. Measuring trade was thus simple. But today the concept of country of origin is unclear as well as complicated. What we call “made in Korea” is partly or wholly assembled in Korea or is an intermediate input, but its commercial value comes from those numerous countries that precede its assembly. The OECD estimates that more than 40 percent of the content of Korea's exports are foreign.⁸ Appropriately adjusting the trade balance to account for the value-added content of exports would cut the U.S. trade deficit with Korea by roughly 40 percent. Clearly, any study of bilateral trade deficits will have to take into consideration how global supply chains affect bilateral trade. A distorted trade picture can inflame bilateral relations, while raising anti-trade sentiment at a time when protectionist pressures are already rising.

Trade in Services Between the United States and South Korea

The United States records a significant surplus in services trade with South Korea. Exports of services to South Korea amounted to \$21.6 billion in 2016, compared to imports of \$10.9 billion. This surplus increased \$4.9 billion between 2011 and 2016, an increase of 29.3 percent. The most significant U.S. service exports are travel (for all purposes including education) services, and fees for the use of intellectual property rights. Exports of these two services reached \$13.1 billion in 2016, more than Korea's total service exports to the United States.⁹

The United States has enjoyed a growing services surplus since KORUS went into effect. Unlike trade in goods, the foreign content of service exports is in general very low, thus the significance of a surplus in services is quite different from that of goods, particularly in terms of domestic value added.

Figure 5. Trade in Services Between the U.S. and Korea 2010-2016 (USD billion)



Source: U.S. Bureau of Economic Analysis (BEA)

Overall Trade between the United States and South Korea

In 2016, U.S. goods and services trade with South Korea totaled \$145 billion. Total U.S. exports were \$64 billion and imports were \$81 billion. Thus, the goods and services trade deficit with South Korea was only \$17 billion, much less than the \$28 billion goods trade deficit often referenced by the Trump administration. This deficit would be further reduced if foreign direct investment were also taken into consideration.¹⁰

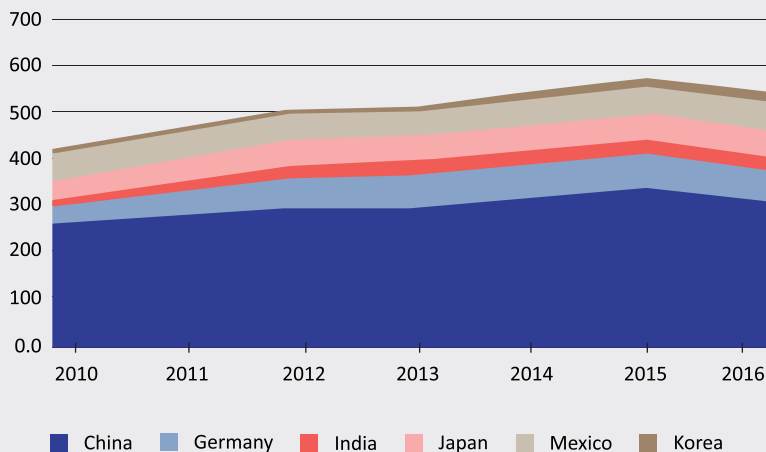
In absolute terms, the U.S. trade deficit with South Korea is dwarfed by its deficits with other countries such as China, Germany, Mexico, and Japan. The largest is with China, accounting for more than 60 percent of the overall U.S. trade deficit in goods and services. In 2016, the \$310 billion deficit with China was largely driven by \$480 billion of imports. The second largest deficit is with Germany (\$68 billion), third is Mexico (\$62 billion), and fourth is Japan (\$56 billion). At \$17 billion, the U.S. goods and services trade deficit with South Korea is only 3.5 percent of the total deficit. It is also 5.5 percent of the trade deficit with China and 25 percent of that with Germany. If the Trump administration is serious about reducing the overall U.S. trade deficit, it must focus its attention on China, Germany, Mexico or Japan, not South Korea.

Table 1. Deficits in Goods and Services Trade (USD billion)

	China	Germany	Mexico	Japan	Italy	India	Korea
2010	261	38	58	43	16	15	4
2011	279	53	57	45	19	20	5
2012	295	66	54	58	23	25	6
2013	295	73	48	59	24	27	9
2014	314	80	52	54	27	30	15
2015	334	77	58	55	30	30	19
2016	310	68	62	56	31	31	17

Source: U.S. Bureau of Economic Analysis (BEA)

Figure 6. U.S. Goods and Services Trade Deficits, 2010-2016 (USD billion)

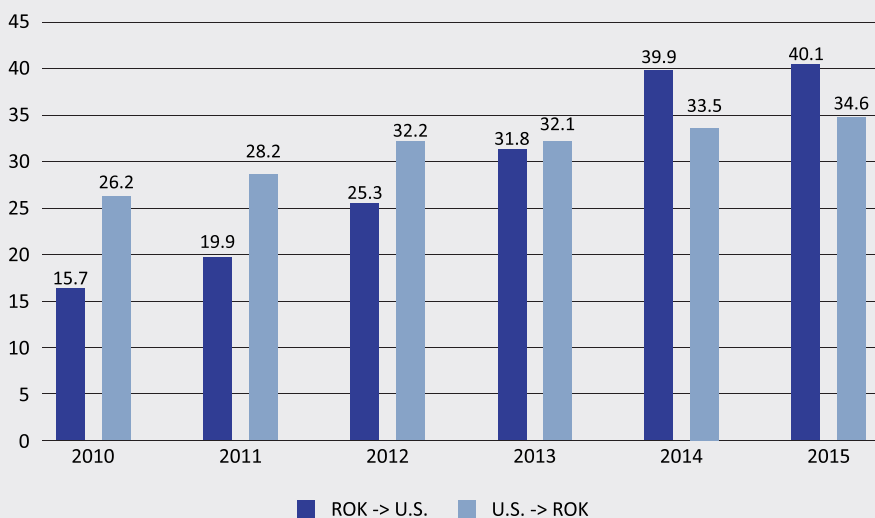


Source: U.S. Bureau of Economic Analysis (BEA)

Direct Investment Between the United States and South Korea

KORUS includes an investment chapter that is designed to facilitate bilateral investment between the two countries.¹¹ FDI has significantly expanded under KORUS, contributing to direct and indirect job creation. South Korea's FDI in the United States sharply increased from \$15.7 billion in 2010 to \$40.1 billion in 2015. U.S. investment in South Korea has also increased from \$26.2 billion in 2010 to \$34.6 billion in 2015. Since 2014, inbound FDI from South Korea has exceeded outbound FDI to South Korea, making the United States a net beneficiary of FDI. Moreover, South Korea is the fifth fastest growing source of FDI in the United States with investment doubling between 2011 and 2015, directly creating 45,100 jobs.¹²

Figure 7. The U.S. Direct Investment Position with Korea 2010-2016 (USD billion)



Source: U.S. Bureau of Economic Analysis (BEA)

Table 2. U.S. Inbound Foreign Direct Investment by Country (USD billion)							
	All Countries	Canada	Mexico	Asia and Pacific	China	Japan	Korea
2010	2,280	912	11.0	347	3.3	255	15.7
2011	2,434	205	12.5	395	3.6	274	19.9
2012	2,585	214	12.8	428	7.1	301	25.3
2013	2,728	223	15.9	483	7.9	350	31.8
2014	2,913	257	16.6	535	9.9	382	39.9
2015	3,134	269	16.6	564	14.8	411	40.1
Average Annual Growth Rate (2010-2016)	6.6	6.9	8.6	10.2	35.1	10.0	20.6

Source: U.S. Bureau of Economic Analysis (BEA)

In sum, KORUS has contributed to the expansion of new trade opportunities for both parties. That is why a 2016 U.S. International Trade Commission report stated,

“The bilateral and regional trade agreements increased bilateral trade with partner countries by 26.3 percent in 2012. They also increased total U.S. exports by 3.6 percent as well as real GDP by \$32.2 billion in 2012. Furthermore, those trade agreements increased total employment by 159.3 thousand fulltime equivalent employees and increased real wages by 0.3 percent in 2012.

The U.S. bilateral and regional trade agreements have contributed to improvements in U.S. bilateral merchandise trade balances. The average trade balances in 2015 were higher, and average trade deficits smaller, with trade agreement partner countries than with non-partners. In addition, the U.S. recorded a trade deficit with a smaller percentage of the trade agreement partners (26.3 percent) than non-partner countries (49.4 percent).¹³

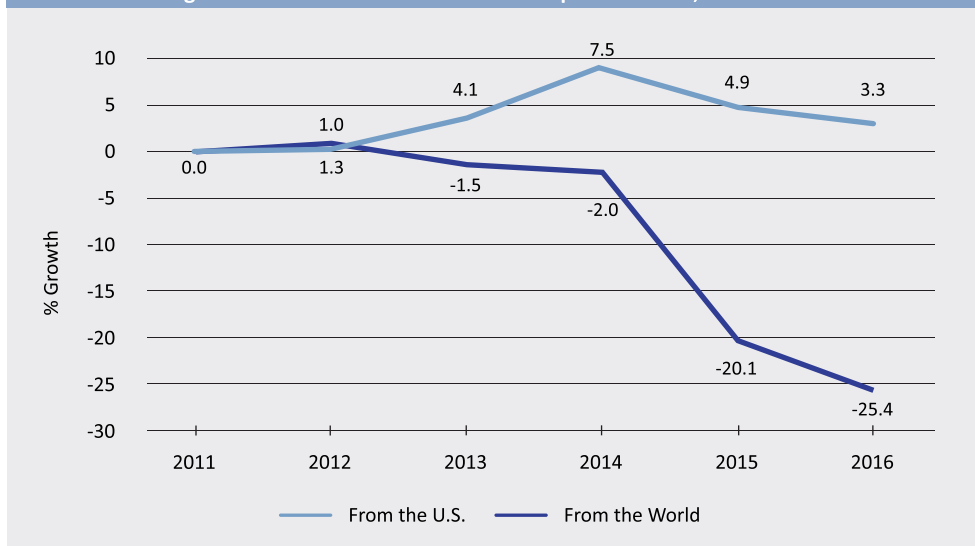
Furthermore, the USITC pointed out that KORUS had a significant positive effect on U.S. bilateral trade balances, without KORUS, the deficit with Korea would have been \$15.8 billion higher.

Table 3. Estimated Improvement by U.S. Trade Agreements on Bilateral Merchandise Trade Balances in 2015 (USD billion)				
Partner Country	Total Balance in 2015	Estimated Trade Balance in 2015 absent the trade agreement	Improvement in the bilateral trade balance in 2015	Improvement as a share of total bilateral trade in 2015
Canada	-15.2	-32.9	17.7	3.1
Mexico	-58.4	-71.6	13.2	2.5
South Korea	-28.3	-44.0	15.8	13.7

Source: USITC (2016)

The growth rate of South Korea's imports from the United States supports the USITC estimates. Since KORUS, South Korean real GDP has only grown on average 2.8 percent annually, largely slowing due to the impact of the global economic downturn on its export-oriented economy. Accordingly, South Korea's goods and services imports from the world fell 25.4 percent from \$648.9 billion to \$484.2 billion since 2011. However, Korea's imports from the United States grew 3.3 percent from \$61.9 billion to \$63.9 billion over the same period.

Figure 8. Korea's Goods and Services Imports Growth, 2011-2016



Source: BOK (Bank of Korea) and U.S. Bureau of Economic Analysis (BEA)

MYTHS ABOUT THE TRADE DEFICIT

The United States and South Korea are major economic partners. After KORUS took effect, the United States has become the second-largest trading partner of South Korea while South Korea is now the sixth largest U.S. trading partner.¹⁴ KORUS has clearly increased economic linkages between the two countries. However, Trump is seemingly against KORUS, calling it a “horrible deal” that has left America “destroyed” and even threatening to terminate the deal. While Vice President Pence attempted to soften these statements by stating the United States would only be looking to reform KORUS, how the administration will actually proceed is still unclear.

The White House seems to consider trade deficits as impeding economic growth and prefers taking a bilateral approach to trade imbalances. In particular, Trump seems to think KORUS has led to a decline in U.S. exports to South Korea, and the “flood” of Korean imports has resulted in U.S. trade deficits with South Korea that equate to lost American jobs.¹⁵ This gross oversimplification of the impact of KORUS is indicative of the Trump administration’s lack of understanding of the data used in creating trade policy. Counter to what Trump has stated, U.S. free trade agreements are not the main cause of job losses, especially in manufacturing. Many Americans are convinced that free trade has led to the decline in manufacturing jobs. However, manufacturing’s share of U.S. employment has fallen steadily for over half a century, long before it started running trade deficits.¹⁶ All industrialized countries, even those with large trade surpluses such as Germany and the Netherlands, have reported a similar trend.¹⁷

A recent report shows that the main engines of such a trend are a combination of two factors: increasing productivity growth in U.S. manufacturing and a shift in demand from goods toward services.¹⁸ While productivity growth has led to lower prices, demand has not grown

rapidly enough to prevent a decline in employment. Thus, trade deficits in manufactured goods have only played a partial role in reducing employment. Similarly, persistent U.S. trade deficits do not reflect recent FTAs. It has had continuous annual trade deficits since 1976, well before NAFTA in 1994 and China's accession to the World Trade Organization in 2001. In addition, free-trade critics who state that imports have been a crucial contributor to unemployment, especially during the recent global recession, are contradicted by empirical data showing larger trade deficits correlate positively with falling unemployment.

In sum, misunderstanding trade deficits has fostered a number of myths about international trade and U.S. trade policies. Those myths have allowed trade deficits to be used to further anti-trade and anti-market positions, including industrial policy, and sanctions against “unfair” trading partners. However, fundamental economic principles backed by empirical data show that protectionism cannot cure the trade deficit.¹⁹ Rather, increasing exports is the best means to reduce the trade deficit and boost employment in manufacturing. Making goods and services more attractive is of no use if U.S. companies cannot access foreign markets. Surely, securing promising foreign and global markets through FTAs is a useful way of increasing exports.

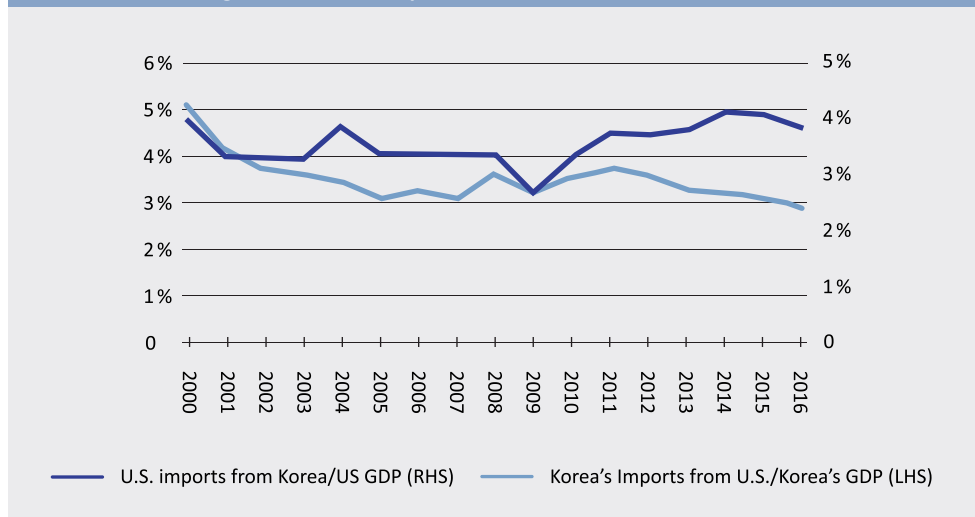
A CAREFUL APPROACH TO REFORMING KORUS

Renegotiating or reforming the KORUS FTA could be a difficult process for both governments. Officials under the new Moon Jae-in government would be very sensitive to new U.S. demands and pressure, which might provoke an anti-American backlash in South Korea. Moon could face severe political pressure domestically to stand apart from the United States and draw closer to China or even to North Korea. In such a situation, Moon might not have the necessary room to make a compromise to benefit both countries. Moreover, given the current tensions on the Korean Peninsula, neither side should want severe trade frictions to undercut or even signal discord in the U.S.-Korea strategic alliance. Reforming KORUS demands very careful attention, especially in terms of approaching the negotiating framework.

There are many committees and working groups built into KORUS.²⁰ They were established to discuss and resolve issues that may arise in the process of implementing KORUS. To date, U.S. and Korean officials have addressed implementation challenges relatively well. As a result, a number of implementation problems have been resolved, although some challenges remain. It is imperative that implementation issues be resolved quickly and faithfully in line with the KORUS agreement so that both countries can fully benefit from it. All outstanding issues—including specific market access concessions, rules of origin, financial services, even regulatory transparency and regulatory overreach—can be fully and effectively discussed within the current framework of the agreement.

The scope for deepening bilateral economic cooperation between South Korea and the United States is huge, both in goods trade and in FDI. South Korea's goods imports from the United States remain at 3 or 4 percent of its GDP. It can afford to import more U.S. goods. The same is true in reverse; U.S. goods imports from South Korea are just 0.3 percent of its GDP. Both sides should make greater efforts to facilitate bilateral trade, improving procedures and controls governing traded goods to reduce associated costs to trading companies in both countries.

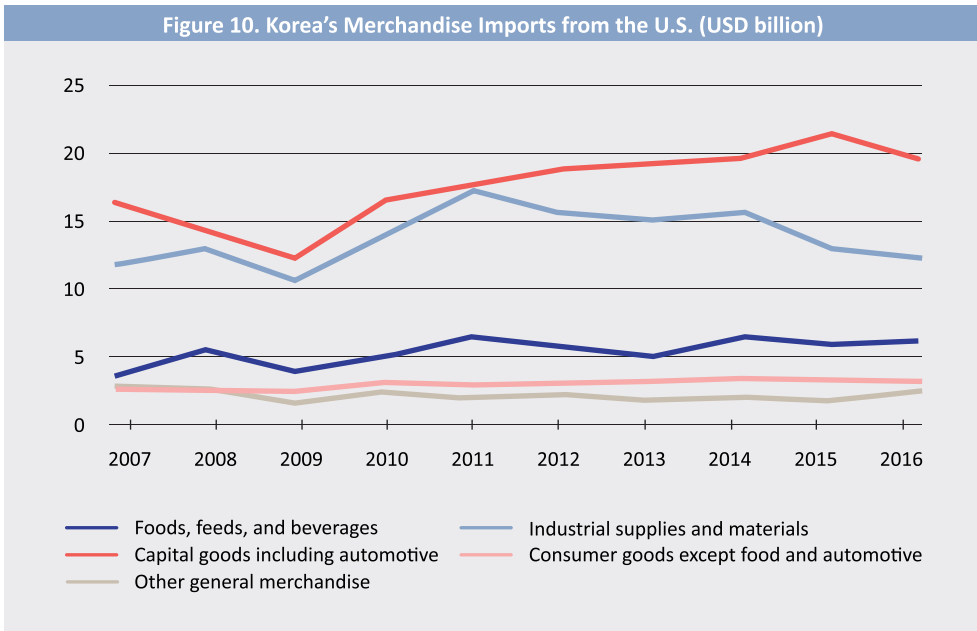
Figure 9. Share of Imports in GDP: South Korea and the U.S



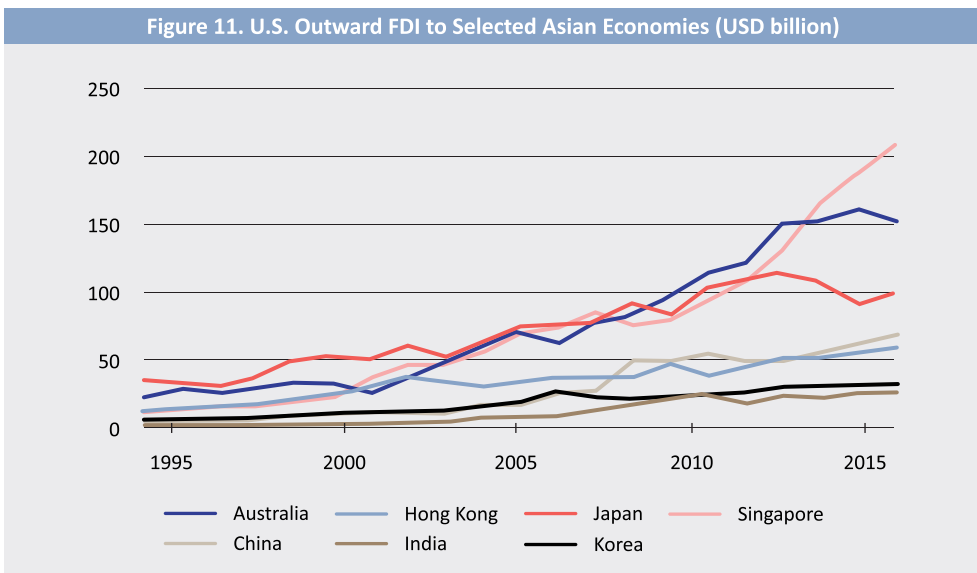
Source: U.S. Bureau of Economic Analysis (BEA) and BOK (Bank of Korea)

To date, merchandise trade between the two countries has been heavily skewed toward industrial supplies and capital goods. This implies that there must be other goods that can promote consumer welfare in both countries. For example, the share of food, feed, and beverages in Korea's total goods imports is 14 percent (\$5.9 billion). The ratio of consumer goods except food and automobiles to U.S. total goods imports from South Korea is 18.7 percent. Thus, producing goods and services that consumers and firms from each country want is important. For example, Korea is currently the fifth-largest market for U.S. agricultural exports. U.S. cherry exports to South Korea were valued at \$110 million in 2016, up 174.1 percent compared to 2011. Exports of lemons were up over 240 percent to \$30 million in 2015. South Korea's instant noodle exports to the United States were valued at \$35.6 million in 2016, up 173 percent from 2011.

In terms of FDI, there is vast room to strengthen economic relations. In particular, U.S. outbound FDI to Asian countries tends to be concentrated toward Singapore, Japan, and Australia. The share of these three countries in U.S. FDI to the Asia Pacific approached 65 percent in 2015, while U.S. FDI to South Korea has remained around 4 or 5 percent during the last two decades. U.S. FDI to Singapore has risen from \$12.1 billion in 1995 to \$228.7 billion in 2016 while U.S. FDI to South Korea increased from \$5.6 billion to \$34.6 billion over the same period. South Korea, of course, must endeavor to make a better investment environment for foreign investors.



Source: U.S. Bureau of Economic Analysis (BEA)



Source: U.S. Bureau of Economic Analysis (BEA)

Moreover, the security importance of KORUS cannot be overstated. The motives behind the U.S. effort to sign the trade deal were predominantly political and strategic, which reflects the changing geopolitical environment in Northeast Asia, particularly the U.S. effort to balance against China's rising power and influence.²¹ In addition to the billions of defense exports to Korea over the past few years—valued between \$12 to \$14 billion between 2013 and 2016—there are ancillary benefits for global economic activity and regional stability that go unmeasured.

KORUS is not a simple FTA. It is a high-standard and comprehensive agreement designed to establish trade rules and disciplines governing global trade for the 21st century. It has the highest-standards of any U.S. FTA currently in force, including commitments ensuring the ability of financial services firms to transfer data between the two countries. Non-tariff barriers in goods, services, and FDI have and will continue to be reduced or eliminated under the agreement. Thus, the Korean market will be more open, predictable, and business-friendly as new measures in line with its KORUS commitments are implemented over the next several years.

ENDNOTES

1. Trade deficits or surpluses reflect underlying macroeconomic factors, especially investment flows and, ultimately, the national rates of savings and investment that determine those flows. In fact, trade policy has a negligible effect on the trade deficit.
2. Caroline Freund, "Public Comment on Trump Administration Report on Significant Trade Deficits," *Trade & Investment Policy Watch*, Peterson Institute for International Economics, May 8, 2017.
3. U.S. Census Bureau, U.S. Bureau of Economic Analysis, *NEWS*, May 2017, https://www.census.gov/foreign-trade/Press-Release/current_press_release/ft900.pdf.
4. U.S. Bureau of Economic Analysis, BEA International Trade and Investment Country Facts, South Korea.
5. Robert E Scott, "U.S.-Korea trade deal resulted in growing trade deficits and more than 95,000 lost U.S. jobs," 2016, <http://www.epi.org/blog/u-s-korea-trade-deal-resulted-in-growing-trade-deficits-and-more-than-95000-lost-u-s-jobs/>. He said, "The growth of the vehicles and parts deficit was responsible for 85.0 percent of the increase in the U.S.-Korea manufacturing trade deficit, and nearly two-thirds (63.7 percent) of the increase in the total U.S. Korea trade deficit between 2011 and 2015."
6. BEA International Trade and Investment Country Facts, South Korea.
7. Yuqing Xing and Neal Detert, "How the iPhone Widens the U.S. Trade Deficit with the People's Republic of China," ADBI Working Paper Series, No. 257, December 2010.
8. https://www.oecd.org/sti/ind/tiva/CN_2015_Korea.pdf.
9. BEA International Trade and Investment Country Facts, South Korea.
10. The United States is the net beneficiary of around \$7 billion in FDI. U.S. Bureau of Economic Analysis, BEA International Trade and Investment Country Facts, South Korea.
11. As a typical example of 21st century FTAs, KORUS includes an investment dispute mechanism, intellectual property rights, and environmental and labor standards.
12. South Korea – FDI, Select USA, June 2016, <https://www.selectusa.gov/servlet/servlet.FileDownload?file=015t0000000LKNs/>.
13. USITC, Economic Impact of Trade Agreements Implemented Under Trade Authorities Procedures, 2016 Report, June 2016.
14. Both the U.S. and Korea have moved up in trading partner rankings (in terms of trade in goods) since KORUS took effect.
15. Candidate Trump had referred to KORUS several times as "a job killing deal." As president he also said that KORUS was "a horrible deal" that has left America "destroyed." Phillip Rucker, "Trump: 'We may terminate' U.S.-South Korea trade agreement," *The Washington Post*, April 28, 2017.
16. Robert Z. Lawrence and Lawrence Edwards, "Shattering the Myths About U.S. Trade Policy," *Harvard Business Review*, March 2012
17. Ibid.
18. Ibid.

19. Fewer imports would mean fewer dollars flowing into international currency markets, raising the value of the dollar relative to other currencies. The stronger dollar would make U.S. exports more expensive for foreign consumers and imports more attractive to the United States. Then, exports would fall and imports would rise until the trade balance matched the savings and investment balance.
20. For example, there are ten committees: Joint, Trade in Goods, Agricultural Trade, Textile and Apparel Trade, Medicine and Medical Devices, SPS, TBT, Trade Remedies, Financial Service, Outward Processing Zone, Fisheries, and Services and Investment. Two councils on labor and environmental affairs and five working groups (Automotive, Professional Services, Insurance, Government Procurement, SMEs) were established.
21. It is clear that the KORUS FTA is not simply a matter of economic costs and benefits. It could be part of a strategy to use its asymmetric trading relations with South Korea as a means to maintain U.S. political influence while simultaneously balancing against China's increasing power and influence in Northeast Asia.

The Trump Administration, U.S.-Korean Economic Relations, and Asian Regionalism

Claude Barfield

This analysis written “*in medias res*” (in the midst of things) covers trade policy under President Donald Trump. The basic outline was prefigured during the presidential campaign, but this did not preclude surprising policy twists and turns (even contradictions) during the first months of the administration. In part, these tergiversations can be explained by the shakedown cruise for any new regime, but in this case, this fairly standard phenomenon has been complicated by the highly personal, idiosyncratic “Trump brand” of policymaking. In many areas of domestic and foreign policy, Trump had little or no experience or fixed opinions. Not so with trade: well back in the 1980s, Trump, as a private corporate leader, had railed against the “unfair” trade practices of Japan and other U.S. trade partners, as well as mounting U.S. trade deficits.¹ These themes defined his presidential campaign and have been carried through in actions since he took office in January. The trade priorities have included: “America First” and the vigorous assertion of U.S. sovereignty, with the undisguised threat of unilateral action in defiance of the World Trade Organization; trade negotiations and renegotiation of existing trade agreements with the primary goal of reducing U.S. trade deficits; stepped up use of trade remedy (anti-dumping and countervailing duties) actions, as well as the threat to retaliate against U.S.-defined “unfair” trade practices; and tying trade restrictions directly to alleged national security imperatives. Yet, what seems a sure fact one day may be outdated the next, complicating preparation of this chapter.

As presidents before him have discovered, Trump is learning that trade policy is not made in a vacuum. Foreign and defense policies regarding individual nations and whole regions must be factored into decisions that relate to U.S. international economic policies. Thus, although the president had vowed to name China as an unfair currency manipulator during the campaign, he backed off in light of the necessity to enlist President Xi Jinping against the nuclear threat from North Korea. And whatever the unhappiness over the trade deficit with Japan, that country is a treaty ally and also a stalwart defender of democracy. The divisions over foreign and trade policy extend into the heart of the White House itself. Washington has been titillated by leaks and report of conflicts between contending factions close to the president—most particularly between the so-called Economic Nationalists, who press for the campaign-based hardline on trade; and the Internationalists, a number of whom come from Wall Street careers, who favor more traditional trade policies and cooperation with U.S. allies and trading partners.

These competing and sometimes confusing impulses within the fledgling administration present difficult challenges for Korea and Japan, two of America’s closest allies and trading partners. Both have been targeted for their allegedly “unfair” trade surpluses with the United States, and both are attempting to craft mollifying international economic policies to deflect Trump administration retaliation. In a larger context, the president has upended decades of U.S. leadership in East Asia by summarily withdrawing from the Trans-Pacific Partnership agreement, without advancing an alternative U.S.-led regional economic architecture. Meanwhile, the Chinese have attempted (with decidedly mixed success) to convince the region—and the world—that they have suddenly embraced globalization and economic liberalism.

This chapter proceeds as follows. The first section describes the main tenets and priorities of the administration’s trade policies. The second section lays out the organizational structure for developing and executing Trump’s trade policies: who is in charge and what are their roles so far as we know. This section also describes the administration’s initial actions

and priorities. The next section analyzes the implications of the new U.S. trade agenda for Asia, with particular attention to Japan and Korea. The final section sets forth an East Asian response to Trump's withdrawal from TPP, strongly urging the remaining nations (TPP-11) to recreate the provisions without the United States.

THE TRUMP ADMINISTRATION TRADE POLICY

While the actual details of trade policy are far from complete, it would be hard to overestimate the upheaval promised by Trump during the presidential campaign—and reiterated by the new president and his trade counselors since taking office. To understand where Trump and his trade advisers want to take U.S. trade and investment policy, one must go back to a seminal document, published during the fall campaign, by incoming Commerce Secretary Wilbur Ross and Peter Navarro, who has been picked to head a new White House Trade Policy Council.² Key elements of this document have been repeatedly cited since the election, supplemented by the strident espousal of “economic nationalism” by White House Counsel Steven Bannon, as the defining theme of the Trump presidency.³

What follows is a distillation of Trump administration guiding principles for trade and specific policy prescriptions. Much of the underlying analysis by Navarro, Bannon, Ross—and certainly Trump himself—is deeply flawed and contested by almost every economics professional. The aim here is to present a clear description of the fundamental assumptions and their policy consequences.

Trade Deficits and the Off-Shoring of Jobs

The Trump team finds two underlying sources of U.S. economic decline: persistent trade deficits and the rise of off-shoring of jobs by U.S. corporations. In their September 2016 policy paper, Navarro and Ross argued that trade deficits have caused a heavy drag on U.S. economic growth and depressed the income of workers, particularly those in the manufacturing sector: “To score the benefits of eliminating the trade deficit drag, we don’t need any complex computer model. We simply add up most (if not all) of the tax revenue and capital expenditures that could be gained if the trade deficit were eliminated... Trump proposes eliminating the American \$500 billion trade deficit through a combination of increased exports and reduced imports.”⁴ In his State of the Union address, Trump came back to this theme—rising trade deficits and trade policies caused job losses: “The trade deficit in goods with the world last year was nearly \$800 billion... We have lost more than one-fourth of our manufacturing jobs since NAFTA was approved, and we have lost 60,000 factories since China joined the World Trade Organization in 2001.”⁵

Regarding offshoring, the president has exerted great pressure on selected U.S. corporations—Carrier, Ford, Boeing—which had planned to close factories in the United States or to expand or open new facilities abroad (particularly in Mexico.) Administration officials do not place all the blame on corporate greed (a la Bernie Sanders.) They also cite other factors for off-shoring and the alleged decline in manufacturing: heavy and inefficient regulation, currency manipulation, “bad” trade deals, and faulty international tax policies: “The U.S. will become more competitive (in manufacturing) if our businesses are not being pushed offshore by high taxes and heavy regulatory burdens or pulled offshore by unfair trade practices like the lure

of undervalued currencies and the availability of illegal export subsidies...bad [trade deals] both allow and encourage corporations to put their factories anywhere. However, Mr. and Mrs. America are left back home without high-paying jobs.”⁶

“Good” Bilateral Trade Deals vs. “Bad” Multilateral Trade Deals

Flowing from the above (inaccurate) assumptions, for the Trump administration good or bad trade deals are judged on the basis of whether they are followed by an increase (bad) or decrease (good) in the bilateral trade deficit (likewise with an existing trade surplus.) Candidate Trump stated, and Secretary of Commerce Ross has reaffirmed, the administration will only pursue bilateral trade agreements. To underline this determination, one of the president’s first official acts was to formally withdraw from the TPP. Ross and Navarro have given two reasons for the move away from regional or multilateral pacts. First, as Ross told the Senate Commerce Committee in his confirmation hearings, with the TPP and other multilateral negotiations the United States has to give up too much to multiple partners to get its own individual priorities: “As someone who has negotiated a lot of transactions, I can tell you that the more complex the environment within which you’re negotiating, the less likely you are to get to a sensible result.”⁷

There is a second political economy rationale for moving to the bilateral format: market power. Trump, echoed by Navarro and Ross, has bluntly threatened retribution if recalcitrant trading partners refuse either to negotiate or to knuckle under to US demands. As Navarro and Ross wrote: “those who suggest that Trump’s trade policies will ignite a trade war ignore the fact that we are *already* engaged in trade war...Our major trading partners are far more likely to cooperate with an America resolute about balancing its trade than they are likely to provoke a trade war. This is true for one simple reason. America’s major trading partners are far more dependent on American markets than America is on their markets.”⁸ Trump followed through in late February when he told the conservative CPAC conference that he had “withdrawn from the Transpacific Partnership so that we can protect our economic freedom. We are going to make trade deals, but we’re going to do one-on-one—one-on-one—and if they misbehave we terminate the deal...None of these big quagmire deals that are (a) disaster.”⁹

“Unfair” Trade Practices and Currency Manipulation

Trump and his trade advisers strongly believe the United States is surrounded by nations who “game the system” and cheat with abandon. As Navarro and Ross stated: “The global trading system is riddled with cheaters...It is fair for countries to benefit competitively from any inherently lower costs. It is unfair to game the system in addition. When countries cheat to boost their exports, reduce their imports, and protect their own markets, trade becomes more of a zero sum game in which cheating countries enjoy a disproportionate share of any gains from trade...A Trump administration will not tolerate cheating by any nation.”¹⁰ This is echoed in the recent first USTR statement: “The President’s Trade Policy Agenda,” which affirms, “The Trump administration will not tolerate unfair trade practices that harm American workers, farmers, ranchers, services providers, and other businesses large and small. These practices lower living standards for all Americans by distorting U.S. and global markets and preventing resources from being allocated in the most efficient manner.”¹¹

The Trump administration will likely focus on two elements of alleged “cheating”: so-called dumping of goods below the costs of production, and currency manipulation. On

anti-dumping actions, the new administration will receive strong support from generally competitively failing industries such as steel, furniture, textiles, and shoes—in combination with the labor unions associated with these sectors. Composed of these groups, the Committee to Support U.S. Trade Laws has already called upon the president to identify loopholes in existing legislation and to add new tools such as self-initiation of anti-dumping actions by the Commerce Department. In Congress, a coalition of labor-oriented Democrats and some Republicans from the Rust Belt will ally with the new administration on these issues.¹²

Retaliation against alleged trade-distorting currency manipulation has been a strong goal of the same coalition—and a target of Trump. During his presidential campaign, Trump repeatedly called out China for manipulating its currency for unfair trade advantage. And on February 23, he again labeled Beijing as the “grand champion” of currency manipulation.¹³ However, his secretary of the treasury took a more cautious stance, preferring to allow the Treasury process for evaluating the currency policies of U.S. trading partners to play out (see below.)

U.S. Sovereignty, Unilateralism, and the WTO

The USTR Statement of the President’s Trade Policy, supposedly revised with less inflammable language,¹⁴ still is a document that follows closely Trump’s “America First” doctrine and Bannon’s defining theme of “Economic Nationalism.” While asserting that the “overarching purpose” is to “expand trade,” the document states that the priority is to “defend U.S. sovereignty over trade policy.” It takes dead aim at the terms and conditions of U.S. membership in the WTO and the Dispute Settlement Understanding, arguing that U.S. adherence to WTO judicial decision is premised on two conditions: 1) that the judicial decisions did not add to U.S. obligations or diminish its WTO rights; 2) no decision would become U.S. law automatically—only Congress would change U.S. law. Specifically, it states: “the Uruguay Round Agreements Act...provides that: ‘No provision of any Uruguay Round Agreement, nor the application of any provision to any person or circumstance, that is inconsistent with any law of the United States shall have effect’...In other words, even if a WTO dispute settlement panel—or the WTO Appellate Body—rules against the United States, such a ruling does not automatically lead to a change in U.S. law or practice. Consistent with these important protections and applicable U.S. law the Trump administration will aggressively defend American sovereignty over matters of trade law.”¹⁵

The document highlights U.S. trade remedy laws against unfair trade practices as central to carrying out the bargain between government and workers, farmers, and businessmen in retaining membership in the WTO: “Trade remedies are a foundation to the implementation of the WTO agreements...and it is critical that WTO members fully recognize their centrality to the international trading system.” Among the critical defenses against market-distorting practices, the administration identifies the aforementioned anti-dumping and countervailing duty regimes, but also gives special priority to Section 201 through which the administration can impose “relief” from import surges—and Section 301, the catch-all authority to take action against foreign trade policies that are “unjustifiable, or unreasonable or discriminatory” and burden U.S. commerce. And in a direct warning to the WTO, the statement declares: “And when the WTO adopts interpretations of WTO agreements that undermine the ability of the United States and other WTO Members to respond effectively to these real-world unfair trade practices...these interpretations undermine confidence in the trading system....Accordingly, the Trump Administration will act aggressively as needed to discourage this type of behavior...”¹⁶

In effect, the Statement of Trade Policy lays down the predicate to refuse to abide by a panel or Advisory Board decision, and represents “a sharp break from U.S. trade policy,” to which the Clinton, Bush, and Obama administrations adhered. It is also widely reported that USTR staff have been instructed to create options for future non-compliance with WTO judicial decisions.¹⁷

Trump Trade Policy: Who Is in Charge and What Are the Priorities?

Possibly in keeping with his reputation for establishing multiple power sources in his businesses, Trump has created a complicated structure for the development and execution of trade policy. First, in the White House and Executive Office, he rewarded a vociferous campaign advocate, Peter Navarro, as head of a new White House Trade Council, staffed with two deputies. Since he was on the ground first (his appointment did not need Senate confirmation), Navarro served as the administration’s lead spokesman on trade from December through February. He conducted the first briefings for Senate Finance Committee members in late February.¹⁸ There is some doubt, however, that Navarro will retain his lead position. The president also continued a National Economic Council (NEC), headed by Gary Cohn, a well-connected Wall Street banker. The NEC will have a much larger staff, and Cohn may become the center of international economic policy, as well as domestic policy, in the Executive Office of the President. Of greater influence are Secretary of Commerce Wilbur Ross and Robert Lighthizer, the U.S. Trade Representative. Both positions have defined policy and administrative duties and are confirmed by the Senate. Early on Trump named Ross as his chief trade strategist in beginning the renegotiation of NAFTA. But most observers believe that Congress will demand that USTR Lighthizer take the lead in actual trade negotiations.¹⁹

During March and April, the internal battle over trade policy broadened to other major diplomatic and political issues, pitting many of Trump’s original supporters, the economic nationalists or populists, against more moderate White House staff and some members of the president’s family, particularly the increasingly influential son-in-law Jared Kushner.²⁰ Kushner allied with Cohn and other former Goldman Sachs White House staff members to counter the hardline trade policies pushed by Bannon, Navarro, and on occasion, Ross (though beyond the purview of this paper, the Syrian response and missile attack was also a key dividing point, with the “American First” proponents opposing humanitarian intervention.) The pendulum has swung back and forth several times, but it remains too early to assess how much of Trump’s instinctive combative attitude on trade will still assert itself.²¹ On trade, both sides have scored points.

First Actions—With key trade policy appointments (particularly in the lower and middle levels of the bureaucracy) not in place, the president has moved forward only sporadically on his trade agenda after rejecting TPP. Despite his vow to name China a currency manipulator on his first day in office, that decision was postponed. But, behind the scenes, plans are taking shape for early actions, particularly with regard to the renegotiation of NAFTA. In accord with the dictates of the Trade Promotion Authority legislation, he must give a 90-day notice before undertaking the renegotiation. Still, it is clear from press reports that both Canada and Mexico are already deep in preparation for the NAFTA redo—and both have signaled that the negotiation will not be a one-way street. Each country plans to present its own offensive demands. On February 28, Ross told House Democrats that the administration planned to formally notify Congress of its intent to renegotiate NAFTA on or about March 15.

This set off a bipartisan debate over the propriety of the Secretary of Commerce making the notification. Congress is already showing how prickly it can become regarding its constitutional trade jurisdiction and over the executive adhering to mandated rules.²² The Senate failed to move on the Lighthizer nomination until early May, which resulted in Ross continuing to be the lead spokesman for the administration. There were also several important events that took place, highlighting the divisions over trade.

The economic nationalists won an important victory when the United States upended a meeting of the G20 finance ministers by refusing to sign on to a long-standing declaration that the G20 would “oppose protectionism in all its forms.”²³ Secretary of the Treasury Steve Mnuchin, a leading internationalist within the administration, was forced to toe a hard line, bluntly telling the assembled ministers: “The United States has been treated very unfairly over the years. That is going to stop. I am a free trader, but I am also a fair trader.”²⁴ Yet, the administration’s draft notice to Congress on renegotiating NAFTA was surprisingly modest in describing the goals, no doubt showing the hand of the moderate internationalists. There was no demand that Mexico cut its trade surplus in a specified time, or provide funds for the border wall. Rather, it reflected already-negotiated TPP provisions: new digital trade rules, strengthening intellectual property; new labor and environmental obligations; and (surprisingly) updating the investor-state dispute settlement system. Certainly, there were more protectionist additions: eliminating a special panel for anti-dumping and countervailing duty cases; stricter rules of origin; “Buy America” provision; and special safeguard measures to defend against surges in imports.²⁵

THE TRUMP-XI SUMMIT

The most startling contrast between Trump’s campaign rhetoric and the realities of governing came at the April 6-7 summit with President Xi Jinping. Having railed against China’s “rape” of the U.S. for months—even years—the president meekly accepted a standoff in his first meeting with Beijing’s top leader.²⁶ There are two reasons behind this shift, one short-term and one long-term. The short-term reality is that the president does not have his full team in place. His remains a top-heavy administration with few of the crucial mid- and lower-level political slots filled with acolytes who can flesh out policy and program details. The long-term reality demonstrates a fact that every president must come to grips with: trade policy ultimately is closely intertwined with larger national diplomatic and security goals. In the lead up to the summit, North Korea had defied the world and moved inexorably toward a long-range nuclear missile capability. While the president had openly stated that the United States was prepared to act alone, ultimately China’s aid and pressure on North Korea had the best chance of tipping the balance against unilateral U.S. intervention.²⁷ It became clear that in Trump’s universe trade and security were part of a continuum, with the potential of tradeoffs back and forth. Four days after the meeting, Trump in one of his (in)famous tweets bluntly stated: “I explained to the President of China that a trade deal with the U.S. will be far better for them if they solve the North Korean problem.”²⁸ Subsequently, on April 14 the Treasury Department did not name China a currency manipulator, but it did add an additional criterion for currency manipulation in the future that could ensnare Beijing. Treasury warned that it would closely monitor and possibly take action against countries that account for a “large and disproportionate” percentage of the overall U.S. trade deficit.²⁹

Before concluding that trade would continue to take a backseat with China and other U.S. partners, and that the “America First” wing of the White House was permanently displaced, it should be noted that the summit also produced a “100 Day Plan” in which the United States will present China with a list of demands on trade that reflect the priorities Trump had espoused earlier.³⁰ Though details were still to be worked out, Ross confirmed that the main demands would center around specific actions to produce a “quite noticeable” reduction in the bilateral trade deficit.³¹ In contrast to the vague platitudes at the summit itself, Ross emphatically stated that the United States would expect action within a short time period, noting that usually trade issues with China were “denominated in multiple years,” but this negotiation would see “a very big change in the pace of discussions.”³²

The Trump administration has taken a number of actions that potentially will further the economic nationalist agenda in coming months. First, the president signed an executive order commissioning a detailed study of the causes behind U.S. bilateral trade deficits. The goal was to identify “unfair” trade practices that contributed to the deficit, the result, according to Trump, of “very bad trade deals” that have resulted in “thousands of factories (being) stolen from our country.”³³ A second executive order dictated a study to search out new trade enforcement rules that would “keep foreign manufacturers from flooding U.S. markets with cheap goods.”³⁴ Then, the White House unleashed a stream of new highly nationalist decisions and rhetoric. In a visit to Wisconsin on April 17, Trump blasted Canada for being “unfair” to U.S. dairy farmers, again labeled the WTO “another one of our disasters,” and attacked congressional authority over trade as introducing “all sorts of rules and regulations that are horrendous.”³⁵ He launched several other potentially trade-destroying actions. He directed the Secretary of Commerce to determine which imports had national security implications under the provisions of Section 232 of the 1962 Trade Expansion Act. It is widely expected that the ultimate goal is to utilize this act to rein in steel imports from China and other major U.S. trading partners.³⁶ The White House also directed the Commerce Department to review U.S. policy regarding “Buy America” mandates from Congress and report back within 150 days with plans to limit any exceptions to the use of foreign parts, components and finished goods in U.S. public projects.³⁷

IMPLICATIONS OF TRUMP TRADE POLICY FOR KOREA, JAPAN, AND EAST ASIA

Given the slowness of the staffing up process for the Trump administration, it is not likely to move forward quickly with multiple trade initiatives. TPP is likely dead for the duration of a Trump presidency, and, when ready, the administration intends to move forward with a series of new bilateral agreements and renegotiation of other existing FTAs beyond NAFTA.

Japan

Once the NAFTA negotiations have been triggered, the Trump administration will almost certainly move to Japan. This progression stems from the importance of Japan as a U.S. trade partner and from prioritizing trade negotiations with nations with which the United States runs the largest trade deficits and which allegedly have been currency manipulators. Japan ranks just behind China as a priority, given the fact that last year it ran the second largest bilateral trade surplus with the United States (about \$70 billion.)³⁸ Prime Minister Abe was quick off the mark to meet with Trump in early February, but no timetable was decided

(at least publicly) for bilateral FTA negotiations. Abe has steadfastly defended the TPP, for which he expended great political capital, but he has also stated that he was open to bilateral negotiations.³⁹

Trade experts in both states are very divided on the difficulty and outcome of the proposed bilateral negotiations. There is support from key congressional leaders, including Sen. Orrin Hatch (R-UT), chairman of the Senate Finance Committee, who have reconciled themselves to the demise of TPP.⁴⁰ Fred Bergsten, former head of the Peterson Institute, argues that a bilateral U.S.-Japan FTA would not present great difficulties, particularly if the Trump administration accepts the central provision of the TPP as the basis for bilateral ties with East Asian countries. He also posits that defensively it will make sense for the Abe administration to close a deal quickly as insurance against future U.S. protectionist moves.⁴¹ Speaking at the same event where Bergsten offered his opinion, Urata Shujiro also gave cautious approval for a bilateral FTA, but he holds that such an agreement should only be undertaken by Japan as a stepping stone to later regional agreements: “The U.S.-Japan bilateral should not be the final goal...If I were Prime Minister Abe, I would say ‘I’ll accept your proposition of a U.S.-Japan free trade agreement with the condition that this is one step forward’ to a TPP-like agreement.”⁴²

Others are deeply skeptical of the outcome of bilateral FTA negotiations. Wendy Cutler, previously a chief negotiator for TPP, has warned that “Abe spent a lot of political capital on the TPP,” and a bilateral FTA would present a whole new set of issues that would take extended negotiations to settle.⁴³ “If the U.S. were to go forward and make requests in areas like currency (and agriculture and automobiles), I think this would present real challenges for Japan and frankly for the bilateral relationship.”⁴⁴ Urata echoed this warning when he stated that acceding to additional demands in agriculture would be “more difficult for Abe to come home with.”⁴⁵ Finally, she predicted, if the United States came forward with additional offensive demands, Japan would reciprocate with demands of its own in areas related to U.S. auto and truck tariffs.

Korea

If the Trump administration followed the logic of its “trade deficit prioritizing,” Korea would be way down the list of culpable trading partners. While it ranks as the sixth largest trading partner, it stands well below a surprising number of countries—Ireland, Vietnam, Italy—in terms of bilateral trade deficits.⁴⁶ Still, the KORUS FTA came in for blistering criticism by Trump and his trade advisers during the campaign: a “job killing disaster” with a trade deficit that will cost 100,000 jobs—Trump himself stated frequently.⁴⁷ In April, when Vice President Mike Pence visited Korea to reassure South Koreans of full U.S. support against North Korea, he also stated that the “hard truth” is that trade relations are “falling short... from the fact that the United States trade deficit with Korea has more than doubled since KORUS came into effect.”⁴⁸

It could well be next year before the Trump administration turns to the KORUS. As was the case with the Obama administration, U.S.-Korean economic relations under Trump will develop against increasingly fraught East Asian diplomatic and security conditions. There will be the imperative to take steps to counter the widespread belief that Trump is retreating from a leadership role in Asia—graphically underlined by the abrupt withdrawal from the TPP. Even within the confines of the flawed Trump assumptions regarding the

drivers of trade relations, Korea does have some facts on its side. As with Japan, Korean companies have already—from both political sensibilities and competitive imperatives—moved “offshore” to the United States. Investment has increased drastically from \$19 billion in 2011 to \$36 billion in 2014⁴⁹—led by large multinationals such as Samsung, Hyundai, POSCO, and LG Electronics.⁵⁰

While KORUS has been a great economic success (total trade jumped from \$126 billion in 2011 to \$150 billion in 2015; and total U.S. services exports from \$16 billion to \$24 billion),⁵¹ there are lingering complaints from U.S. business sectors that could form the basis for an administration push for changes. These include issues related to pharmaceutical regulations and the establishment of an independent review mechanism for pricing; greater liberalization for legal services; problems with implementing data transfer liberalization; and transparency and procedural clarity by Korean regulators, particularly the Fair Trade Commission on competition policy matters.⁵² While not trivial, issues that surfaced during the Obama administration could be handled without provoking a crisis in U.S.-Korean trade. What is unclear, however, is how many of the new Trump demands will be carried over into any negotiations to update KORUS.

The administration has remained steadfast in insisting on a direct linkage between the trade deficit and trade negotiations. Peter Navarro doubled down in his essay “Why the White House Worries about Trade Deficits,” saying “Reducing a trade deficit through tough, smart negotiations is a way to increase net exports—and boost the rate of economic growth.”⁵³ The specific reference he makes is to NAFTA and the projected situation where “Mexico agrees to buy more products from the U.S. that it now purchases from the rest of the world.” Behind these general goals there will have to be specific policies. The Statement of Trade Policy listed potential “enforcement” tactics. First, the administration could reintroduce “voluntary” export restraints (VERS) as the Reagan administration negotiated with Japan in the 1980s. This would violate an implicit agreement in the Uruguay Round to no longer utilize this method of blocking imports through disguised coercion. It is also possible that the Trump team would invoke Section 301 accusing Mexico, Korea, or other trading partners of “unfair” trade practices—“unfair” as defined unilaterally. Finally, both Japan and Korea have been charged with currency manipulation by administration officials.⁵⁴ Yet U.S. demands in this area are still unclear. The administration will likely unveil its plans in the upcoming NAFTA negotiations. The judgment here is that it will push for a definition of currency manipulation currently used by the U.S. Treasury (amount and duration of a nation’s trade surplus, and evidence of active government currency intervention). In any case, Korea will have a good deal of time to decide how to react to this demand, if it comes.

ASIAN REGIONAL RESPONSES TO THE TRUMP ADMINISTRATION

Korea, Japan, and the nations of East Asia need not remain supine as the potentially illiberal trade policies of the Trump administration unfold. Regional economic and political integration makes considerable sense—with or without the United States. At this point, there are two near- to medium-term options, and one quite long-range option, the Free Trade Agreement of the Asia Pacific, which would include all of the nations around the Asia-Pacific rim, perhaps. decades, away from coming to pass. The more salient options are RCEP

and a rump version of TPP, consisting of the original eleven members without the United States, as well as other nations who would be invited to join this group (Korea, Colombia, Thailand, Indonesia, as examples). RCEP and a rump TPP, widely different visions of East Asian integration, could proceed in parallel.

RCEP

One of the main virtues of RCEP (as TPP) is that, if completed, it will partially solve the large problem of “noodle bowls.” From almost no FTAs in 2000, by the end of 2015, some 52 FTAs had been negotiated between Asia-Pacific governments, and another 54 had been signed with nations outside of the region.⁵⁵ This led to a bewildering array of different rules and barriers to trade. The result is overlapping and contradictory commitments in both manufacturing and service sectors. As now constituted, RCEP will include under one umbrella, the ASEAN bloc plus the six partners with which the bloc had FTAs in 2013 (Australia, New Zealand, China, India, Japan, and Korea). In contrast to TPP, which espoused “open regionalism” that included eligibility for all 21 members of APEC and a defined accession clause, RCEP is confined to the 2013 members with no accession option contemplated. Thus, it represents a more closed model, which formally endorses “ASEAN centrality.” (Though it is also clear that this concept may increasingly be challenged by China’s stepped up drive for negotiating leadership.)⁵⁶

As a vehicle for regional trade and investment liberalization, however, RCEP will be found wanting. While the larger goal of TPP was to produce a 21st century, “WTO Plus” agreement, RCEP has taken a lower road merely to be “WTO compliant.”⁵⁷ Almost the entire focus is on merchandise trade, and even here members have been deeply divided on the extent and timing of tariff reductions—with India fulfilling its obdurate reputation. RCEP breaks little ground on 21st century issues such as digital trade, state-owned-enterprises, investment rules, intellectual property, labor, environment, transparency, and regulatory cooperation and coordination.⁵⁸ Formally launched in 2013, the original date for completing the negotiations was the end of 2015, pushed back to the end of 2016, and now to the end of 2017. Still, there is great doubt that even this goal is possible. However, the U.S. decision to back out of TPP has changed the dynamic in the movement toward an Asian economic architecture. Beijing, reacting to the Trump administration’s seeming withdrawal from a leadership role in East Asia, suddenly emerged at the Davos Economic Forum as the (faux) champion of regional and global liberalization—and renewing pressure to move forward this year on RCEP.⁵⁹ Even earlier at the 2016 APEC Summit, Beijing had presented a vision of the future of East Asian integration that bypassed TPP and utilized RCEP as the interim vehicle toward a distant FTAAP.⁶⁰

Even before factoring in the increasing role of India, there is also the fact that, no matter how weak their unity, ASEAN nations have always been fiercely protective of an ASEAN-centric regional future. Should the Chinese push too hard, there will be an inevitable backlash. Second, despite Xi Jinping’s effusions about global markets and multilateralism, Beijing is by no means ready for an economic leadership role. Indeed, as numerous studies have documented, not only have promised domestic reforms not kicked in, but also in many respects the Chinese government has led a retreat from market-based economic policies and regulations.⁶¹

A Rump TPP

TPP members, *sans* the U.S., as well as other nations that had been ready to join the TPP, do have another interim option: a rump TPP. Other TPP nations are contemplating not only falling back on RCEP, but also pushing ahead with bilateral agreements between TPP nations that did not currently have such agreements (*viz.*, Canada-Japan).⁶² Australia and New Zealand have taken the lead in pressing for an alternative that would see the 11 remaining TPP nations come together in a rump TPP.⁶³ Australian Prime Minister Malcolm Turnbull admitted that the U.S. reversal was a “big loss,” but he also stated: “We are not going to walk away.”⁶⁴ Turnbull also expressed the (unreal) hope that China could be induced to join the TPP. Chile stepped up and arranged to host a group of TPP nations, plus China and Korea, on March 10.

The key nation in all of this is Japan, both because of its size and place in the world trading order and because it will be under the greatest pressure from the Trump administration to settle just for a U.S.-Japan bilateral FTA. Japan has put out mixed signals regarding its course of action and its priorities for further Asian regional integration. In response to the Australia-New Zealand effort, Abe was quoted as saying that TPP is “meaningless” without the U.S.⁶⁵ Yet Abe’s economic advisers do not dismiss the idea of keeping the deep substantive elements of the TPP together in some regional organization.⁶⁶ Japan could attempt to take the lead in upgrading RCEP—grafting onto the negotiations 21st century issues such as intellectual property, greater services liberalization, investment rules, competition policy, labor, and the environment. There are two insurmountable obstacles to this path: China would not accept many TPP-related provisions, and it would be backed by less developed ASEAN nations such as Laos, Cambodia, and Myanmar. Alternately, Japan could slog through negotiating bilateral agreements with those TPP nations with which it does not have them, and renegotiate the bilateral FTAs it has already signed and upgrade to TPP levels. This would be a long and tedious process and for Japanese multinationals would continue and even deepen the “noodle bowl” effects of fragmented markets.

As this chapter was being completed, new pressures and realities forced Abe to reexamine Japan’s role in East Asia and relations with the United States. First, it became increasingly clear that the Trump administration would not ease pressure on Japan to enter into a bilateral FTA. On a trip to Asia in April, Pence and Ross made it clear that the administration would press ahead with its push for bilateral deals with both Japan and Korea, pointedly making reference to the continuing trade deficits with each nation. Ross stated that the United States expected to achieve results in the near future. Japan staved off any commitment for bilateral negotiations, and clearly Abe felt the necessity for introducing realistic alternatives for talks.⁶⁷ He announced plans to mobilize the 11-member rump TPP in the near future. Specifically, Japan will use a meeting of TPP ministers in Vietnam in May to instruct staff to prepare options for moving forward with a regional FTA (though with provisions that would allow U.S. entry later).⁶⁸

The Case for a Rump TPP

In one fundamental sense, the TPP has already come into existence, the other 11 TPP members have largely changed their laws and practices in preparation for the once-projected TPP entry into force. This has particular significance for the inside-the-border regulatory, services, intellectual property, investment, digital trade, and competition policy elements

of the TPP as negotiated 18 months ago.⁶⁹ Domestically the remaining TPP members have already met and overcome interest group opposition to concessions made in sensitive sectors. Even without the United States, the precedent-setting impact of the rump TPP would be profound. The 11-member agreement would constitute almost 14 percent of world GDP and 23 percent of global trade flows. If Korea, which is standing at the door and still eager to enter, becomes a member, this would add an additional \$1.4 trillion economy to the mix.⁷⁰

Recently, two economists, using a standard (GTAP) trade model, examined the economic results of an agreement by the TPP-11. Their overall conclusion: “Even without the U.S., TPP-11 still has much to offer...The eleven countries in the proposed TPP-11 should, therefore, initiate actions to resurrect the most ambitious trading arrangement the world has ever planned and stay the course in cultivating a transparent, rules-based trading architecture in the fast growing Asia-Pacific region.”⁷¹ Specifically, the model estimated that the net benefit of TPP-11 to all its member as 0.4 percent of their combined GDP. TPP-11 also adds some \$5 billion to global welfare according to their simulation results.⁷² The two economists warn against adding large countries such as China and Indonesia to the TPP-11 in the immediate future because this “would re-open the painstaking negotiating process and cause further delays.”⁷³

The argument advanced here is that an exception should be made for Korea. Unlike China or Indonesia, Korea just missed the cutoff dates for the first round of TPP negotiations, and by common, unannounced consent, it was assumed that Korea would become the 13th TPP member soon after the pact was fully ratified.⁷⁴ Further, given the advanced 21st century provisions of the 2011 KORUS, Korea’s membership negotiations should not be prolonged or difficult. Much of the substance, and in some case the actual language, of the TPP had been foreshadowed in the KORUS. Certainly, there were some real differences—in some tariff lines, intellectual property, SOEs, financial services, as examples—but Korea would not be faced with the same wrenching adjustment process as accompanied KORUS. Finally, given the increasingly fraught security conditions in Northeast Asia, it is imperative that Korea and Japan pursue closer relations. A bilateral FTA is politically difficult, if not impossible. As with TPP, membership in a TPP-11 would finesse the political snares of bilateral negotiations while achieving the same result.⁷⁵

CONCLUSION

Although some commentators have attempted to “interpret” and soften the main goals and priorities of the Trump administration, the view espoused here is that Trump and his advisers should be taken at their truculent word: they will try to negotiate policies that will (in their faulty view) decrease the U.S. trade deficit, introduce unilateral actions against allegedly unfair trade practices, and renegotiate and/or withdraw from existing FTAs (and the WTO) if trading partners prove recalcitrant. Asian nations should not remain supine and reactive. Specifically, TPP-11 nations will be in a much stronger negotiating position if they find common cause in a revamped TPP than if they face the United States one-on-one. Outside events also provide an additional rationale for a rump TPP. In late April, the Trump administration seemed to reverse itself and signaled that it would be open to a revival of negotiations with the EU on the Trans-Atlantic Trade and Investment Partnership agreement. It would treat the 27-member EU as a single trade entity, and thus fulfill its vow to avoid regional pacts and stick only to bilateral negotiations. This decision, if it is followed

through by revival of actual U.S.-EU trade talks has major implications for the 11 remaining members of the TPP. Should they summon the political and substantive courage to create a rump TPP, they then could also face the United States as a bilateral trading entity. At this point, such a course is not beyond possibility—and certainly worth a strong effort.

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A U.S. Perspective on Bilateral Economic Relations

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The past several years have been an era of relative calm in U.S.-South Korean trade and economic relations. The Trump administration, however, has signaled two potential paradigm shifts that could lead to greater tension in the bilateral economic relationship. The first is the president's relatively negative view of existing U.S. trade policy and willingness to at least threaten the use of measures that historically have been infrequently deployed to correct what he views as its failures. This may affect the future course of the South Korea-U.S. Free Trade Agreement (KORUS FTA), which the administration presumably will scrutinize as part of its examination of relationships in which the United States runs a trade deficit. Second and intimately related, the president has signaled in his statements a willingness to use U.S. security relationships to influence economic relations and vice versa. On both fronts, uncertainty abounds, due in part to existing institutional structures that limit the president's ability to take new policy directions without, for example, the consent of Congress. The administration's own lack of clarity on its policy priorities and the possibility that stating seemingly extreme positions may represent a negotiating tactic rather than a policy shift, also cloud the outlook for how the United States will approach the bilateral economic relationship. The uncertainty also reflects the fact that key trade policy officials, including the United States Trade Representative (USTR), have yet to be confirmed.

These uncertainties in turn may make economic diplomacy more vulnerable to factors that traditionally would be considered exogenous to the economic sphere. The likelihood of the Trump administration attempting to explicitly link the bilateral economic and security relationships, as well as the likelihood of this succeeding, may depend on at least four factors: North Korea policy coordination; alliance relations; consultations over how best to approach China; and the U.S. and Trump's popularity among South Koreans. In particular, the administration's elevation of North Korea to a top-tier foreign policy issue, combined with the greater probability of tensions over North Korea policy, and the administration's apparent inclination to explicitly use economic and security issues to increase bargaining leverage could mean that significant tension over economic issues is more likely to occur than at any time in the past decade.

This chapter explores the context of the bilateral economic relationship, and the factors that may affect how future negotiations unfold. The analysis is based on currently known facts, but these issues will continue to evolve as U.S. trade policy is clarified and the administration responds to future global events.

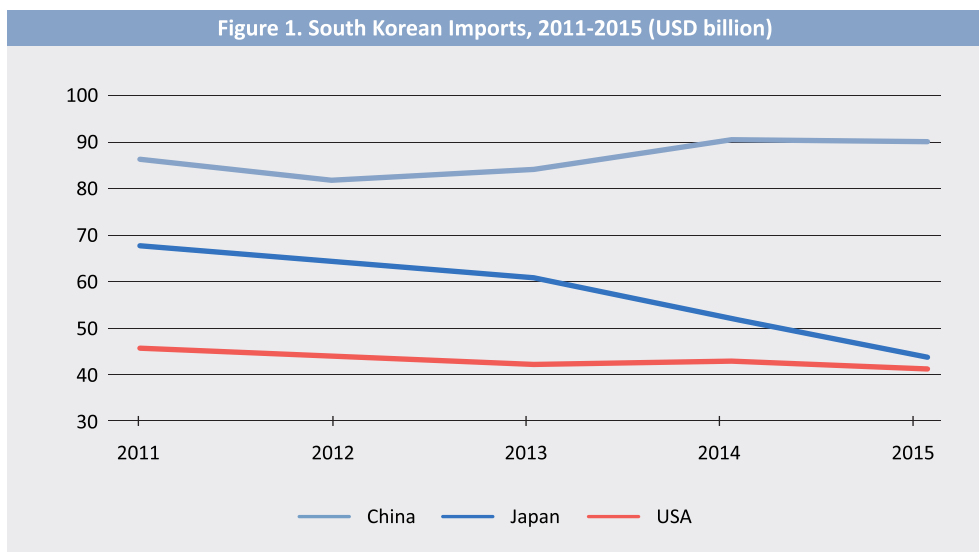
KORUS FTA OUTCOMES SET THE STAGE FOR FUTURE U.S.-SOUTH KOREA ECONOMIC TALKS

March 15, 2017 marked five years since the KORUS FTA entered into force, reducing and eliminating tariff and non-tariff barriers on trade and providing protections and certain standards of treatment for investments between the two parties. The second-largest U.S. FTA by trade flows after the North American Free Trade Agreement (NAFTA), its merits have been much debated in the United States throughout the decade since negotiations began. Those supporting the agreement note that U.S. exports of certain products with tariff reductions under KORUS have risen considerably as have U.S. services exports, while those opposed to the agreement note that the bilateral trade deficit with South Korea has more than

doubled since the agreement has been in effect.² In its first Trade Policy Agenda, released in March 2017, the Trump administration, which has sharply criticized prior U.S. trade policies and trade agreements in particular, highlighted the bilateral trade deficit with South Korea. The report noted that the rise in the deficit “is not the outcome the American people expected from that agreement.”³ Views on the outcome of the KORUS FTA will undoubtedly inform any future bilateral engagement on these economic issues.

Key Changes in Bilateral Trade and FDI Flows under KORUS

U.S. exports of goods and services to South Korea rose from \$61.9 billion in 2011, the year before the KORUS FTA came into effect, to \$63.9 billion in 2016.⁴ Measured in U.S. dollars, services exports increased by about \$5 billion over the period, while overall goods exports fell slightly. U.S. exports of travel services and charges for the use of intellectual property increased by \$2.8 billion and \$1.4 billion, respectively, accounting for much of the increase in services trade. In terms of goods trade, exports of autos and beef increased concurrently with significant South Korean tariff reductions. Exports of motor cars (HTS 8703) nearly quadrupled from \$420 million to \$1.6 billion over the period while tariffs fell from 8 percent to 4 percent upon entry into force and were eliminated in 2016.⁵ Auto exports also benefited from South Korea’s commitment to recognize the equivalence of U.S. motor vehicle safety standards for U.S. automakers exporting fewer than 25,000 units to South Korea. U.S. beef exports (HTS 0201, 0202) have increased by 50 percent or \$350 million while their tariffs were reduced to 24 percent, down from 40 percent. U.S. aircraft exports also increased significantly (up by \$1.7 billion) but most products were already tariff-free. Drivers of the overall fall in U.S. goods exports since 2011 include a \$1.1 billion decline in ferrous scrap exports and \$1 billion decline in corn exports, which partly reflect lower commodity prices over the period. Overall exports to South Korea were also likely depressed by the country’s economic slowdown as evidenced by a similar drop in South Korea’s imports from its other top trading partners, China and Japan. (Figure 1)



Source: United Nations Comtrade database.

U.S. imports of goods and services from South Korea rose from \$67.3 billion in 2011 to \$81.4 billion in 2016. Autos and auto parts (HTS 87) account for a large share of the increase in imports from South Korea since the KORUS FTA's entry into force. Imports of these products have increased by roughly \$9 billion, or nearly 70 percent of the \$13 billion increase in overall goods imports from South Korea. However, one should be cautious in attributing this increase solely to the FTA. For example, auto imports grew by approximately 15 percent each year from 2012 to 2015, before the United States made any reduction to its 2.5 percent auto tariff.⁶ After the tariff was eliminated in the fourth year (2016), imports grew by 12 percent.⁷ This suggests broader economic factors beyond the tariff reductions, including things like changing consumer tastes and shifts in the level of aggregate demand, played a major role in the growth of U.S. imports. In its 2016 report on the economic outcomes of U.S. FTAs, the U.S. International Trade Commission estimated that the bilateral trade deficit with South Korea would have been even larger without the agreement in place.⁸

Bilateral foreign direct investment (FDI) has increased in both directions since the FTA's entry into force, but most of the growth has been in South Korean FDI to the United States. From 2011 to 2015, the latest year for which investment data are available, the stock of U.S. FDI in South Korea increased from \$26.2 billion to \$34.6 billion.⁹ Meanwhile, the value of South Korean FDI in the United States increased from \$19.9 to \$40.1 billion, more than doubling. Most South Korean investment in the United States is in the wholesale trade sector (\$26.5 billion), while more than half of U.S. investment in South Korea is in the manufacturing (\$14.2 billion) and finance (\$6.9 billion) industries. This investment supports employment in both countries. In 2014, majority-owned U.S. affiliates of South Korean multinational enterprises employed 45,000 workers and spent \$1.3 billion on research and development (R&D) activities according to survey data from the Bureau of Economic Analysis. Majority-owned U.S. firms with affiliates in South Korea employed 125,000 workers and spent \$946 million on R&D.

Setting aside the economic merits of the ongoing U.S. debate over trade policy, the trade patterns with South Korea have created challenging political optics for the KORUS FTA in the United States. The 2016 presidential election focused heavily on concerns over import competition and the consequences for employment in the manufacturing sector, and in the five years since the KORUS FTA went into effect, U.S. bilateral imports have increased by 20 percent. Meanwhile, despite significant export gains in products that benefited from KORUS FTA commitments, overall U.S. exports have increased by only 3 percent. Although the general perception from the business community is that market access in South Korea has improved significantly on a number of fronts, U.S. firms have raised certain complaints over South Korea's implementation of its FTA commitments. For example, the Korean Customs Service reportedly required particularly onerous origin verifications on a variety of U.S. exports, making it challenging for U.S. firms, in some instances, to benefit from the agreed tariff reductions. The Obama administration addressed many of these implementation concerns, but according to business groups some persist.¹⁰ This combination of factors suggests the KORUS FTA and trade relationship with South Korea more broadly will be high on the Trump administration's trade agenda. According to press reports, the president's position regarding KORUS is "we'll either terminate or negotiate."¹¹

U.S.-SOUTH KOREA TRADE NEGOTIATIONS IN THE TRUMP ADMINISTRATION

There is considerable uncertainty currently as to the specific objectives of U.S. trade policy under the Trump administration, including on issues of consequence in trade with South Korea. The administration has unambiguously stated its intent to change U.S. trade policy, with a focus on trade negotiations.¹² The president himself stated that “no country has ever made bad trade deals like our country has made,” and U.S. trade agreements were listed as one of the four priority areas in the 2017 trade policy agenda. At the same time, Congress has established in current law the outlines and specific negotiating objectives of a U.S. trade agreement negotiation, and these guidelines have been in place since 2015 as part of the Trade Promotion Authority (TPA) legislation and will remain in effect at least until 2018 unless Congress were to amend the legislation.¹³ While these TPA objectives allow for some flexibility in order to provide space for the administration to effectively pursue negotiations, they do create some broad parameters for negotiation that could serve as a check on the president’s proposed shift in U.S. trade policy approach. To date, the administration has provided relatively few details on what specific aspects of trade agreements it intends to change, but its actions suggest some general directions.

In January 2017 the Trump administration gave notice that it does not intend to proceed with ratification of the Trans-Pacific Partnership (TPP), and said instead that it will negotiate future agreements on a bilateral basis. It plans to start these bilateral talks with the renegotiation of NAFTA, and has stated its intent to follow TPA procedures in that process. As with KORUS, the administration appears to be evaluating NAFTA based primarily on the U.S. trade deficit with NAFTA partners, namely Mexico. Among U.S. FTAs, KORUS is second only to NAFTA in the size of the trade deficit. The shift from TPP to bilateral negotiations changes the possible venue for future U.S.-South Korea trade discussions. South Korea had repeatedly expressed interest in joining the TPP and, arguably, was the most likely new candidate for membership due to its comparable FTAs with the United States and European Union. The Obama administration likewise welcomed South Korea’s interest, while also using the possibility of entry as leverage to push South Korea to resolve outstanding bilateral frictions.

The objectives for the NAFTA renegotiation will provide the first major data point regarding the Trump administration’s trade policy goals. A plethora of views exist in the U.S. trade policy community as to what those objectives should include. Some urge the administration to repackage TPP commitments into bilateral agreements. Others press for new provisions on issues such as currency and labor, and call for the elimination of existing provisions on investor-state dispute settlement. TPP had also been a venue to renegotiate NAFTA in some sense, with both Canada and Mexico as partners in the pact. A draft copy of the administration’s objectives for the NAFTA renegotiation obtained by the press had many similarities with the provisions in TPP, but the White House clarified that this draft copy should not be seen as reflective of policy, so the uncertainty remains as of late April 2017. The KORUS FTA, which came into effect nearly two decades after NAFTA, shares more text with the proposed TPP. If the administration uses the TPP’s provisions as a benchmark, South Korea theoretically might have to make fewer changes than Mexico in possible

renegotiations of their existing FTAs with the United States. However, TPP would have required new South Korean commitments in important areas like digital trade and state-owned enterprises.

Depending on how exactly the Trump administration intends to shift U.S. trade policy, in some respects, it could potentially move quickly on bilateral trade negotiations, including those with South Korea. The negotiated TPP commitments address issues of concern to a broad swathe of U.S. stakeholders, and although the agreement was a contentious aspect of the presidential election, recent polls suggest a slim majority of the electorate feels trade agreements have been a good thing for the United States.¹⁴ In addition, the president retains TPA through at least 2018 and possibly 2021 depending on whether the administration seeks and Congress does not reject an extension. This provides the administration with a window to pursue new agreements with the potential of expedited legislative consideration by Congress so long as the agreements make progress towards the TPA negotiating objectives.

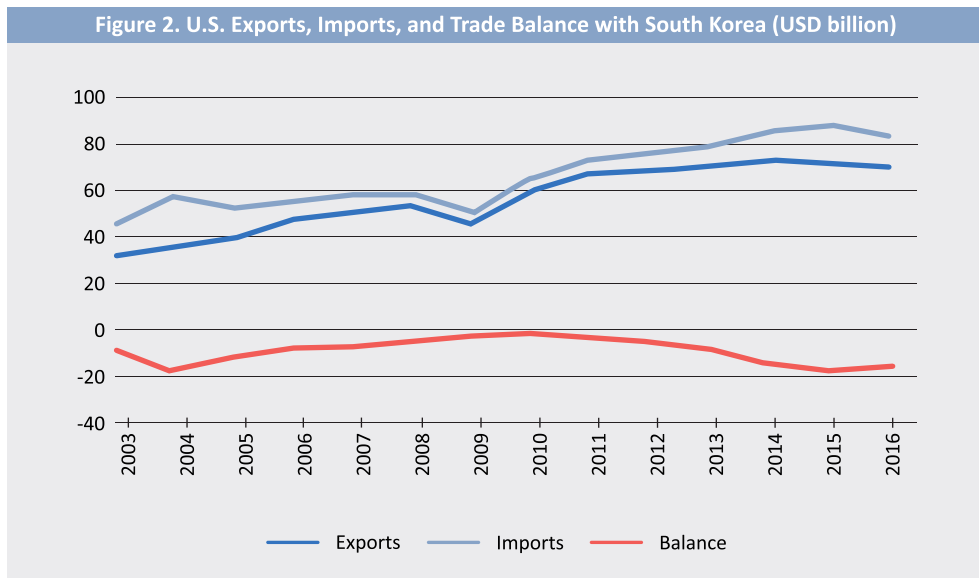
Although the administration's precise objectives for its trade negotiations remain unclear, the information available to date provides some perspective on possible areas of interest. Four areas that bilateral negotiations with South Korea might touch are the trade deficit, currency issues, KORUS FTA modifications, and trade enforcement. These issues are not mutually exclusive and negotiations to address one of the four could easily affect the others.

POSSIBLE FOCUS POINTS FOR BILATERAL DISCUSSIONS

Trade Deficit

The Trump administration's analysis on the health of individual U.S. trading relationships appears to rely overwhelmingly on the size of the trade deficit with the target country. On March 31 Trump ordered a report within 90 days on the cause and impact of trade deficits presumably to inform future U.S. policy and negotiations with trading partners.¹⁵ Although most economists argue that trade deficits reflect broader macroeconomic factors such as overall savings, consumption, and investment patterns, many in the administration see large persistent deficits as indicative of an unfair trade advantage on the side of the surplus country. For example, the nominee for USTR, Robert Lighthizer, in his testimony before the Senate Finance Committee noted that he sees trade deficits with U.S. FTA partners as a sign that "[i]n some cases, the rules don't seem to be working as well as with others." One critique of this view is what it potentially implies for the bilateral trading relationships in which the United States runs large and persistent trade surpluses, including existing FTA partners, such as Australia.

With respect to South Korea, the trade deficit has long been a source of bilateral tension, including concerns that U.S. producers have less than reciprocal access to the Korean market. South Korea's export oriented economic growth model focused, to some extent, on protecting domestic industry behind tariff and non-tariff barriers. U.S. businesses with operations in South Korea have also taken issue over the close collaboration between the government and domestic industry, from financing to regulatory treatment. While the tariff barriers have come down over time, some analysts suggest that the tendency for the South Korean government to protect its own firms has been harder to remove, and even with the provisions of the KORUS FTA at their disposal, some U.S. companies argue that regulatory barriers can still be challenging in the South Korean market.¹⁶



Source: Bureau of Economic Analysis. Balance of Payments (BOP) basis.

While it is clear the administration is focused on the bilateral deficit, it is less clear how it intends to go about addressing its concern. Because trade balances are driven to such a large degree by macroeconomic factors, minor tweaks to KORUS FTA provisions are unlikely to have a significant impact. The imposition of prohibitive across-the-board tariffs would be more likely to reduce the deficit, but would carry with it negative outcomes in the form of higher prices for, among others, consumers and businesses that rely on imported goods in their supply chains. Some members of Congress have already expressed their concerns about this approach.¹⁷ The president could also take a more direct approach to address the deficit by limiting the quantity of imports either through quotas or voluntary export restraint (VER) agreements with South Korea, though like the imposition of a tariff these would likely violate existing commitments in both the KORUS FTA and the WTO. In the 1980s, an era of significance for many influential players in the Trump administration, VERs were used to manage U.S. trade in steel and autos with Japan and others. Since one product, autos, accounts for a large share of the trade deficit with South Korea since 2011, the administration might see VERs as an efficient means to address its concerns.

Arguably, the least controversial method to address the trade deficit is to focus on increasing U.S. exports to South Korea. Indeed, this appears to be the focus of the new report required by the administration, which is to analyze the cause of trade deficits specifically identifying practices that limit U.S. exports. According to the federal register notice posted by the Commerce Department, which is taking the lead on the investigation together with the USTR, this investigation will focus on 13 trading partners with significant trade deficits in goods, including South Korea. However, since most tariffs have already been eliminated and many non-tariff barriers have been addressed, it is unclear how new negotiations with South Korea could materially affect the trade deficit. Unless South Korea's domestic economy picks up steam in the coming years, trade negotiations appear unlikely to have a major impact. Indeed, a broader challenge to focusing so heavily on this single metric in trade relations is that even if the administration investigates and negotiates remaining barriers to competition in the South Korean market, the trade deficit may persist. If so, such negotiations could be

deemed a failure even if they have positive benefits in both countries, as many argue the KORUS FTA has already had to date. Although its negotiating objectives include reciprocal access for U.S. goods and services, nowhere does TPA legislation specifically refer to the trade deficit.

Currency Manipulation

The Trump administration has highlighted currency policies as one set of tools U.S. trading partners use to maintain an unfair competitive advantage. The majority of its criticism on this has focused on China and, to a lesser extent, Germany and Japan, but the issue is likely to be a concern in the bilateral relationship with South Korea as well.¹⁸ The won depreciated sharply against the dollar during the 2008-2009 financial crisis, falling by over 40 percent, from about 900 won/dollar to 1,570 won/dollar, but recovered fairly quickly and has hovered around 1,100 won/dollar since 2010. South Korea has a history of intervening in foreign exchange markets and the Treasury Department has repeatedly, including in its April 2017 report, listed South Korea on its currency monitoring list, an additional monitoring tool required by the 2015 Trade Facilitation and Trade Enforcement Act.¹⁹ Treasury has yet to find a country in violation of all three of the act's criteria for additional engagement (i.e., a significant bilateral trade surplus with the United States, a material current account surplus, and persistent one-sided foreign exchange market interventions), but in each of the reports to date South Korea has met two of the criteria: a large bilateral trade surplus and a large bilateral current account surplus.

Although legislation set the general criteria for this new enforcement and engagement mechanism, the Treasury Department established the specific numerical thresholds. Should the Trump administration wish to more aggressively pursue concerns over currency manipulation it could tighten these thresholds while using existing legislative tools; some signs that the administration may favor this approach have already surfaced. In its most recent report, the Treasury Department noted that under the new administration it expanded the criteria for the monitoring list to include countries with a "large and disproportionate share of the overall U.S. trade deficit" even if those countries do not meet either of the other criteria. In effect, this measure ensured that China, the main focus of the administration's stated concerns on currency issues to date, remained on the monitoring list during this reporting period.

The administration could also address currency issues by adding a side letter to the KORUS FTA similar to the declaration on exchange rate policies signed by the 12 TPP countries. To address the concerns raised during the TPP debate by critics of this approach, such an agreement could also include strengthened commitments and some type of enforcement mechanism. Another alternative would be to consider undervalued exchange rates as a subsidy in U.S. antidumping and countervailing duty cases. Several members of Congress have advocated such an approach, even suggesting that it should be enacted through legislation to ensure its permanence.²⁰ South Korea's actions in the near term could have a strong influence on how the administration addresses this issue. On one hand, a protracted effort in foreign exchange markets to resist the won's appreciation would almost surely result in increased engagement by the Treasury Department and stronger actions by the Trump administration. On the other hand, were South Korea to take a proactive step to increase the transparency of its transactions on foreign exchange markets, a long-standing complaint of the Treasury Department, it could potentially help diffuse concerns.

KORUS FTA Modifications

The U.S. government may also seek to negotiate with South Korea on specific changes to the KORUS FTA on any number of the issues highlighted by U.S. business groups, USTR, and/or members of Congress.²¹ While some of these complaints about lagging implementation of the KORUS FTA's commitments may reflect a learning curve within the Korean government bureaucracy on the intricacies of complying with a complex international agreement, others could reflect vestiges of a regulatory system with an inherent, if sometimes subtle, bias toward the protection of domestic industries. Some of the U.S. complaints have revolved around the interpretation of commitments, with U.S. businesses arguing that in some instances South Korea has not lived up to the spirit of the agreement, even if it adheres to the legal text. Revisiting the KORUS FTA text could allow those making these arguments an opportunity to suggest more precise language that better captures their goals for the agreement. There has also been some debate over provisions that, to varying degrees, would tie U.S. trade concessions to specific export gains in the South Korean market, although such measures would represent a significant shift in approach from existing U.S. trade agreement commitments.

Several members of Congress and various officials or nominees of the administration have also expressed an interest in harvesting aspects of the TPP agreement for future negotiations, presumably including those with South Korea. Although the KORUS FTA arguably has the most extensive commitments of any U.S. FTA in force to date, the TPP included provisions that went beyond KORUS in significant ways. For example, in the area of digital trade and e-commerce, TPP commitments would prohibit localization requirements on servers and require that companies be permitted to transfer data across borders (a similar provision in KORUS applied only to financial services). Despite debate over privacy and regulatory considerations, these digital trade rules were perhaps the TPP's most widely-praised provisions. Commitments to ensure fair competition between private companies and state-owned enterprises (SOEs), another novel area in TPP, could also be economically significant in the context of U.S.-South Korea trade. For example, representatives of the U.S. steel industry have cited concern over South Korea's subsidization of its steel producers through various means to the detriment of U.S. industry, some of which could potentially be resolved with provisions like those in TPP that sought to address unfair competitive advantages received or provided by SOEs.

In addition, although they are few in number, certain products were excluded from the KORUS FTA's tariff concessions. Revisiting these exclusions, such as U.S. rice exports, would likely be of significant interest to the industries affected. A possible challenge of revisiting these exclusions, or other changes to the KORUS FTA text, is the potential for South Korea to seek changes to the agreement that disadvantage U.S. stakeholders. The types of changes South Korea might seek in a potential renegotiation likely depend on how South Koreans perceive the costs and benefits of the KORUS FTA and its potential renegotiation.

Despite a fiercely contentious debate at the time of its implementation, the agreement appears, by some measures, to have achieved a measure of general acceptance, if not support, among South Koreans. Some analysts argue that the anti-KORUS FTA stance taken by the Minjoo (Democratic) Party's predecessor in the April 2012 National Assembly election campaign

backfired, contributing to the party's surprising defeat. Judging by the 2016 National Assembly and 2017 presidential campaigns, FTAs seem to have receded as major issue in South Korean politics with both leading presidential candidates emphasizing, to varying degrees, the benefits of the agreement for both parties. This contrast to the characterization by the Trump administration could portend a stronger negotiating position for the United States, if the South Koreans feel they have more to lose in changes to the KORUS status quo. It may also push South Korea to put greater emphasis on the aspects of the agreement that have most benefited U.S. exporters in order to clarify the pain that could be felt were the agreement to dissolve. Mexico appears to have recently taken a similar approach to the NAFTA renegotiation, noting potential alternative suppliers of its agricultural imports from the United States.²²

General Trade Enforcement

Enhanced enforcement activities are the least controversial of these four areas of focus, and the most likely to be utilized by the Trump administration. Many of the actions involved are unilateral, avoiding the need for lengthy and challenging negotiations, and could be addressed without new legislation by Congress. Politically, strong positions on enforcement also have the benefit of appealing to groups both supportive and opposed to U.S. trade liberalization efforts. Approaches to strengthening enforcement include bringing more cases against South Korea in the WTO, enhancing engagement and potentially utilizing the dispute-settlement mechanisms of the KORUS FTA, or making greater use of U.S. anti-dumping and countervailing duty (AD/CVD) and other trade remedy laws. The latter approach appears to be the most favored of the administration to date as it has begun the process of self-initiating trade cases, rather than waiting for petitions by affected industries, and issued an executive order aiming to strengthen duty collection efforts on imports subject to AD/CVD orders.²³ AD/CVD cases have historically figured prominently in U.S.-Korea trade relations—since 2000, South Korea has been the target of 43 AD/CVD investigations, second only to China—and the administration's enhanced enforcement efforts have already affected a dumping case with South Korea, as the Commerce Department made the first-ever implementation of a 2015 law permitting use of third-country prices to establish dumping margins.²⁴

THE ECONOMIC-SECURITY NEXUS

The second major area of possible U.S.-South Korea economic tension is the Trump administration's signaling that it may use U.S. security relationships to influence its economic relationships, and vice versa. If this approach is followed, it would represent a shift in policy. U.S. administrations for at least the past several decades generally have avoided explicitly linking alliance commitments with partners' cooperation on economic matters.

This is not to say that U.S. trade and economic relations have not been influenced by security relationships. Bilateral economic relationships always involve a mix of security and commercial factors. At times, this is done explicitly, as the George W. Bush administration did in its choice of "strategic" FTA partners, countries like Bahrain with which the United States has low economic interaction but strong military ties, particularly after the September 11, 2001 terrorist attacks.

More often, the nexus between economics and security has been unstated. Alliances in many instances have provided the United States, in effect, with an extra seat at the bargaining table,

especially with South Korea, accentuating U.S. negotiation leverage. Additionally, power disparities and perceptions of unequal relationships have provided the United States with large—though not always decisive—leverage over partners’ trade and economic policies. Security and diplomatic dynamics create the context under which trade negotiations occur, giving national policymakers reasons to overcome or succumb to the sticking points that inevitably arise in the negotiations. For instance, the downturn in South Korea-Japan relations in 2005, when President Roh Moo-hyun threatened a “diplomatic war” after a flare-up of the two countries’ territorial dispute over Dokdo/Takeshima, was a major factor that brought their bilateral FTA negotiations to a halt.

Alliance relationships also create an incentive in both partners to avoid a situation where economic disputes or a breakdown in trade agreement negotiations cause damage to the alliance. Clyde Prestowitz, for instance, has argued that during the early 1980s U.S. concerns about potentially disrupting alliance relations with Japan led the Reagan administration to downplay U.S. companies’ petitions for relief from allegedly unfair Japanese competition.²⁵ This desire to prevent trade negotiations from damaging alliance relations also was on display at multiple points and on both sides of the Pacific during the KORUS FTA negotiation and ratification processes. At the outset of the talks in 2006, one of the arguments that many proponents gave was that the agreement would help to restore the health of the U.S.-ROK alliance. The KORUS FTA sometimes was discussed as a counterweight to the bilateral friction that was occurring over issues such as how best to manage relations with North Korea and the realignment of U.S. troops in South Korea. When the Obama administration demanded that the Lee government effectively renegotiate parts of the KORUS FTA in 2010 and 2011, South Korea arguably was more inclined to agree because of considerations of alliance politics. Likewise, when Congress was debating the agreement, the Obama and Lee administrations, with the House leadership, arranged for the final vote to come the same day as Lee’s address to a joint meeting of Congress, a move that put the alliance at the forefront of the minds of many members of Congress at a time they were deciding how to vote on the KORUS FTA.

In his rhetoric, Trump has appeared to go beyond the subtle interplay between economics and security by explicitly arguing that the two should be used to extract gains for the United States. During the election campaign, he questioned the value of U.S. alliances with partners that have run persistent trade deficits, a theme he has been raising since at least the 1980s.²⁶ Although Trump has avoided linking economics and security with U.S. allies since his inauguration, he has not hesitated to threaten to use trade and finance to extract security concessions from China. In March and April, Trump issued a number of tweets implying that he would not push China as hard on trade and currency disagreements if it increases economic pressure on North Korea.²⁷ One implication is that if the president believes the South Korean approach on a variety of security-related issues diverges too much from the United States, he will be more likely to seek to use bilateral economic pressure. His belief in the value of being unpredictable in foreign relations accentuates this possibility. He also appears to view domestic industrial capacity as highly linked to national security. He has ordered section 232 investigations, a tool not used since 2001, into the potential security implications of U.S. steel and aluminum imports, which could potentially result in higher tariffs.

In addition to the administration's plan to review all existing U.S. FTAs, how at least two developments in U.S.-South Korea relations evolve over the coming months may increase Trump's motivation and opportunities to try to use security and economic issues to extract leverage against South Korea:

- The election of left-of-center President Moon Jae-in who, during his campaign, favored dialogue and engagement with North Korea and is likely to be even less willing than the Park Geun-hye government to criticize China's increased assertiveness in the South China and East China Seas;
- The expiration in 2018 of the U.S.-ROK special measures agreement, which sets the level of payments to the United States to help offset the costs of stationing U.S. forces in South Korea.

In the future, the likelihood of the Trump administration tying commitments in either the trade or security realm to concessions in the other and the likelihood of such an approach succeeding may depend on at least four factors: the level of U.S.-ROK coordination over North Korea policy, alliance relations, consultations over how best to approach China, and U.S. and Trump's popularity among South Koreans. If any of the first three factors deteriorate, Trump may be 1) more likely to use economic tools to attempt to pressure Seoul to cooperate on strategic matters, and/or 2) less reluctant to hold off on increasing the heat on South Korea if and when disagreements over economic matters flare up. For the fourth factor of South Korean public opinion, the popularity of the U.S. and Trump is likely to affect the political costs to South Korean leaders of cooperating with the United States.

1. North Korea coordination. After conducting a review of its options with respect to North Korea's WMD programs, the Trump administration has embarked on an approach of what some are calling "maximum pressure." Though the policy appears to be aimed at pressuring North Korea to come to the negotiating table, talks are likely to be avoided until Pyongyang adopts a more compliant posture on its nuclear and possibly missile programs.²⁸ Although both Moon Jae-in and Ahn Cheol-soo advocate continuing sanctions against North Korea, they criticized President Park Geun-hye's North Korea policy as being too heavily reliant on pressure tactics at the expense of initiatives, such as Moon call for reinvigorating engagement activities with North Korea, including a dramatic expansion of the Kaesong Industrial Complex, the inter-Korean industrial park inside North Korea that Park shut down in February 2016 after North Korea's fourth nuclear test.²⁹ Whereas the Obama and George W. Bush administrations generally appeared willing to at least tolerate and occasionally welcome Seoul's outreach and assistance to Pyongyang, the Trump administration is less likely to do so. In contrast to the past, when North Korea was seen as a threat to U.S. interests, its improving nuclear and missile capabilities increasingly now also make it seem a threat to the U.S. homeland. All of these factors point to a higher possibility that coordination over North Korea policy, which was exceedingly close between the Obama administration and the Park and Lee Myung-bak governments, will become more difficult over the coming months and years.

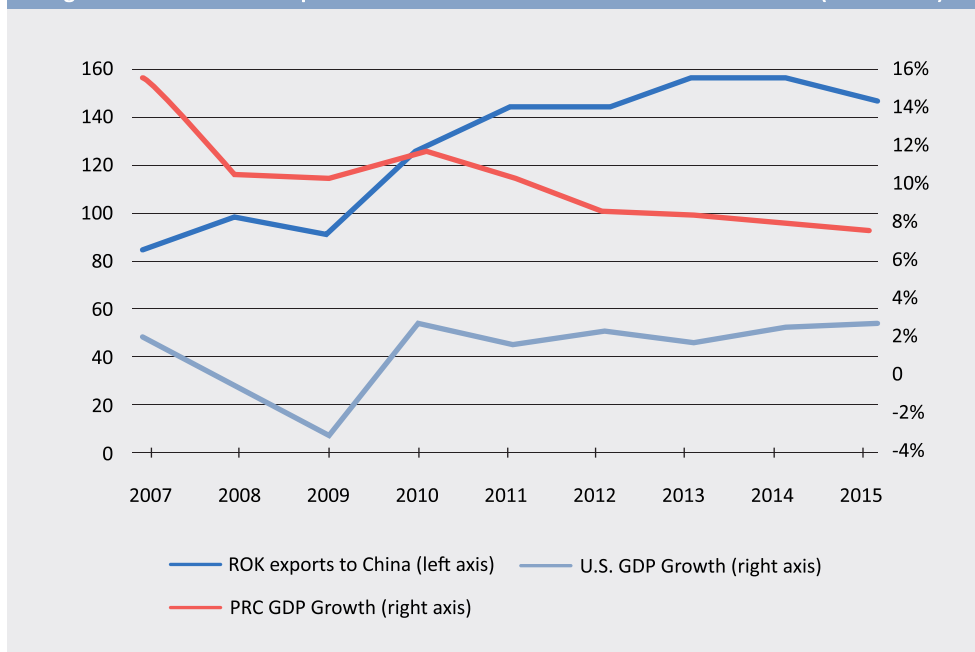
2. Alliance relations form another set of factors that will affect the nexus between security and economics. How smoothly are some of the more difficult aspects of the alliance running? How well are the two governments managing the inevitable differences that emerge, such as on the special measures agreement talks or on the deployment of the controversial Terminal High Altitude Area Defense (THAAD) missile defense system? Under the conservative presidencies

of Lee and Park, such differences generally were contained so that they did not become highly politicized in South Korea or become major issues in the alliance. That may not be the case under a left-of-center president.

3. China. For a variety of strategic, economic, and historical reasons, South Korean leaders, even those from conservative parties, generally are more reluctant than their U.S. counterparts to take steps to antagonize China. South Korean progressive leaders sometimes have taken this approach a step further, by appearing to want to position South Korea as a type of “balancer”—to use President Roh Moo-hyun’s term—between Beijing on the one side and Washington and Tokyo on the other. If Sino-U.S. relations deteriorate significantly—for instance over trade issues or managing disagreements in the South China Sea—the Trump administration may expect support from South Korea to a degree that leaders in Seoul may be uncomfortable providing. China appears to be keen to emphasize the potential negative implications to South Korea of any security measures that go against its interests by, for example, threatening retaliatory economic measures in response to the THAAD deployment.

China may play an important role in ROK-U.S. relations in another sense: the South Korean economy may be particularly vulnerable to a sharp downturn in Sino-U.S. economic relations, specifically to a sharp decline in Chinese exports to the United States. Although China is by far South Korea’s largest trading partner, much of South Korea’s exports to China are intermediate products that are ultimately tied to Chinese exports to the United States and Europe.³⁰ Figure 3 shows that although South Korean exports to China from 2007-2015 appear to have had little to no correlation with Chinese GDP growth, they were much more closely correlated to changes in U.S. GDP growth.

Figure 3. South Korean Exports to China vs. Chinese & U.S. GDP Growth Rates (USD billion)



Growth Rates Sources: Exports from UNComtrade, GDP Growth from World Bank.

4. South Korean perceptions of the United States. Finally, South Korean leaders' willingness to agree to concessions on economic and other matters will be affected by whether such concessions incur political costs or accrue political gains at home. For much of the conservative era (2008-2017), South Korean approval ratings of the United States were extremely high, with over 80 percent in some polls registering a "favorable" opinion. In the early 2000s, however, polls recorded U.S. favorability ratings of less than 50 percent, as South Koreans reacted to perceived U.S. mishandling of accidents by American servicemen in South Korea, the unpopularity of the U.S. invasion of Iraq, and the Bush Administration's hard-line approach to North Korea, which conflicted with many aspects of Seoul's "Sunshine Policy" of largely unconditional engagement with Pyongyang.³¹ If the United States and/or the Trump administration becomes politically unpopular in South Korea, it will increase the political costs of the next South Korean president's compliance with controversial U.S. demands.

CONCLUSION

Three developments may increase President Trump's motivation and opportunity to try to use security and economic issues to extract leverage against South Korea:

- The fact that South Koreans on May 9 elected a left-of-center president who favors entering into more dialogue and engagement with North Korea and is likely to be even less willing than the Park Geun-hye government to criticize China's increased assertiveness in the South China and East China Seas;
- The expiration in 2018 of the U.S.-ROK special measures agreement setting the level of South Korea's payments to the United States to help offset the costs of stationing U.S. forces in South Korea; and
- The administration's plan to review bilateral trading relationships in which the United States runs a trade deficit, a review that is expected to bring special scrutiny to the KORUS FTA because of the agreement's size and of the growth in the U.S. bilateral trade deficit since the agreement has gone into effect.

Thus, policymakers in Washington and Seoul should not only expect greater attention to economic issues under the two new administrations, but also greater difficulty preventing any economic friction from spilling over to other aspects of the bilateral relationship. With respect to South Korea policy, it is possible that the Trump administration's positions largely reflect a shift in negotiating tactics rather than a change in fundamental U.S. interests. Two key questions moving forward then are whether or not these tactics result in a safer Korean Peninsula and U.S. homeland and more prosperous bilateral economic relationship.

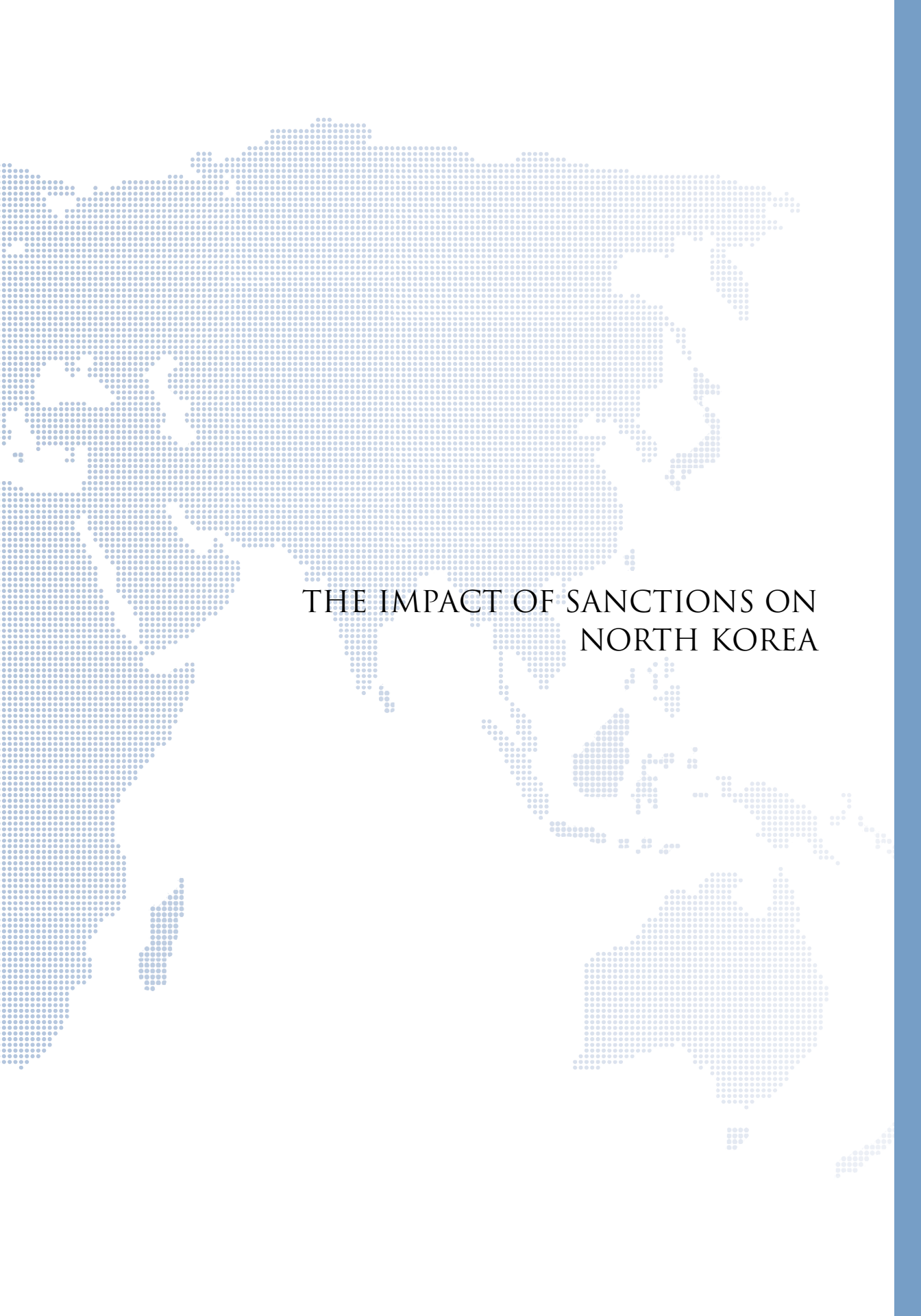
**The views expressed herein are those of the authors and are not presented as those of the Congressional Research Service or the Library of Congress.*

ENDNOTES

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THE IMPACT OF SANCTIONS ON
NORTH KOREA

INTRODUCTION

How sanctions are impacting North Korea is of utmost significance as leaders debate either tightening the sanctions or shifting to another approach for dealing with the North. The range of opinions on this issue is wide. At one extreme are those who see sanctions as ineffective, insisting that there is little that China and others could do to make them work to change the North's behavior. At the other are observers who see sanctions as a potential panacea, feeling that if applied vigorously they would alter the calculus of the North Koreans. As a prelude to the current debate, earlier cutoffs of assistance to the North and rounds of sanctions have drawn overly optimistic predictions about their impact as well as persistent pessimism that they would be of little avail. In the middle between the two extremes are views that increased sanctions are a priority, if China is not determined to nullify them, but they must be advanced with urgency and accompanied by other measures that can bypass China and make China aware that the sanctions option is preferable to the alternatives now under preparation.

Assessing the role of sanctions on North Korea involves four steps: 1) looking back at the narratives over as long as two decades in the most concerned countries over whether and how sanctions should be applied and what their impact would be — proof that arguments have been skewed to reflect perceived national interests more than realities; 2) accurately assessing how sanctions have been applied or bypassed as they have been tightened — lessons for what should be done now or avoided; 3) devising a new approach to sanctions, through the Security Council and separate from it — urgently deciding on the option that would have the biggest payoff despite resistance from China and Russia with efforts to offer them reasonable assurances; and 4) tracing the consequences of a different sanctions regime with awareness of alternative scenarios and the simultaneous effect of greater deterrence or pressure. While our coverage concentrates on the state of the sanctions in 2016-17, we look at lessons from how sanctions were applied, ideas for new sanctions, and prospects for their implementation. The timing is relevant, as the Trump administration has just completed its review of North Korean policy, the Trump-Xi April 2017 summit has just given an indication of what cooperation is possible, and the new administration in South Korea is poised, against this background, to set a fresh course on this issue.

The four chapters in Part 4 demonstrate that exchanges of views are still at the stage of divisions over the promise of increased sanctions. China's attitude toward tighter sanctions and the impact they have is the starting point in our coverage. Then, we turn to Russia's position on these issues, again showcasing difficulties in finding a common approach. Third, we examine a South Korean viewpoint as that country has recently undergone a political transition. Finally, a U.S. point of view is presented at a time when the mainstream U.S. position is to intensify sanctions, even if some prefer an alternative.

Comparing the four points of view, we find: 1) Russia is most against sanctions and eager for talks on a multilateral security architecture as an alternative; 2) China is more open to tougher sanctions but insists on security tradeoffs before it will agree to them and to fuller implementation of existing sanctions; 3) one South Korean is torn between toughening sanctions and doing more to enlist China's cooperation; and 4) one U.S. viewpoint doubts that Trump's tough talk will overcome failures to impose effective sanctions, leaving the necessity to try other approaches. When we add the prevailing view in Washington for greater urgency and toughness to this mix, we find a combustible combination casting grave doubt on multilateral moves.

A CHINESE PERSPECTIVE: CHENG XIAOHE

Cheng argues that sanctions against North Korea began to have a dramatic impact only from 2006. Tracing the history of sanctions from a Chinese perspective, he calls the sanctions the United States has unilaterally imposed part of its grand scheme to strangle North Korea to death. On the one hand, the sanctions did bite and effectively denied North Korea a large market and major resources in technology and investment; thus undermining its modernization drive. On the other hand, the sanctions put North Korea under constant pressure; thus whetting its appetite to pursue its Military First Line.

Cheng looks also at UNSC sanctions, noting that in 2006, for the first time, the council took concrete measures to punish the DPRK for its wrongdoings. Unfortunately, he adds, the resolutions failed to outline a detailed list of missile-related items, materials, goods, and technology, and, thus, easily caused confusion and disputes among nations. They also did not specify punitive measures if the ban were violated. The enforcement of the ban, to a large extent, was left to the discretion of the member states, and this created loopholes for countries that wanted to trade with North Korea for missiles and associated items. Resolution 1718 on October 14, 2006, compared to the earlier July resolution, widened the scope of sanctions — not just missile and nuclear related items, but also luxury goods. Yet, the concept of luxury goods was ambiguous, making implementation more difficult, while excluding actions that might hurt the North Korean economy. Without explaining why loopholes were left in resolutions, Cheng points to their limited impact.

Turning next to the 2009 Resolution 1874, Cheng notes the expanded military embargo against North Korea to apply to all arms and related materials and to reach beyond hardware to financial transactions with an enhanced inspection regime. He sees this as focusing more on broadening the scope of sanctions rather than deepening the previous sanctioning measures. More importantly, the new resolution avoided hurting North Korea's legal economic activities and refrained from singling out individual North Koreans and entities for sanctions. This helps to explain their limited effectiveness. Precisely at this time, Wen Jiabao went to North Korea with a promise of more economic cooperation, leading to a remarkable phenomenon: on the one hand, China and other countries tried to hit North Korea's military sectors hard in an attempt to pressure it to abandon its nuclear and ballistic missile programs; on the other hand, its legal trade with North Korea boomed. While others were striving to pressure the North by causing economic pain, China was offering it carrots to lure it back to the table. Since 2008, North Korea's legal trade with China steadily increased. On the surface, this did not contradict the words of the resolutions, but it violated their spirit. Cheng leaves no doubt that the absence of full Chinese support for the sanctions led to only mixed results. The story in 2013 appears quite similar, as Resolutions 2087 and 2094 broadened the number of targets, slowed economic growth, undermined conventional military forces, added to the North's diplomatic isolation, and created a purge mentality adding to domestic instability. Yet they facilitated a smooth power transition, spurred byungjin and market reforms, and failed to pressure the North into abandoning its provocative programs.

Resolution 2270 in 2016 carried some hard-hitting elements that may hurt North Korea badly, observes Cheng. Besides an expanded arms embargo and financial measures, for the first time, the resolution imposed sectoral sanctions targeting North Korea's trade in

resources. Yet, again, he notes, the new punitive measures were conditional with exemptions. Transactions in coal, iron, and iron ore that “are determined to be exclusively for livelihood purposes and unrelated to generating revenue for the DPRK’s nuclear or ballistic missile programs or other banned activities” could be immune from sanctions. This opened the door to China gutting 2270, afraid of regime collapse. Also, as Chinese trade with North Korea accounts for more than 80 percent of the latter’s trade, China did not want to bear the brunt of an abrupt rupture of economic ties. Resolution 2270 partially met the U.S. demand by hitting key sectors that could generate revenue, while partially agreeing with China’s preference by allowing a livelihood exception.

Resolution 2321 was an enhanced version of 2270, upgrading sanctions by: a) expanding cargo inspections and the arms embargo to items listed in a new conventional arms dual-use list; b) prohibiting the supply, sale, or transfer of new helicopters and vessels to North Korea; c) adding new items to the luxury goods ban; d) adding copper, nickel, silver, and zinc to the materials banned from supply, selling, or transferring by North Korea; and e) designating an additional 11 individuals and 10 entities. It overhauled the previous sectorial sanctions, placing an annual cap and closing the loophole caused by the livelihood exception, which South Korean and American experts believe some Chinese companies had abused. China faced a number of choices: expanding sanctions to other economic sectors, e.g. North Korea’s tourism and overseas labor services; adding new items to the sanctions list, such as clothing products; or placing a cap on North Korea’s product exports. In fact, it gave the green light to placing a cap on only one key export: coal. So, the new resolution can be seen as leaving enough breathing space for North Korea.

This coverage of China’s impact on sanctions suggests that there is room for tougher sanctions, possibly enough to convince North Korea to give up its nuclear weapons. It also is evidence that China has been leading others along without serious interest in biting sanctions. The explanation offered is that sanctions have lacked effectiveness due to a lack of consensus, especially between China and both the United States and the ROK. Sanctions did not work well due to: evasion; lax and inconsistent implementation; China’s decision to boost trade; China’s refusal to enforce them as a result of poor U.S. relations and pique at the U.S. pivot to Asia; and China’s view of North Korea as a strategic asset, relieving China of pressure; and, lately, China’s response to THAAD.

The logical conclusion is that sanctions will be significantly more effective only if Beijing is satisfied with strategic choices made by Washington and Seoul and with the approach they take not only to pressure Pyongyang but to attract it through material incentives, security guarantees, and a different regional strategic posture.

A RUSSIAN PERSPECTIVE: ALEXANDER GABUEV

Gabuev assesses Russian national interests on the Korean Peninsula, disentangles Russian evaluations on sanctions efficacy, and explores the Russian debate on further steps to improve the options that the international community has to tackle the DPRK nuclear issue. He finds that the Russian official position aired at the UN or in official statements is different from the consensus view in Moscow among decision makers and members of the expert community. Despite official narratives, writings of Russian experts, panel discussions in Russia on the topic, and, most importantly, in-depth anonymous interviews with Russian

officials and government advisors show that Moscow does not think denuclearization is possible. The senior Russian leadership is convinced that the United States is pursuing a strategy of “color revolutions” and economic pressure to dispose of the regimes that America does not like, including North Korea and Russia. That leaves possession of nuclear weapons as the only viable tool for an authoritarian regime to guarantee prevention of American military interference into domestic conflict. This makes North Korea’s actions a legitimate defensive response.

Moscow does not believe that Pyongyang is developing nuclear and missile capabilities against Russia. But these developments have negative consequences for Russian security interests because they give the United States a legitimate pretext to develop its military infrastructure on and around the Korean Peninsula, including the deployment of THAAD. This is the major reason why Moscow continues its efforts with other members of the international community to limit DPRK missile and nuclear capabilities, Gabuev asserts.

The major challenge for the Kremlin is to aggregate the conflicting national interests of Russia on the Korean Peninsula, check them against reality, and fuse them into a coherent agenda, according to Gabuev, but this is proving to be extremely difficult, forcing it to play a more reactive role and side with its major diplomatic partner in Northeast Asia – China. As long as Moscow can hew to China’s policy, while maintaining its own contacts with Pyongyang, its interests are served, even if there is no very appealing option.

Gabuev identifies four major Russian interests on the peninsula: nuclear security owing to the possibility of an accident or proliferation to terrorists; military security versus the United States and its alliances involving the deployment of missile defense or force presence after reunification; prestige requiring international recognition of Russia as a major player; and economy, through new trade flows resulting from big infrastructure projects presumably trilateral in nature with South Korea. As for the fourth interest, Russians were hoping economic revenue that Pyongyang would get through these projects would help to ease tensions on the Korean Peninsula, create interdependence between the two Korean states, and ultimately help in resolving the nuclear issue. However, none of the projects got off the ground, and Seoul’s interest in them decreased after Park’s election in 2012. Russia’s aspirations appeared to grow when in 2014 Minister of Far Eastern Development Alexander Galushka reached an agreement with the DPRK on the “Pobeda” project, which envisages construction of 3,000 km of railway track in the DPRK by the Russian Railways company, to be financed by the Russian side at a cost estimated at \$25 billion, in return for licenses for mineral deposits in North Korea. Not many in the government believed that the projects developed by Galushka were realistic. Galushka was driven by the fact that he was appointed as chairman of the bilateral intergovernmental commission between Russia and DPRK. He managed to secure just this commission, since others were taken by more powerful people; so he pressed forward.

The main aim of Resolution 2321 was to cut off potential channels for financing the nuclear and missile programs, as well as to put some significant economic pressure on the DPRK in order to make it return to the negotiating table and ultimately abandon both programs. The most powerful tool in the resolution’s toolkit was a ban on the purchase of North Korean coal, iron, iron ore, gold, titanium ore, vanadium ore, and rare earth minerals, copper, nickel, silver, zinc, new helicopters, vessels, and statues. The only exception was made for coal, on

which the resolution put strict limitations: Pyongyang was allowed to sell coal for no more than \$400,870,018 or 7,500,000 metric tons per year, whichever was lower, beginning on January 1, 2017. Obviously, cutbacks of this sort do not satisfy Russian interests in advancing economic ties on the peninsula.

Moscow does not see the sanctions as an efficient tool to achieve its interests on the Korean Peninsula, concludes Gabuev. They do not provide an ultimate solution to the DPRK missile and nuclear problems. Add to this Russian impressions that the DPRK is realizing economic growth despite the sanctions and the spillover from Russian anger against sanctions directed against it. There is no expectation that things will change. The international community has no real tools, since military tools are not applicable, and since China and Russia will not support crippling sanctions on the DPRK that would enable internal regime change. Also, the sanctions are not seen as very helpful since they do not hinder the U.S. military posture on the Korean Peninsula. Moreover, as outlined in Resolutions 2270 and 2321, they are seen as strangling Russia's economic cooperation with the DPRK and hurting existing Russian corporate interests. Thus, Moscow has an ambiguous position. Its national interests on the Korean Peninsula include prevention of nuclear tests by the DPRK, positioning Russia as one of the leaders of the international community on nonproliferation, non-expansion of the U.S. military presence on the Korean Peninsula, and growth in Russian trade with both Korean states. The sanctions in Resolution 2321 do not support most of these goals, since Russia thinks that nuclear disarmament of the DPRK is impossible in principle. However, Moscow is ready to play along with the sanctions track as long as it maintains the appearance of a critical player.

Moscow views the struggle over sanctions as indicative of clashing national interests. The fierce discussions in the UNSC in 2016 once again showed differences in approach, as each of the players was guided by its own understanding of the root causes and dynamics of the North Korean nuclear crisis, as well as its stated (and, most importantly, unstated) national interests on the Korean Peninsula, argues Gabuev. Yet, as opposed as it is to the consequences of the sanctions, it supported them because the alternatives are worse, and because UN sanctions are the only mechanism that allows Russia to sit at the table with other players. The alternative includes a far more robust American military posture on the Korean Peninsula, or unilateral actions of the United States and its allies to overthrow the Kim regime (including covert operations, sabotage, etc.) This is a nightmare scenario, in which Russia's security interests would be served far worse. As long as sanctions on the DPRK are a tool to prevent the United States from deploying other options, Moscow is ready to play ball. Also, Russia knows that its tools to influence the situation on the Korean Peninsula are limited. The only real asset it has are diplomatic channels to talk to the North Korean regime. Russia now has, arguably, the best diplomatic relations with Pyongyang. The UN sanctions mechanism is the only format of impact on the North Korean missile and nuclear problem that gives Russia a proper seat at the table. Prestige is driving its cooperation, not any other national interests. The official line describes the positive scenario as establishment of a new security architecture in Northeast Asia, which would be based on legally binding treaties and resemble, in some aspects, the security architecture in Europe that the Soviet Union and the United States built, but there is little support for this. That leaves Moscow waiting at this stage of crisis.

A SOUTH KOREAN PERSPECTIVE: KIM JOONG-HO

Kim Joong-ho's chapter reviews the background of sanctions against North Korea and assesses if they were effective, while contributing to the effort to make North Korean behavior change in an acceptable way. The sanctions regime against North Korea must be upgraded, but he warns that smart sanctions have two-sided effects – inflicting suffering on the people of the target country and simultaneously augmenting the rationale for more harsh oppression by the leadership of that country. The global community has not been persuaded, however, that this isolated totalitarian regime would be committed to the preservation of world peace if the status of a nuclear power were permitted.

Each time sanctions were upgraded, they were “hailed as ‘comprehensive,’ ‘robust’ and ‘unyielding’ against North Korea’s pariah government,” adds Kim, however, because previous rounds of sanctions failed to curb Pyongyang’s drive to advance its nuclear weapons program, the effectiveness of additional punitive economic measures are still in doubt. As long as Pyongyang’s previous provocations could not be stopped, the historical pattern will just renew skepticism that the world’s harmonizing acts against North Korea would ever have measurable impact. Heightened tensions and isolation deepened by harsher sanctions may help the Pyongyang regime control the redistribution of resources to any individuals who can be potential rivals to the Kim leadership, he concludes.

The Trump administration “intends to close down more procurement channels and funding sources for North Korea in third party countries, including China, Russia, Vietnam, and Cuba,” but Kim argues that the participating countries’ interests and positions are all different and, even if a consensus were reached, their partnership would still be fragile. The United States blames China for reluctance to use its leverage to change North Korean behavior, while China blames the United States for reluctance to enter into dialogue with North Korea. For the United States, sanctioning North Korea is regarded as an inevitable choice to preserve the international order from a rogue nation’s extreme behavior, while, for China, the same action may be interpreted as weakening the connective ring of its traditional socialist alliance with North Korea. The two big powers’ tug-of-war provides North Korea strategic room to manipulate the crisis situation.

South Korea has initiated and supported global efforts to punish North Korea for its bad behavior. Not only has it been faithful in implementing whatever was stipulated in the UN Security Council’s resolutions, but it also imposed unilateral sanctions against North Korea, as in the shutdown of the ten-year-old Kaesong Industrial Complex (KIC) immediately after North Korea’s fourth nuclear test in February 2016, contending that payments of wages were used to contribute to the development of the nuclear weapons program in North Korea. Yet, he notes arguments that the South gained little benefit from the closure of the KIC—it hurt the South far more than the North.

A short list of possible trouble North Korea experienced after the Kaesong shutdown includes the sudden administrative cost of reallocating the 54,000 well-trained Kaesong workers as well as the loss of their regular income. Despite no more income from the KIC, the Kim Jong-un regime continued to develop its nuclear weapons program with its fifth nuclear test in September 2016, casting doubt on the effectiveness of South Korean sanctions.

China has a policy dilemma. As a globally influential player, China clearly understands the importance of punishing North Korea, the violator of international agreements, as an example. However, as an ideologically bonded ally, China cannot push North Korea into a corner. When bilateral trade shrank for a particular time period, the effect of sanctions was not the only factor. Their trade has also reflected a decline in the export price of coal or a decrease of Chinese energy consumption. The numbers reflect structural changes, such as a lowering of China's GDP growth rate or a shift of policy focus from an export-driven to a domestic consumption-driven economy. Warehousing trade, suspected of being a source of detour trade from North Korea to third countries, via China, surpassed ordinary trade. This primarily consists of processed goods, including textiles, rather than raw materials. Improved manufacturing contributed to the expansion of trade. In early 2016, North Korea's trade was expected to be affected by many factors including new economic sanctions, the shutdown of the KIC, a continued decrease of raw material prices in the international commodity market, and China's decline in imports. However, the reality was an increase. Total exports to China in 2016 hit \$2.6 billion, an increase of 6.1 percent from the previous year, and the top three exports were coal (\$1.1 billion), fabrics (\$600 million) and iron ore (\$200 million).

In the eyes of the Chinese leadership, Kim argues, North Korea's obsession with WMDs may be tolerable, whereas South Korea's accession to its ally's additional self-defense measures, including the installation of THAAD, is provocative. China's admonishment of North Korea without commensurate punishment has spoiled the regime. Its approach to South Korea reveals its modus operandi: first, pick a fight over an allegedly offensive act, next, follow up with vitriol and veiled threat, and then, inflict economic pressure. Yet, Kim concludes that China's support and cooperation are necessary. Its trade with North Korea has continued to increase since 2000 and serves as a lifeline through which hard currency as well as necessary goods were provided to the North Korean leadership.

The Pyongyang regime widely advertises to the world its multiple projects such as a ski resort, tourism areas, and newly designated special economic zones. It is the right time for the smart sanctions regime to be refined. The South Korean government is determined not to allow the North Korean regime to take advantage of the world's open financial system for ill-intended purposes. Chinese enforcement is the key to effective sanctions.

For the past decade at least, China is said to have turned a blind eye to sanctions violators and kept the North Korean regime alive. The reality does not support the argument that sanctions have increased the level of pressure on the target to elicit behavioral changes. The same question is still being asked: How can sanctions be upgraded to elicit a different outcome? While the United States may be considering ways to bypass China, it has done so before to little effect, and South Korea is inclined to appeal to China again.

A U.S. PERSPECTIVE: JAMES WALSH

James Walsh contrasts his U.S. views from Cambridge with those in Washington, which he sees as a call for new and tougher sanctions, resurrecting the old question: do sanctions on North Korea have any impact? He puts the topic in a historical and social science context, reviewing recent developments in the region, then considers how one might define and measure the impact of sanctions and assesses the current and prospective sanctions regime, before offering a stylized account of how Washington views the North Korean challenge and concluding with an alternative view. He notes that analysts have judged that sanctions on North Korea have not achieved the desired outcome, namely an end to North Korea's many objectionable behaviors, and it appears as if things have gotten worse, with the pace of weapons testing and human rights violations increasing despite ever-stronger sanctions.

UNSCR 2270 was unprecedented, setting hard caps on coal imported from the DPRK. North Korea's international isolation is near an all time high, boosted by its recent row with Malaysia and an aggressive full court press by Seoul to persuade countries to cut their ties with North Korea. With a new, tough-talking U.S. president vowing to stop the DPRK, it is time to consider again the topic of sanctions on North Korea, Walsh remarks, adding that sanctions can prove useful under particular circumstances, but they are a limited tool, their value being a complement to a broader policy approach that includes diplomacy and the threat of military force.

One set of challenges, Walsh says, revolves around the poor implementation of international sanctions. Another set centers on the DPRK's evasion techniques, e.g., the use of front companies and private Chinese middlemen. Specific structural impediments undermine sanctions on North Korea (e.g., geography, globalization, and inherent limits on the ability of governments to police transnational trade). Sanctions optimists might be correct that the North is "under-sanctioned" and that success is just around the corner, but that seems more an aspiration than a fact-based assessment of the record to date, he concludes.

A number of events in the region could affect the viability of sanctions, Walsh notes. On the positive side of the ledger is China's support for UNSCR 2270, which capped coal imports from the DPRK, but, he adds, in private, U.S. officials downplay the significance of China signing on, pointing out that it took a long time for Beijing to finally agree to an import cap and that the livelihood exception—what some analysts strangely call a "loophole"—allows China to fudge its commitments. Coal imports from the North to China actually increased from 2015 to 2016. Time will tell whether China means what it says, but it has established regulatory and administrative processes required to implement the caps. Less encouraging, he finds, is the deterioration in Sino-ROK, and Japan-ROK relations. Newly elected South Korean president Moon Jae-in has thus far taken a centrist approach towards North Korea, but concerns remain over a possible return to a pro-engagement strategy. If Trump embroils himself in disputes with both South Korea and China, it will not bode well for North Korea policy. Indeed, Pyongyang might get its wish that the major players are at odds with one another, concludes Walsh.

The chapter finds that sanctions appear to have had a low to moderate impact but have been unsuccessful in changing behavior or altering the relevant outcomes. The question going forward is whether UNSCR 2270 and related actions might produce a different result. Walsh is skeptical, saying the North has found a way to not only sustain its weapons programs but to accelerate their development, and that the most recent Panel of Experts report makes evident that: 1) many of the member state compliance issues noted in previous reports persist; and 2) in any case, the DPRK continues to make extensive use of intermediaries to shield its activities. Even as the United States has moved to curb Pyongyang's access to international finance, the North has again turned to private brokers to evade detection.

It remains to be seen how far China will want to go in squeezing its neighbor, Walsh adds, expressing skepticism despite China's willingness to sign on to UNSCR 2270. Sanctions have affected the behavior of private Chinese businesses in ways both good and bad. On the one hand, sanctions have had the positive effect of fostering the growth of "compliance culture" in larger, internationally oriented Chinese banks and financial firms. On the other, they have led to North Korean counter-measures with the effect of drawing in larger and more sophisticated Chinese businesses that now operate in black and gray markets on behalf of their North Korea clients. Further complicating the coercion strategy is the reality that Chairman Kim can shift the costs of sanctions to the general population. Even with a substantially smaller pie, the Kim family and the ruling elite will get the first and biggest slice, which might be enough to keep the system going.

Walsh summarizes the view from Washington and challenges it. The consensus, he sees, is that: 1) sanctions are good, 2) sanctions are not working, and 3) we need more sanctions. There is a general and strong preference for coercion, despite its lousy record, and this is all China's fault. The Chinese could solve this, if they wanted to but they will not because Beijing and Pyongyang are pals. Since China is not helping, we should threaten them—"sharpen their choices," as some people say. If that means "ringing them with missiles" or sanctioning their banks, then so be it. Almost every aspect of this "view from Washington" looks to him to be logically or empirically questionable. He concludes that this appears to be as dangerous a time for the peninsula as there has been since the Korean War.

A Chinese Perspective on the Impact of Sanctions

Cheng Xiaohe

Since the Korean War, North Korea (the DPRK) has endured sanctions imposed by the United States and other western countries, but the sanctions began to acquire a dramatic impact only in 2006 when North Korean ballistic missile blasts invited a punitive reaction from the UN Security Council. In addition to sanctions imposed by individual countries, for the first time, international organizations, notably the Security Council, passed punitive resolutions in an effort to rein in North Korea's missile and nuclear development. In order to supervise implementation of the sanctions, the Security Council set up a committee established pursuant to resolution 1718 in 2006 (the sanctions committee), which now comprises all 15 members and makes its decisions by consensus. To North Korea's dismay, as it continues to fight against western countries' economic sanctions and military embargo, it now has to bear the brunt of sanctions from its traditional allies, China and Russia. Even so, it has been defying international pressure and pressing ahead with its missile and nuclear weapons programs. Despite tougher sanctions, North Korea is poised to possess missiles with nuclear warheads that could hit South Korea, Japan, and the United States. This paper explores the effectiveness of the sanctions, asking whether the North's steady progress on nuclear and missile weapons demonstrates their failure.

U.S. UNILATERAL SANCTIONS BITE BUT NOT SO HARD

U.S. sanctions against North Korea derive from three major causes: Korean War-related, missile and nuclear proliferation, and terrorism. In the immediate wake of the outbreak of the Korean War, the Truman administration invoked the Trading With the Enemy Act (an act from 1917 restricting trade) and instituted a total embargo on exports to North Korea, while forbidding financial transactions by, or on behalf of, North Korea, including transactions for travel. North Korean assets under U.S. jurisdiction were frozen. The sanctions had remained active until President Bush decided to lift them in 2008 after the North released a formal declaration of what was in its nuclear programs.

In December 1979, the U.S. government began to designate Libya, Iraq, and South Yemen as "state sponsors of terrorism," punishing them by economic sanctions and a military embargo. Alleged North Korea-sponsored activities against South Korea in the 1980s drew U.S. retaliation. Following the Rangoon bombing in 1983 and the bombing of Korean Airlines Flight 858 in 1987, North Korea was designated a state sponsor of terrorism in June 1988 and automatically subjected to a variety of sanctions, including: 1) a ban on arms-related exports and sales; 2) controls over exports of dual-use items; 3) prohibitions on economic assistance; and 4) opposition to loans by the World Bank and other international financial institutions as well as prohibitions against any U.S. citizen engaging in a financial transaction with a terrorist-list government without a Treasury Department license, etc. As reciprocity for North Korea's submission of a declaration of all of its nuclear programs, on October 11, 2008, President George W. Bush removed North Korea from the list of state sponsors of terrorism.

As North Korea's missile and nuclear programs surfaced, the U.S. government, which had been jealously guarding the non-proliferation regime, imposed sanctions in March 1992 and later against a number of North Korea's entities for their violation of U.S. missile nonproliferation laws in the Arms Export Control Act, Export Administration Act, and Iran

Nonproliferation Act of 2000. The sanctioned entities included Lyongasan Machineries and Equipment Export Corp, Changgwang Credit Corp., Changgwang Sinyong Corp. (aka the Korea Mining Development Trading Bureau), and Korea Pugang Trading Corp. On June 14, 2001, the U.S. government began to punish Changgwang Sinyong Corp.

The U.S. government also took measures to stall North Korea's nuclear ambitions. It imposed financial sanctions on three North Korean entities—Changgwang Sinyong Corp., Korea Ryongbong General Corp., and Tanchon Commercial Bank—pursuant to Executive Order 13382¹ on June 28, 2005 for their involvement in Weapons of Mass Destruction proliferation. The sanctions remain. On October 21, 2005, the United States sanctioned eight North Korean entities, whose parent companies had been similarly designated in June.

In addition to punishing North Korean entities, the U.S. government took punitive actions against third-party entities which provided services to North Korean government agencies and front companies. On September 15, 2005, it designated a Macau bank, Banco Delta Asia, as a “primary money laundering concern” under Section 311 of the USA PATRIOT Act, freezing about \$25 million in North Korean funds. On March 30, 2006, it then froze the U.S.-controlled assets of a Swiss firm and a Swiss individual that allegedly have business dealings with a North Korean entity named by the U.S. government as a WMD proliferator. The unilateral sanctions against North Korea remained after the latter's first nuclear test. With the passage of time, the U.S. government dropped some punitive measures and added new ones; nonetheless, the general trend of unilateral sanctions is increasingly harsh.

From a Chinese perspective, the sanctions the United States had unilaterally imposed are part of a grand scheme to strangle North Korea to death. On the one hand, the sanctions did bite and effectively denied North Korea a large market and major resources in both technology and investment; thus undermining its modernization drive. On the other hand, the sanctions put North Korea under constant pressure; thus whetting its appetite to pursue the Military First Line and, during the Cold War, driving it to the Soviet Union, China, and other socialist countries for its economic development. As the United States had no diplomatic ties with North Korea and their trade had remained extremely limited, if not zero, the impact of sanctions on North Korea was limited. North Korea defied the pressure and pressed ahead with its own indigenous missile and nuclear weapons, which, in turn, invited the United Nations Security Council's interference in 2006.

COLLECTIVE SANCTIONS KICK IN

The Six-Party Talks put China, the United States, the two Koreas, Russia, and Japan into the same boat; thus delegating the burden of persuading North Korea from going nuclear from the United States to the other key players in Northeast Asia. For the first time, the other five member states joined together to deal with one of the most daunting security challenges in Northeast Asia—North Korea's development of a nuclear weapons program. The joint efforts finally resulted in a joint statement on September 19, 2005, in which North Korea agreed to abandon its nuclear programs in exchange for U.S. security assurances, diplomatic recognition, and economic assistance.

As the dispute over U.S. unilateral sanctions against North Korean entities and related third parties escalated, North Korea registered its displeasure with multiple tests of missiles on

July 5, 2006, thus triggering the Security Council's punitive reaction. On July 15, it passed resolution 1695,² which requires member states, in accordance with their national legal authorities and legislation and consistent with international law, to exercise vigilance and prevent missile and missile-related items, materials, goods, and technology being transferred: 1) to the DPRK's missile or WMD programs; 2) from the DPRK; and 3) the transfer of any financial resources in relation to the DPRK's missile or WMD programs. For the first time, the council took concrete measures to punish the DPRK for its wrongdoings. Unfortunately, the resolutions failed to outline a detailed list of missile-related items, materials, goods, and technology, and, thus, easily caused confusion and disputes among nations. It also did not specify punitive measures if the ban were violated. The enforcement of the ban, to a large extent, was left to the discretion of the member states, and this created loopholes for some countries, which wanted to trade with North Korea for missiles and associated stuff. Obviously, the sanctions had been carefully designed to narrowly target North Korea's missile and missile-related sector.

The resolution fundamentally reshaped China and North Korea's relations. For China, it would be a remarkable departure in its relations with its ally North Korea; joining in the collective sanctions was a totally new experience. China and the United States joined together and applied coercion on North Korea in a vain attempt to slow down if not stall North Korea's ballistic missile development; thus effectively ending the period, in which the United States and other countries' unilateral sanctions against North Korea had played a dominant role, and ushering in a new era. The individual countries' sanctions against North Korea paralleled the collective sanctions imposed by the Security Council. China, which jealously guarded the 9/19 Joint Statement, did not shy away from resorting to coercive measures in order to prevent North Korea from going nuclear.

UN SANCTIONS STEPPED UP

Resolution 1695 failed to intimidate North Korea into submission. It defied international pressure and detonated its first nuclear bomb on October 9, 2006, which shattered the last hopes that North Korea would not go nuclear. In a sweeping response, the Security Council quickly passed Resolution 1718 on October 14, 2006,³ which was harsher than Resolution 1695 in a number of ways.

First, the scope of sanctions was enlarged to include: 1) luxury goods; 2) conventional heavy weapons, such as battle tanks, armored combat vehicles, large caliber artillery systems, combat aircraft, attack helicopters, warships, missiles or missile systems, and related materials, such as spare parts; and 3) all items, materials, equipment, goods, and technology, which could contribute to the DPRK's nuclear-related, ballistic missile-related or other weapons of mass destruction-related programs.⁴ Second, the sanctions not only targeted North Korea's missile-related and nuclear-related sector, it also stripped North Korea of the right to import luxury goods, which were used by North Korea's top leader to sweeten relations with other leaders and subordinates. Third, the council decided to tighten enforcement by such measures as: 1) all Member States should report to the Security Council within thirty days of the adoption of this resolution on the steps they have taken in implementing it to better improve their effectiveness; and 2) establishing a Committee of the Security Council consisting of all the members of the Council to undertake multiple tasks;⁵ if necessary, cargo to and from the DPRK could be inspected.

The enhanced punitive measures, to a large extent, were designed to cripple North Korea's ability to develop missiles and nuclear weapons, but, at the same time, avoid ruining North Korea's economy. Even though the council stepped forward to specify lists of banned missile and nuclear weapons components and related items, the concept of luxury goods still remained ambiguous; thus making implementation more difficult. Nonetheless, resolutions 1695 and 1718 could not prevent North Korea from conducting a new nuclear test on May 25, 2009. The Security Council responded with another new resolution 1874.⁶ In comparison with the previous two resolutions, the new one could be characterized by three observations. First, the military embargo against North Korea was expanded to apply to all arms and related materials, and from hardware to financial transactions, technical training, advice, services or assistance related to the provision, manufacture, maintenance, or use of such arms or material. Small arms and light weapons were immune from the embargo, but member states should notify the Committee at least five days prior to selling, supplying, or transferring small arms or light weapons to the DPRK. Second, new measures were introduced to enhance the inspection regime by detailing the circumstances and procedure under which member states could conduct inspections, seizure, and disposal of cargo (banned cargo) to and from the DPRK. Third, it further tightened the financial grip on the DPRK through new measures:

- a) Member states should prevent the provision of financial services or the transfer to, through, or from their territory, or to or by their nationals or entities organized under their laws, or persons or financial institutions in their territory, of any financial or other assets or resources that could contribute to North Korea's nuclear-related ballistic missile-related, or other weapons of mass destruction-related programs or activities;
- b) Member states and international financial and credit institutions should not enter into new commitments for grants, financial assistance, or concessional loans to North Korea, except for humanitarian and developmental purposes; and
- c) Member states should not provide public financial support for trade with North Korea.

In order to strengthen the sanctions committee, the Panel of Experts was created to carry out multiple tasks under the direction of the committee.⁷

Obviously, Resolution 1874 is tougher than its predecessors, but it focuses more on broadening the scope of sanctions rather than deepening previous sanctioning measures. More importantly, the new resolution avoided hurting North Korea's legal economic activities and refrained from singling out individual North Koreans and North Korea's entities for sanctions. China became very frustrated with North Korea's second nuclear test, which effectively ended the implementation of the February 13 "Joint Statement,"⁸ and it endorsed new sanctions. But China did not lose hope of pulling North Korea back to the negotiating table by sending premier Wen Jiabao to North Korea with a promise of more economic cooperation. Therefore, we witnessed a remarkable phenomenon: on the one hand, China and other countries tried to hit North Korea's military sectors hard in an attempt to pressure it to abandon its nuclear and ballistic missile programs; on the other hand, its legal trade with North Korea boomed, peaking at \$6.86 billion in 2014.⁹

The expanded sanctions did not keep North Korea at bay for long. Soon after taking charge, Kim Jong-un shattered any illusions that a young leader might change North Korea's nuclear course. On December 12, 2012, North Korea launched a long-range ballistic missile

disguised as a satellite launch and triggered the passage of Security Council Resolution 2087. In addition to enhancing previous sanctions and encouraging international agencies to take necessary steps to ensure that all their activities with respect to North Korea are consistent with the provisions of the sanction resolutions, for the first time, the council began to target individuals and institutes by imposing a ban on four North Koreans and freezing the assets of six North Korean entities.¹⁰

Before the ink from Resolution 2087 had dried, North Korea detonated its third nuclear bomb on February 12, 2013, and an enraged Security Council responded with passage of a fifth punitive resolution, No. 2094.¹¹ Some enhanced measures were adopted, including:

1. Punitive measures will apply to brokering or other intermediary services, including when arranging for the provision, maintenance, or use of prohibited items in other states or the supply, sale, or transfer to or exports from other states;
2. The list of sanctioned individuals and entities was enlarged to include three more North Korean officials and two more North Korean institutes and companies; North Korea's diplomatic personnel were also put under enhanced vigilance from member states;
3. Partially closing a loophole exposed by the construction of the Masik Pass ski resort in North Korea by specifying the categories and items of the banned luxury goods;
4. Member states could deny permission to any aircraft to take off from, land in, or overfly their territory, if they have information that provides reasonable grounds to believe that the aircraft contains banned items; and all states should deny a vessel entry into their ports, if the vessel has refused to allow a legitimate inspection;
5. Further tightening restrictions on North Korean overseas financial activities: a) member states should take appropriate measures to prohibit in their territories the opening of new branches, subsidiaries, or representative offices of North Korea banks, and prohibit North Korea banks from establishing new joint ventures and from taking an ownership interest in or establishing or maintaining correspondent relationship with banks in their jurisdiction to prevent the provision of financial services that could contribute to its nuclear or ballistic missile programs or other banned activities; b) member states should prohibit financial institutions within their territories or under their jurisdiction from opening representative offices or subsidiaries or banking accounts in North Korea that could contribute to North Korea's nuclear or ballistic missile programs, and other banned activities, and c) transfers of cash, including through cash couriers, transition to and from North Korea should be subject to restriction so as to ensure such transfers of bulk cash do not contribute to North Korea's banned weapon development;
6. Listing banned uranium-related items, equipment, goods, and technology.

Generally speaking, the Security Council registered its strong disapproval of North Korea's missile and nuclear provocations by passing enhanced sanctions against it. Nonetheless, the punitive approach was based on two basic principles: first, the seven-year-long sanctions had mainly followed a principle of incrementalism with hope that the sanctions would add increased costs to North Korea's nuclear and missile development; the sanctions had been designed on the principle of separating military sectors from civilian ones; thus, they could not bring a dramatic rupture to normal economic life in North Korea.

From China's perspective, Kim Jong-un's continued efforts to develop nuclear and missile weapons were deeply disturbing—provocations that could fuel proliferation of WMD in Northeast Asia and undermine stability and peace in the region; thus, North Korea should bear all the consequences of its nuclear and missile tests, but since 2009, another concern loomed large as the United States adopted its pivot-to-Asia strategy—seen as designed to hedge against if not contain China. So, China hesitated to join the U.S. effort to enforce the sanctions. Troubled by the two competing concerns, China's policies and behavior toward North Korea, thus, became quite ambivalent. As the military embargo imposed by the Security Council remained in place, North Korea's ability to sell arms overseas and earn hard currency has been greatly undermined, and the only way that North Korea could offset the loss in arms sales was to boost its trade with China. Since 2008, North Korea's legal trade with China steadily increased annually. On the surface, the booming trade might have followed the words of the resolutions, but violated its spirit.

Without China's full support, the sanctions against North Korea have only achieved mixed results. On the one hand, they have served as a kind of punishment rather than a deterrent that could restrain North Korea from entering another round of nuclear and missile provocations. On the other, as North Korea paid a hefty price for developing its nuclear weapons and associated delivery systems, the sanctions could only harden its determination to make up for the loss by turning its nuclear weapons into a deadly threat to South Korea and the United States.

ECONOMIC SECTORS TARGETED

Since 2006, the Security Council has clearly separated North Korea's military sectors from its civilian ones and made no effort to do harm—the latter on the grounds that ordinary Korean people should not be punished. Nonetheless, since the 2013 nuclear test, China's trade with North Korea has declined. Leniency clearly did not win North Korea's reciprocity, as it spared no effort to make its nuclear weapons operational. On January 6, 2016, North Korea defied international opposition and detonated its fourth nuclear bomb, calling it a hydrogen bomb. The Security Council's response was slow and tortuous as China and the United States were locked in a dispute over the method to punish North Korea. After more than 55 days of behind-the-door negotiations, the council finally adopted Resolution 2270.¹² According to U.S. ambassador Samantha Power, “the sanctions go further than any U.N. sanctions regime in two decades.”¹³

Resolution 2270 carries some ‘hard-hitting’ elements that may hurt North Korea badly. Besides an expanded arms embargo, non-proliferation, and financial measures, for the first time, the resolution imposes sectoral sanctions targeting North Korea's trade in resources. With two exceptions, “the DPRK shall not supply, sell or transfer, directly or indirectly, from its territory or by its nationals or using its flag vessels or aircraft, coal, iron, and iron ore, and that all States shall prohibit the procurement of such material from the DPRK by their nationals, or using their flag vessels or aircraft, and whether or not originating in the territory of the DPRK.” By the same token, “the DPRK shall not supply, sell or transfer, directly or indirectly, from its territory or by its nationals or using its flag vessels or aircraft, gold, titanium ore, vanadium ore, and rare earth minerals, and that all States shall prohibit the procurement of such material from the DPRK by their nationals, or using their flag vessels or aircraft, and whether or not originating in the territory of the DPRK.” In addition

to the ban on the export of coal, iron, iron ore, and other minerals, the resolution specifies, “all States shall prevent the sale or supply, by their nationals or from their territories or using their flag vessels or aircraft, of aviation fuel, including aviation gasoline, naphtha-type jet fuel, kerosene-type jet fuel, and kerosene-type rocket fuel, whether or not originating in their territory, to the territory of the DPRK.” An additional 16 North Koreans and 12 entities were put on the sanctions list.

Without doubt, as mineral exports accounted for the largest portion of North Korea’s foreign trade, the new punitive measures can be expected to undermine Pyongyang’s ability to continue its nuclear and missile programs, and also pose a threat to North Korea’s economic and political stability. Unfortunately, the new punitive measures were conditional with exemptions. Transactions in coal, iron, and iron ore that “are determined to be exclusively for livelihood purposes and unrelated to generating revenue for the DPRK’s nuclear or ballistic missile programs or other banned activities” could be immune from sanctions.

Resolution 2270 was a compromise between China and the United States. For the United States, it was desirable to launch an attack of massive destruction against North Korea’s economy without exception. The harsher, the better. For China, a precise attack on some economic sectors was desired, but China was afraid mass destruction may cause regime collapse in Pyongyang. Also, as its trade with North Korea accounts for more than 80 percent of the latter’s total trade volume, China did not want to bear the brunt of an abrupt rupture of economic ties with North Korea. Resolution 2270 partially met the U.S. demand by hitting key sectors that could generate revenue, while partially agreeing with China’s preference by allowing a livelihood exception.

In the face of the newly imposed sanctions, North Korea responded with unprecedentedly frequent missile and nuclear tests. On September 9, it detonated its fifth nuclear test, and the Security Council took 75 days to work out Resolution 2321.¹⁴ As an enhanced version of Resolution 2270, the new resolution upgraded previous sanctions by: a) expanding cargo inspections and the arms embargo to items listed in a new conventional arms dual-use list; b) prohibiting the supply, sale, or transfer to North Korea; c) adding new items to the luxury goods ban; (d) adding copper, nickel, silver, and zinc to the materials banned from supply, selling, or transferring by North Korea; and e) designating an additional 11 individuals and 10 entities. More importantly, the resolution overhauled the previous sectorial sanctions, placing an annual cap on the amount/value of coal exports by North Korea and introducing a real-time system for reporting and monitoring these exports. These newly added measures were designed to close the loophole caused by the livelihood exception. South Korean and American experts believe that some Chinese companies may have abused the exception arrangements.

For China, the fifth nuclear test was bad enough to further undermine its traditional opposition to harsh economic sanctions against North Korea. Even though the friction over new sanctions against North Korea between China on the one side and the United States and South Korea on the other had intensified and the flare-up in the dispute over deployment of THAAD in South Korea had further complicated the negotiating process over the new resolution, China still agreed to enhanced sanctions against North Korea. China faced a number of choices: expanding sanctions to other economic sectors, e.g. North Korea’s tourism and oversea labor services; adding new items to the sanctions list, such as clothing products; or placing a cap on North Korea’s product exports. In fact, China gave the green light to placing a cap on only one key export: coal. So, the new resolution can be seen as moderate, leaving enough breathing space for North Korea.

EFFICIENCY OF THE SANCTIONS

How should we gauge the efficiency of the sanctions that have been placed against North Korea for more than ten years? Different criteria lead to different conclusion. If we consider the ultimate goal of denuclearization of North Korea as the criterion to decide failure or success, the sanctions could be characterized as a failure. As Rex W. Tillerson claimed, “The diplomatic and other efforts of the past 20 years to bring North Korea to a point of denuclearization have failed.”¹⁵ But if we consider whether the sanctions have hurt North Korea, then we must agree that sanctions succeeded in keeping North Korea in poverty. If we ponder if the sanctions could convince North Korea to give up its nuclear weapons, it may be too early to draw a conclusion since the coercive measures have not been exhausted.

It is true that the sanctions so far have failed to pressure North Korea to the negotiating table, but they have done tremendous damage: 1) significantly slowing down economic growth and making it difficult to pull out of poverty (North Korea had to rely on external assistance for food); 2) the military embargo and accompanying interdiction regimes have undermined the capacity of its conventional military forces, which have been troubled by aging equipment, an absence of spare parts, and a shortage of fuel—thus, hardening its determination to improve its nuclear and missile weapons at least in order to compensate for the decline in conventional military power; and 3) its meager diplomatic assets have suffered further loss. As China joined the United States in repeatedly endorsing the sanctions resolutions, relations with North Korea have become tense and more and more Chinese believe that North Korea is their country’s liability. North Korea also suffered mental damage, facing sanctions not only from its traditional enemies but also from its ally China, and leaders were gripped by fear that China was colluding with Western countries to “bring down the social system.”¹⁶ This, in turn, led to repeated political purges and fear spreading to ordinary people. When leaders and people live in fear, they are more likely to do something radical.

Sanctions are not always bad; some have produced something desperately needed by King Jong-un and North Korea. First, they helped to secure a smooth power succession. Upon Kim Jong-il’s death, Kim Jong-un came to power hastily with limited experience and inadequate preparation. He seized external sanctions as a rallying cry for his power consolidation. Kim, thus, sailed through the most dangerous and choppy waters.

Second, the sanctions spurred North Korea to change its economy. As Kim Jong-un mapped out the byongjin line in an attempt to develop nuclear weapons and the economy simultaneously, he had very limited policy options since foreign trade had been severely handicapped by all kinds of sanctions. The only way for North Korea to jumpstart its economy was to introduce market elements, including the household responsibility system in rural areas to stimulate peasants’ interest in producing more food and earning extra money; and in urban areas, relegating more managerial power to enterprises to enable them to produce more and earn more. In addition to setting up more than 20 special economic zones, the markets where people could sell their products mushroomed. More and more people became oriented to money-making. North Korea’s economic decline has been effectively reversed. Recently, the long-stagnating economy has shown some signs of vitality,¹⁷ helping to offset negative fallout from the sanctions.

The mixed results undoubtedly cannot hide a simple fact: the ongoing sanctions have succeeded in punishing North Korea for its nuclear and missile provocations rather than pressuring it to abandon its nuclear weapons. The efficiency of sanctions has been

compromised, to some extent, by a number of factors. The principal factor is the lack of consensus among the major players. Even though the Six-Party Talks demonstrated a tacit united front among member states with a joint mission to prevent North Korea from going nuclear, the united front has been troubled by differentiated priorities, conflicting approaches, and unsynchronized actions. These conflicts have been driven by a slew of factors, such as short-term and long-term national interests, economic and military capabilities, leadership changes, gratitude for North Korea's provocations, fluctuations in their relations, and the general situation on the Korean Peninsula in particular and in Northeast Asia in general. In-group conflicts led to infighting. In-fighting not only took place between China and the United States, but also between the United States and its allies, particularly South Korea at times. Every time North Korea conducted a nuclear test, the in-fighting intensified. The recently delayed passage of UNSC resolutions against North Korea has revealed a deep-seated cleavage between China and the United States. The lack of consensus not only undermined the efficiency of the sanctions, but also boosted North Korea's confidence that it can play one power against another.

Second, the sanctions failed to pressure North Korea to abandon its nuclear weapons because it has made tireless efforts to evade them. As early as 2010, the Panel of Experts pointed out that North Korea continued to engage in exporting proscribed items by using a number of masking techniques, including falsely describing or mislabeling the contents of containers; falsifying the manifest covering the shipment, e.g., altering the information concerning the original consignor and ultimate consignee; and using multiple layers of intermediaries, shell companies, and financial institutions.¹⁸ In fact, the panel received notification of four non-compliance cases involving arms exports and two reports of seizure of luxury goods. In July 2013, a North Korea-owned and flagged cargo vessel Chong Chon Gang was subject to an inspection on the Atlantic side of the Panama Canal. Concealed under bags of sugar, arms and related material were found.¹⁹ This recent case indicated that North Korea, coupled with Cuba, continued to violate the sanctions resolutions even after the Security Council adopted the enhanced Resolution 2094 in March 2013. In February 2017, the Panel of Experts further revealed that North Korea "is flouting sanctions through trade in prohibited goods, with evasion techniques that are increasing in scale, scope, and sophistication. The Panel investigated new interdictions, one of which highlighted the country's ability to manufacture and trade in sophisticated and lucrative military technologies using overseas networks. Another interdiction, of the vessel Jie Shun, was the largest seizure of ammunition in the history of sanctions against the Democratic People's Republic of Korea, and showed the country's use of concealment techniques, as well as an emerging nexus between entities trading in arms and minerals."²⁰

As the Security Council tightened its grip on North Korea by adopting various enhanced sanctions measures, North Korea could take advantage of the lax implementation, which has remained insufficient and highly inconsistent, as characterized by the Panel of Experts, to evade sanctions. More importantly, in order to compensate for arms sales' losses, it devoted more energy to boost legal foreign trade. So, we witness the remarkable growth of North Korea's foreign trade after the Security Council adopted Resolution 1874. The two-way trade volume between China and North Korea in 2010 increased by nearly 26 percent from the previous year; in 2011, the growth jumped to 62.5 percent.²¹

Third, the efficacy of the sanctions from time to time has been undermined by other outstanding contentious issues between China, the United States, and South Korea. Effective implementation, to a large extent, should hinge on two nations—China and the United States—but their relations have been uneasy and are still full of friction. In the wake of North Korea's second nuclear test, cooperation between China and the United States in dealing with North Korea's nuclear and missile provocations began to erode thanks to the debut of "pivot to Asia" strategy of the Obama administration. As the U.S. government began to strengthen relations with its allies and partners in the region, China became increasingly hesitant to strictly enforce the sanctions resolutions against North Korea. Some Chinese believe that North Korea is still China's strategic asset that could tie down a significant portion of U.S. resources and relieve China of pressure. Even though China and the United States tried to build mutual trust and turn their doomed competitive relations into a new type of major countries' relations, the deficit of trust remained unchanged. Thus, the Chinese government has neither paid enough attention to some of North Korea's illegal activities on its territory, including setting up front companies and smuggling prohibited items²² nor done too much to stop some Chinese companies' illegal trade with North Korea, symbolized by what Dandong-based Hongxiang Industrial Development Company Ltd has done.²³ To make thing worse, once vigorous relations between China and South Korea suffered a dramatic rupture as South Korea and the United States jointly decided to deploy the THAAD system in South Korea, which China has vehemently opposed in the past two years. The decision was made on grounds that South Korea must react to North Korea's increasingly threatening nuclear weapons development with some high-profile defensive measure. It also was perceived as a significant gesture of disappointment with China's less than forthcoming support in punishing North Korea hard after its fourth nuclear test. The proposed deployment of THAAD again dampened China's passion to do more in implementing the resolutions.

CONCLUSION

It is difficult to get reliable data to make accurate assessments of the efficiency of the sanctions imposed on North Korea, but some conclusions can be drawn. First, even though North Korea has gained some immunity to external sanctions from its long-time history of fighting sanctions with the United States and other western powers, the collective sanctions imposed by the Security Council and unilateral sanctions imposed by individual states did hurt North Korea badly, leaving it poor and backward. Second, the sanctions further inflicted hardship on ordinary people in that country, but the hardship the people suffered did not necessarily turn into hatred of North Korea's leaders for their failure to make a good life for them and failed to alienate North Korea's leaders from their people, leaving the regime in Pyongyang stable so far. Third, the sanctions alone could not force North Korea to change course and abandon its nuclear and missile programs; in the face of a choice between pursuing survival and staying poor, North Korea has already chosen the former. Fourth, in order to make North Korea negotiate its nuclear and missile programs, the major stakeholders—China, the United States, and South Korea—must work out their differences and speak in one voice and act in concert. More importantly, they must find additional policy tools, such as material incentives, security guarantees or a combination of the two, to attract North Korea to the negotiating table while they keep the pressure on and impose more costs for its development of weapons of mass destruction.

ENDNOTES

1. Executive Order 13382, signed by Bush on June 29, 2005, is an authority aimed at freezing the assets of proliferators of WMD and their supporters, and isolating them financially. Designations under it prohibit all transactions between the designees and any U.S. person, and freeze any assets the designees may have under US jurisdiction.
2. For the full text of the Resolution 1695, see [http://www.un.org/en/ga/search/view_doc.asp?symbol=S/RES/1695\(2006\)](http://www.un.org/en/ga/search/view_doc.asp?symbol=S/RES/1695(2006)).
3. For the full text of Resolution 1718, see [http://www.un.org/en/ga/search/view_doc.asp?symbol=S/RES/1718\(2006\)](http://www.un.org/en/ga/search/view_doc.asp?symbol=S/RES/1718(2006)).
4. For the full text of the Resolution 1718, see [http://www.un.org/en/ga/search/view_doc.asp?symbol=S/RES/1718\(2006\)](http://www.un.org/en/ga/search/view_doc.asp?symbol=S/RES/1718(2006)).
5. In particular those producing or possessing the items, materials, equipment, and goods
6. For the full text of the Resolution 1874, see [http://www.un.org/en/ga/search/view_doc.asp?symbol=S/RES/1874\(2009\)](http://www.un.org/en/ga/search/view_doc.asp?symbol=S/RES/1874(2009)).
7. Tasks include: (a) assist the Committee in carrying out its mandate as specified in resolution 1718 (2006) and the functions specified in paragraph 25 of this resolution; (b) gather, examine and analyze information from States, relevant United Nations bodies and other interested parties regarding the implementation of the measures imposed in resolution 1718 (2006) and in this resolution, in particular incidents of non-compliance; (c) make recommendations on actions the Council, or the Committee or Member States, may consider to improve implementation of the measures imposed in resolution 1718 (2006) and in this resolution; and (d) provide an interim report on its work to the Council no later than 90 days after adoption of this resolution, and a final report to the Council no later than 30 days prior to termination of its mandate with its findings and recommendations.
8. According to the joint statement, North Korea will shut down and seal the Yongbyon nuclear facility, including the reprocessing facility and invite back IAEA personnel to conduct all necessary monitoring and verifications. In return, the other five parties in the Six-Party Talks will provide emergency energy assistance to North Korea in the initial phase of 50,000 tons of heavy fuel oil, to commence within 60 days, etc.
9. According to the joint statement, North Korea will shut down and seal the Yongbyon nuclear facility, including the reprocessing facility and invite back IAEA personnel to conduct all necessary monitoring and verifications. In return, the other five parties in the Six-Party talks will provide emergency energy assistance to North Korea in the initial phase of 50,000 tons of heavy fuel oil, to commence within 60 days, etc.
10. "N. Korea's global trade expands but trade gap widens: report," at <http://english.yonhapnews.co.kr/northkorea/2015/06/05/69/0401000000AEN20150605001300320F.html>.
11. For the full text of Resolution 2087 and list of the individuals and entities, see [http://www.un.org/en/ga/search/view_doc.asp?symbol=S/RES/2087\(2013\)](http://www.un.org/en/ga/search/view_doc.asp?symbol=S/RES/2087(2013)).
12. For the full text of Resolution 2094, see [http://www.un.org/en/ga/search/view_doc.asp?symbol=S/RES/2094\(2013\)](http://www.un.org/en/ga/search/view_doc.asp?symbol=S/RES/2094(2013)).
13. For the full text of Resolution 2270, see [http://www.un.org/en/ga/search/view_doc.asp?symbol=S/RES/2270\(2016\)](http://www.un.org/en/ga/search/view_doc.asp?symbol=S/RES/2270(2016)).
14. Louis Charbonneau & Michelle Nichols, "U.N. imposes harsh new sanctions on North Korea over its nuclear program," Reuters, March 3, 2016, <http://www.reuters.com/article/us-northkorea-nuclear-un-idUSKCN0W41Z2>.
15. For full text of Resolution 2321, see http://www.un.org/en/ga/search/view_doc.asp?symbol=S/RES/2321%282016%29.
16. Motoko Rich, "Rex Tillerson, in Japan, Says US Needs 'Different Approach' to North Korea," *The New York Times*, March 16, 2017.
17. Jong Phil, "Neighboring Country's Mean Behavior," Korea Central News Agency (KCNA), February 23, 2017.
18. For more information about the economic changes, see Andrei Lankov, "The Resurgence of A Market Economy," Carnegie Moscow Center, January 2016, http://carnegieendowment.org/files/CP_Lankov_Eng_web_final.pdf.
19. For the full text of the *Final Report of the Panel of Experts submitted pursuant to resolution 1874 (2009)*, see http://www.un.org/ga/search/view_doc.asp?symbol=S/2010/571.
20. David Laconangelo, "How North Korea's merchant ships became a target for UN sanctions," *The Christian Science Monitor*, August 28, 2013; For detailed information about the *Chong Chon Gang*, see <http://docs.house.gov/meetings/FA/FA07/20130926/101353/HHRG-113-FA07-Wstate-GriffithsH-20130926.pdf>.

21. For the detailed Final Report of the Panel of Experts submitted pursuant to resolution 2276(2016), see http://www.un.org/ga/search/view_doc.asp?symbol=S/2017/150.
22. Cited from Scott A. Snyder, "North Korea's Growing Trade Dependency on China: Mixed Strategic Implications," at <http://blogs.cfr.org/asia/2012/06/15/north-koreas-growing-trade-dependency-on-china-mixed-strategic-implications/>.
23. For a glimpse of the activities, see Jane Perlez, Yufan Huang, "A Hole in North Korean Sanctions Big Enough for Coal, Oil and Used Pianos," *The New York Times*, March 31, 2016, at <https://www.nytimes.com/2016/04/01/world/asia/north-korea-china-sanctions-trade.html>.
24. Chun Han Wong, Jay Solomon, "U.S., China Move Against Firm Suspected of Aiding North Korean Nuclear Program," *The Wall Street Journal*, September 19, 2016, at <https://www.wsj.com/articles/u-s-china-move-against-firm-suspected-of-aiding-north-korean-nuclear-program-1474300834>.

A Russian Perspective on the Impact of Sanctions

Alexander Gabuev

The situation on the Korean Peninsula is moving in a dangerous direction. In order to affect the behavior of the North Korean regime and change its calculations, ultimately forcing Pyongyang to abandon its nuclear and missiles programs, the international community has imposed a set of tough economic sanctions. The recent set of sanctions was codified in the UN Security Council Resolution 2321. So far, the impact of these and other sanctions in order to change the DPRK's actions appears to be limited. Russia is one of the active players on the Korean Peninsula. A geographical neighbor of the DPRK and a former Cold War ally, Russia is engaged in looking for solutions to the North Korean nuclear problem. Still, when it comes to economic sanctions against North Korea, Moscow has an ambiguous position. Its national interests on the Korean Peninsula include prevention of nuclear tests by the DPRK, positioning Russia as one of the leaders of the international community on nonproliferation; non-expansion of the U.S. military presence on the Korean Peninsula; and growth in Russian trade with both Korean states. The sanctions envisaged in Resolution 2321 do not support most of these goals, since Russia thinks that nuclear disarmament of DPRK is impossible in principle. However, Moscow is ready to play along with the sanctions track as long as Russia maintains the appearance of a critical player.

On February 12, 2017 North Korea conducted a live-fire test of a new type of strategic missile. The test of Pukgusong-2 was presided over by DPRK leader Kim Jong-un. According to the state-run Korean Central News Agency, the missile has a “medium to long range” and “can be tipped with a nuclear warhead.”¹ The test has sparked international condemnation, with Japan and the United States coming out as the most vocal supporters of harsh penalties for the DPRK. Japanese representatives have called for a new round of tougher economic sanctions against the DPRK, and called on China to “respond constructively.” Various countries around the world have condemned the tests, and a UN Security Council meeting was called to review the situation.

One of the strongest unannounced messages sent by the February 12 missile launch was the inefficiency of various approaches that the international community has tried to stop the North Korean missile problem. The latest powerful move was UNSC Resolution 2321 adopted on November 30, 2016.² The resolution built on the toughest to date Resolution 2270,³ adopted on March 2, 2016 as a direct response to the nuclear test that Pyongyang conducted on January 6, 2016. The diplomats who enacted these sanctions in the UN have called them the “toughest ever” passed against the DPRK. The main aim of Resolution 2321 was to cut off potential channels for financing the nuclear and missile programs, as well as to put some significant economic pressure on the DPRK in order to make it return to the negotiating table and ultimately abandon both programs. The most powerful tool in the resolution's toolkit was a ban on the purchase of North Korean coal, iron, iron ore, gold, titanium ore, vanadium ore, and rare earth minerals, copper, nickel, silver, zinc, new helicopters, and vessels, as well as statues. The only exception was made for coal, on which the resolution put strict limitations: Pyongyang is allowed to sell no more than \$400,870,018 worth of coal or 7,500,000 metric tons per year, whichever is met first, beginning on January 1, 2017.

The resolution came as a result of fierce discussions in the UNSC, once again showing differences in approach towards the crisis by key external players, which include the United States, China, the ROK, Japan, and Russia. In agreeing on policy tools to deploy in the case of the DPRK's provocative behavior, each of these players was guided by its own

understanding of the root causes and dynamics of the North Korean nuclear crisis, as well as its stated (and, most importantly, unstated) national interests on the Korean Peninsula. Russia was no exception to that rule. Though Russia does not possess the economic leverage over the DPRK that China has, and, unlike the United States, does not have significant military tools to tackle the issue or legal obligations to defend its allies, it is an important player on the Korean Peninsula in its own right. Its geographical border with the DPRK, permanent membership and veto power in the UNSC, as well as a unique combination of economic, military, and diplomatic interests in Northeast Asia make Russia a power to be reckoned with when framing policy towards DPRK.

This article assesses Russian national interests on the Korean Peninsula, disentangles Russian evaluations on sanctions efficacy, and explores the Russian debate on further steps to improve the options that the international community has to tackle the DPRK nuclear issue.

THE RUSSIAN VIEW ON THE NORTH KOREA NUCLEAR ISSUE

The starting point for any discussion on the Russian approach towards the North Korean nuclear problem must be a proper analysis of how it sees the origins of this problem, and assesses the potential solutions. This proves to be a challenging task since the Russian official position aired at the UN or in official statements is different from the consensus view in Moscow among decision-makers and members of the expert community.

The main, stated goal of Russian policy and diplomatic efforts on the Korean Peninsula has been denuclearization. The statement that the Russian Ministry of Foreign Affairs (MOFA) issued on December 1, 2016, right after Resolution 2321 was adopted, states that “this UN Security Council resolution should be a clear signal to the North Korean authorities to abandon their nuclear missile schemes and return to the non-proliferation framework.”⁴ This official position is also clearly stated in the fact that Russia has signed on to Resolution 2321, which states that the DPRK “shall abandon all nuclear weapons and existing nuclear programmes in a complete, verifiable and irreversible manner, and immediately cease all related activities; and shall abandon all other existing weapons of mass destruction and ballistic missile programmes in a complete, verifiable and irreversible manner” (paragraph 2). On top of this, Russia has included denuclearization of the Korean Peninsula in its newest version of the Foreign Policy Concept—the major strategic document outlining the Kremlin’s approach to foreign policy and international issues signed by President Vladimir Putin on November 30, 2016: “Russia has always championed a non-nuclear status for the Korean Peninsula and will support its denuclearization in every possible way, believing that this objective can be attained through the Six-Party Talks” (paragraph 89).⁵

However, the officially stated goal of denuclearization is not the one that the Kremlin considers realistic. Writings of Russian experts, panel discussions in Russia on the topic, and, most importantly, in-depth anonymous interviews with Russian officials and government advisors⁶ show that Moscow does not think denuclearization is possible.

The clearest explanation to date about why Moscow considers denuclearization in the Korean Peninsula a lost cause can be found in the writings of Andrei Lankov, professor of Korea

studies at Kookmin University in Seoul and one of the best Russia-born specialists on the DPRK. Lankov's position in the Russian expert community is unique. He is a Russian national and maintains contacts in the Korea-watching circles inside the government and academia, and, at the same time, he is an outsider residing in Seoul. This is why his analysis is not bound by the group thinking so frequent in Russian policy debates on the North Korean issue, but, at the same time, nor by the Kremlin's official mantras of denuclearization the way many other Russian specialists are, given the subordinated state of Russian academia to the government. Lankov's argument is best summarized in a recent op-ed for Al-Jazeera English.⁷

Kim is afraid of a U.S. invasion and—given what happened in Iraq, a fellow member of the so-called “axis of evil”, as well as in Libya—his fears are by no means paranoid. He believes that the best way to counter a foreign threat is to have a full-scale nuclear force which would be capable of hitting the continental U.S. He needs ICBMs, perhaps dozens of them, preferably on difficult-to-intercept mobile launchers, ready to be launched at short notice. Such force, Kim and his people hope, will ensure that the U.S. will not attack, and will not intervene in support of some internal revolution, should it erupt inside North Korea – like it happened in Libya.⁸

This approach reflects the consensus in Moscow, according to interviews with Russian officials and experts.⁹ The same view was expressed publicly by Georgy Toloraya, one of the leading Korea experts in Russia,¹⁰ the head of the Center for Russian Strategy in Asia at the Institute of the Economy, Russian Academy of Sciences. At the Carnegie Moscow Center on March 14, 2017, Toloraya stated that a nuclear deterrent is viewed in Pyongyang as “the only insurance that can guarantee regime survival,” and that Kim's government will not stop unless it possesses a nuclear weapon capable of hitting the U.S. West Coast.¹¹

The senior Russian leadership is convinced that the United States is pursuing a strategy of “color revolutions” and economic pressure to dispose of the regimes that America does not like. The North Korean regime, which was once labeled by President George W. Bush part of the “Axis of Evil,” falls into this category. Though the Kremlin was not fully sympathetic with the regimes of Saddam Hussein and Muammar Gaddafi, after the “color revolutions” in the post-Soviet space in 2003 (Georgia), 2004 (Ukraine), and 2005 (Kyrgyzstan), it is deeply suspicious of alleged U.S. intentions to foment popular uprisings. Moscow also believes that Washington is after regime change in Russia itself—these fears were cemented by the Maidan revolution in Ukraine in 2014. The only viable tool for an authoritarian regime, which can guarantee prevention of American military interference into domestic conflict, is possession of nuclear weapons.

The Kremlin has a somewhat ambivalent stand when it comes to North Korea. On the one hand, it is not happy about the emergence of a nuclear state on its border. Moscow does not believe that Pyongyang is developing nuclear and missile capabilities against Russia. But these developments have negative consequences for Russian security interests, because they give the United States a legitimate pretext to develop its military infrastructure on and around the Korean Peninsula, including the recent deployment of THAAD. This is the major reason why Moscow continues its efforts with other members of the international community to limit DPRK missile and nuclear capabilities. At the same time, Moscow is perfectly aware that Pyongyang will not give up its goal of developing a nuclear-capable ICBM. Thus, the

major challenge for the Kremlin is to aggregate the conflicting national interests of Russia on the Korean Peninsula, check them against reality, and fuse them into a coherent agenda. This task is proving to be extremely difficult, forcing Moscow to play a more reactive role and side with its major diplomatic partner in Northeast Asia: China.

RUSSIAN INTERESTS ON THE KOREAN PENINSULA

What are Russian national interests on the Korean Peninsula, related to the DPRK and its nuclear program? Analysis of the Russian expert community's writings, as well as interviews with officials, reveals a complex picture with different and frequently competing agendas.

Four major interests can be identified:

- 1) Nuclear security: prevention of nuclear and missile tests by the DPRK, as well as prevention of proliferation of nuclear and missiles technologies from the DPRK;
- 2) Military security: non-expansion of the U.S. military presence on the Korean Peninsula, prevention of THAAD deployment, or finding a military response to the growing U.S. military presence in the region;
- 3) Prestige: positioning Russia as one of the leaders of the international community on nonproliferation, playing a visible role in solving an important international crisis;
- 4) Economy: growth in Russian trade with the DPRK, as well as implementation of trilateral projects involving Russia, the DPRK, and the Republic of Korea.

Nuclear Security

The mainstream view in Russia is that the North Korean nuclear and missile arsenal will not pose a serious challenge for the security of Russia, particularly the Far East. Russian experts and officials alike are convinced that Pyongyang does not see Russia as a threat to its security, and, thus, the new weapon types will be directed against the United States and its allies. However, the risks posed to Russia by the DPRK's nuclear program can be summarized in two main points.

i) Risks of accidents caused by backward technology used by North Korea. Populated areas of Primorski Krai, including the region's capital Vladivostok with its one million inhabitants, are within striking distance of the DPRK's missiles. Any technical failure may cause unintended damage to Russian territory and population. These fears, however, have grown less acute in recent months following changing analyses of the North's capabilities. According to Russian assessments, the DPRK's launch precision is improving dramatically, thus reducing the risk of a technical failure and related accident.

ii) Risks by proliferation of DPRK technologies to dangerous states and terrorist groups. This risk is seen by the Russian expert community as a much more serious threat to the country's security than the unlikely use of nuclear arms by the DPRK regime. Forced by the sanctions to earn foreign currency through illegal means, Pyongyang might be tempted to sell its technologies on the black market (and is arguably doing this already), and, thus, dangerous weapons might end up in the wrong hands.

Military security

Expansion of U.S.-led military alliances was long ago identified as a key challenge to Russian national security. The legacy of the Cold War, NATO enlargement during the Clinton and George W. Bush administrations, failed negotiations on missile defense in Eastern Europe, and the recent schism with the West following the war in Ukraine have nurtured a consensus in the Russian foreign policy and national security elite that the United States poses an existential threat to Russia and the survival of the current regime.¹² Prevention of U.S. military infrastructure approaching the Russian border is a national security priority. The most recent version of the Russian Military Doctrine adopted in December 2014, soon after the Crimea annexation and start of the war in Eastern Ukraine, lists several key risks associated with U.S. policies:¹³

- i) Build-up of the power potential of the North Atlantic Treaty Organization (NATO) and vesting NATO with global functions carried out in violation of the rules of international law, bringing the military infrastructure of NATO member countries near the borders of the Russian Federation, including by further expansion of the alliance;
- ii) Deployment (build-up) of military contingents of foreign states (groups of states) in the territories of the states contiguous with the Russian Federation and its allies, as well as in adjacent waters, including for exerting political and military pressure on the Russian Federation;
- iii) Establishment and deployment of strategic missile defense systems undermining global stability and violating the established balance of forces related to nuclear missiles, implementation of the global strike concept, intention to place weapons in outer space, as well as deployment of strategic non-nuclear systems of high-precision weapons.

It is notable that these three risks listed in Article 12 come very high on the priority list (points “a”, “c”, and “d”), while “proliferation of weapons of mass destruction, missiles, and missile technologies” is listed as point “f” only, which reflects the hierarchy of threats.

In regard to North Korea, Russia is worried about two possible scenarios, which involve the increase in U.S. military posture on the Korean Peninsula:

- 1) Deployment of missile-defense systems like THAAD;
- 2) Reunification of Korea after forced regime change in the DPRK, followed by new deployments of U.S. forces closer to Russia’s (and China’s) border.

To the extent that other options help to preclude U.S. unilateral use of force or additional deployments, Russia sees value in supporting them.

Prestige

National pride concerns positioning Russia as a “great power” on the international stage. The search for international recognition and prestige has become a key driver of Russian foreign policy during Putin’s tenure. Any major international problem is seen by the Kremlin as an opportunity to sit at the table with other key players on the global stage, which shows Russia’s international status as one of the leaders of the international community. This driver is at work in the crisis management effort around the Korean Peninsula. Russia feels that as a geographical neighbor of the DPRK, a UNSC permanent member, and one of the global intellectual leaders on non-proliferation and disarmament issues, it needs to play a role in the settlement.

RUSSIAN ECONOMIC INTERESTS ON THE KOREAN PENINSULA

Russia also has economic interests associated with North Korea, but the official trade volume remains low and continues to decrease. For example, in 2015 the trade volume stood at \$83.2 million, with North Korean exports to Russia accounting for \$5.7 million, while imports reached \$77.5 million. This is a decrease compared to 2014, when the trade figure stood at \$92.2 million. The decline was accounted for mostly by exports to Russia (decreased by 43 percent), while imports shrunk by just 6 percent. Below is a breakdown of the trade structure.¹⁴

North Korea exports to Russia:

- Fish, crustaceans (29 percent)
- Articles of apparel, accessories, not knit or crochet (27 percent)
- Musical instruments, parts, and accessories (17 percent)
- Railway, tramway locomotives, rolling stock, equipment (6 percent)
- Manmade filaments (5 percent)
- Electrical, electronic equipment (4 percent)
- Plastics and articles thereof (3 percent)
- Wadding, felt, nonwovens, yarns, twine, cordage, etc. (2 percent)
- Rubber and articles thereof (2 percent)
- Machinery, nuclear reactors, boilers, etc. (1 percent)
- Cereal, flour, starch, milk preparations and products (1 percent)
- Tanning, dyeing extracts, tannins, pigments etc. (1 percent)
- Milling products, malt, starches, inulin, wheat gluten (1 percent)

Russia exports to North Korea:

- Mineral fuels, oils, distillation products, etc. (83 percent)
- Wood and articles of wood, wood charcoal (4 percent)
- Cereals (4 percent)
- Milling products, malt, starches, inulin, wheat gluten (3 percent)
- Fish, crustaceans (3 percent)
- Pharmaceutical products (1 percent)

Thus, the official trade volume indicates that the DPRK comprises less than 1 percent of Russia's trade with the outside world. If one takes into account unofficial calculations of trade, which try to figure in trade conducted through third countries, observers arrive at a \$1 billion figure.¹⁵ Still, with Russian exports in 2016 standing at \$285.5 billion, this is a negligible figure for Russia, but not for North Korea.

Much more important in Moscow's economic calculations are not the existing trade flows and investments, but potential trade flows which might result after implementation of big infrastructure projects. These projects fall into two categories:

- 1) Trilateral projects, which will link Russia to the ROK through the DPRK, including a trans-Korean railway, gas pipeline, and electricity grid;
- 2) Russian companies' participation in development of the DPRK's natural deposits envisages Russian investment in return for control over North Korean mineral deposits, which would compensate for investment and generate profit.

Of the trilateral projects, the railway construction was in the most advanced stage. The Russian Railway has invested about \$300 million in rebuilding the link between Rajin port in the DPRK and Khasan, which then is linked to the Trans-Siberian railway. According to the Russian Railways, "Restoration of 54 km railway from the station Khasan to the port of Rajin is positioned as a pilot project for reconstruction of the Trans-Korean Railway."¹⁶ The reconstruction of the railway link and a port terminal took place in 2008-2014, while 2014 and 2015 saw the first commercial North Korean coal shipments to South Korea. The operating capacity of Rajin port (the Russian terminal) is 1.4 million tons, while projected capacity is up to 5 million tons a year. Not surprisingly, this project was one of the victims of UNSC Resolution 2270, and the following resolution made the situation even more severe.¹⁷

Two other Trans-Korean projects include building a gas pipeline from Vladivostok to the ROK through the DPRK to be operated by Gazprom, and an electricity grid, in which Russian state-owned InterRAO and FSK companies were interested. These projects were supervised by Ambassador-at-Large Alexander Timonin, who served as Russia's ambassador to the DPRK (2012-2014) and is currently Russian ambassador in the ROK. According to an interview Timonin gave in 2011,¹⁸ Moscow was hoping that the economic revenue that Pyongyang will get through the projects will help to ease tensions on the Korean Peninsula, create interdependence between the two Korean states, and ultimately help in resolving the nuclear issue. However, none of the projects got off the ground, and Seoul's interest in them decreased after President Park's election.

There were several projects promoted by the Russian Ministry of Far Eastern Development (MFED), particularly by Minister Alexander Galushka. In 2014 Galushka announced that Russia and the DPRK had reached an agreement on the "Pobeda" project, which envisages construction of 3,000km of railway track in the DPRK by Russian Railways. The construction will be financed by the Russian side. As a return on the investment, Russia was supposed to get licenses for various mineral deposits in North Korea. Galushka estimated the total investment at \$25 billion, which would allow an increase in the amount of official bilateral trade to \$1 billion a year by 2020.¹⁹ These projects never took off the ground, as was the case for another of Galushka's pet projects – a financial clearinghouse to facilitate transactions between Russia and the DPRK. According to Galushka, up to one third of Chinese exports to the DPRK (estimated at \$900 million) are Russian goods, and removing intermediaries will help boost bilateral trade.²⁰ These efforts were part of Russia's "turn to the East" launched in 2012-2014.²¹

According to interviews with Russian officials,²² not many in the government believed that the projects developed by Galushka were realistic.²³ The motivation of the minister was driven by the fact that he was appointed as chairman of the bilateral intergovernmental commission between

Russia and the DPRK. As minister in charge of the Far East development, he managed to secure just this commission, since others were taken by more powerful people (commissions with China, Japan, and the ROK are chaired by deputy prime-ministers). This, according to interviews, forced Galushka to be very active on the North Korean track to get bureaucratic points. However, he failed to involve Russian professionals on the DPRK from the MFA or the intelligence community, who could have helped to check his gigantic projects against North Korean realities, and, thus, arrived at very unrealistic MOUs with Pyongyang. According to several officials, not many people on the top level of the Russian hierarchy believed for a second that the “Pobeda” project was viable. This is why Russia did not even try to find loopholes for its implementation when drafting UNSC resolutions on North Korea.

EFFECTIVENESS OF ECONOMIC SANCTIONS ON THE DPRK: WHAT DOES RUSSIA REALLY THINK?

Measured against the above national interests, Moscow does not see the sanctions as an efficient tool to achieve its interests on the Korean Peninsula. First of all, the sanctions do not provide an ultimate solution to the DPRK missile and nuclear problems. According to Moscow’s analysis, Pyongyang will try to secure the possession of nuclear-capable ICBMs, and the international community has no real tools to prevent it since military tools are not applicable, and since China and Russia will not support crippling sanctions on the DPRK that would enable internal regime change. Secondly, the sanctions do not hinder the U.S. military posture on the Korean Peninsula, including new systems like THAAD. Last, the sanctions, as outlined in Resolutions 2270 and 2321, are strangling Russia’s economic cooperation with the DPRK and hurting existing Russian corporate interests of powerful players like Russian Railways, as well as potential projects of companies such as Gazprom or InterRAO.

There are two additional reasons why Moscow is skeptical about the efficiency of the sanctions. Many Russian analysts agree that despite attempts to strangle the North Korean economy and, thus, change the regime’s behavior, the DPRK is experiencing economic growth right now due to Chinese-style reforms.²⁴ The economy is growing in the range of 2 to 4 percent, supported by the growing private sector and liberalization in some industries, making the Kim regime more sustainable and the government more popular and legitimate. Another reason is Moscow’s changing attitude towards economic sanctions as a tool for coercive diplomacy. Following the Crimea annexation and war in eastern Ukraine, Russia became an object of U.S./EU-led sanctions. Thus, the Russian official narrative about the sanctions is starting to change, as well as Russia’s understanding of the long-term effects of the sanctions for diversification of the economy and regime stability.²⁵

If Moscow thinks that sanctions against North Korea are ineffective and are not helping to promote most Russian national interests on the Korean Peninsula, why is it supporting them, including in the UN? The short answer is because the alternatives are worse, and because UN sanctions are the only mechanism that allows Russia to sit at the table with other players.

First, the alternative to the current policy includes a far more robust American military posture on the Korean Peninsula, or unilateral actions of the United States and its allies to overthrow

the Kim regime (including covert operations, sabotage etc.). This is a nightmare scenario, in which Russia's security interests would be served far worse. Thus, as long as sanctions on the DPRK are a tool to prevent the United States from deploying other options, Moscow is ready to play ball.

Secondly, Russia knows that its tools to influence the situation on the Korean Peninsula are limited. The only real asset it has are diplomatic channels to talk to the North Korean regime. Russia now has, arguably, the best diplomatic relations with the DPRK amid a serious crisis in Beijing's relations with Pyongyang. However, Moscow is aware that China, not Russia, is a critical player on the peninsula. Since they have many common interests, as long as Moscow can hew to China's policy, while maintaining its own contacts with Pyongyang, its interests are served. The economic ties to the DPRK are so small that they can be neglected.

Thirdly, the UN sanctions mechanism is the only format of impact on the North Korean missile and nuclear problem that gives Russia a proper seat at the table. All other alternatives, including unilateral economic sanctions, decrease the role of multilateral mechanisms inside the UN system, and, thus, Russia's role. Since prestige is one of the key drivers of its foreign policy,²⁶ Moscow is supporting the formats that allow it to position itself as an influential global player.

MOVING FORWARD THE RUSSIAN WAY

While not being entirely happy with the sanctions on North Korea, Russia has no other way than to support them and participate in the UN framework to address the DPRK nuclear problem. Russia does not have many tools to influence Pyongyang's behavior; so it is following China's lead since the interests of the two powers align on many aspects (particularly, concerns about the U.S. military presence on the Korean Peninsula, THAAD deployment, and fallout from a possible regime collapse if the United States pursues regime change.)

The Russian debate about alternative courses or another set of options that would help to solve the problem and secure Russia's national interests shows that these options are not there. The official line in Moscow describes the positive scenario as establishment of a new security architecture in Northeast Asia, which would be based on legally binding treaties and resemble, in some aspects, the security architecture in Europe that the Soviet Union and the United States built. "To solve the nuclear problem on the Korean peninsula, we must address its root causes. The discussion must be broadened to questions of reduction of military tensions, demolishing of infrastructure for confrontation, creation of a credible multilateral mechanism for guaranteeing peace and security in North East Asia. This is the only credible way out from the blind alley in the negotiations," Deputy Minister of Foreign Affairs Igor Morgulov told TASS back in September 2015.²⁷ Moscow's official line has not changed since. However, Russian efforts to promote this type of vision have found little support so far.

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A South Korean Perspective on the Impact of Sanctions

Kim Joong-ho

There is no way to hurt the regime of the DPRK without hurting its people; and there is no way to support the people of the DPRK without supporting its regime. Thus, discussing the effectiveness of sanctions against North Korea demands hard labor in fact-finding and tremendous patience until the desired effects are witnessed. Sanctions are time and energy consuming. In order to curb North Korea's enthusiasm for long-range missiles and nuclear weapons, the sanctions regime needs to be upgraded.

Smart sanctions were not as smart as imagined because of their two-sided effects – inflicting suffering on the people of the target country and simultaneously augmenting the rationale for harsher oppression by the leadership of the target country. As former UN Secretary-General Boutros Boutros-Ghali described it, economic sanctions seem to raise an ethical question of “whether suffering inflicted on vulnerable groups in the target country is a legitimate means of exerting pressure on political leaders whose behavior is unlikely to be affected by the plight of their subjects.”¹ UN sanctions on targets such as South Africa in the 1980s and Iraq in 1991 were accompanied by a negative humanitarian impact.

Smart sanctions are designed to effectively put direct pressure on individual national policymakers. As David Baldwin argues, smart sanctions are deemed effective as long as they create costs that are a critical factor in the calculus of decision-making by the target state.² Their purposes include symbolism and expression of disapproval, and persuading the targeted state to change its practices.³ Smartly targeted sanctions include arms embargoes, financial sanctions on the assets of individuals and companies, travel restrictions on the leaders of a sanctioned state, and trade sanctions on particular goods.

The first endeavor to focus the penalty more directly on those most responsible for the crisis brought together key academics, government officials, UN practitioners, and banking officials in New York in 1998. This initial discussion of the feasibility of targeted financial sanctions was facilitated by the Swiss government that launched the Interlaken Process in 1998. The banking industry, already equipped with the tools for dealing with money laundering, began to play a major role in further sanctioning.

The most conspicuous case of financial sanctions on North Korea is the sanctioning of Banco Delta Asia (BDA) in Macao in 2005, where \$25 million of North Korean funds distributed across 52 accounts was frozen. In response to international pressure, North Korea actually took additional measures toward denuclearization. Thus, the conclusion of the BDA ruling was that financial sanctions could hit North Korea where it hurt.⁴ However, the North Koreans, who learned a lesson from the BDA case, started improvising alternatives to the conventional use of official transaction systems.

To make smart sanctions work, China's cooperation is necessary. Trade between China and North Korea has continued to increase since 2000, serving as a lifeline through which hard currency as well as necessary goods are provided to the North Korean leadership. A recent report of China's alleged decision to close the Foreign Trade Bank of the Democratic People's Republic of Korea's accounts in Chinese banks is not enough to indicate its willingness to support world efforts to sanction North Korea.

North Korea's demand for hard currency seems to be greater than ever. Under the hereditary leadership of a young Kim, the ambition to build a new “Kimdom” (Kim's Dominion)

requires a bigger inflow of hard currency. The Pyongyang regime openly advertises to the world its multiple projects such as a ski resort, tourist programs, and newly designated special economic zones. Away from the stage of its serial provocations, the Kim Jong-un regime is shifting its focus toward the next stage of strategic conciliation and cooperation with the international community. It is the right time for the smart sanctions regime to refine its efforts. The South Korean government is determined not to allow the North Korean regime to take advantage of the world's open financial system for illicit purposes.

Over the past ten years, the impoverished North Korean regime has conducted five nuclear tests, inviting multilateral and bilateral sanctions. Each time sanctions were upgraded, they were “hailed as the most ‘comprehensive,’ ‘robust,’ and ‘unyielding’ sanctions to date against North Korea’s pariah government.”⁵ However, because previous rounds of sanctions failed to curb Pyongyang’s drive to advance its nuclear weapons program, the effectiveness of additional punitive economic measures are still doubted.

As long as Pyongyang’s provocations cannot be stopped, the historical pattern renews skepticism about whether the world’s harmonizing acts against North Korea will ever have a measurable impact. In particular, if nuclear weapons are not optional but essential for the regime’s survival, the impact of any kind of sanctions will be limited. Since North Korea’s economy has been essentially bankrupt for several decades, the impact of sanctions is further limited. Heightened tensions and isolation deepened by harsher sanctions help the Pyongyang regime control the redistribution of resources to any individuals who could be potential rivals to the Kim leadership.

Optimists may say that the desired effect of sanctions can be produced some time in the future if a few critical conditions are met, e.g., having enough time for increased cooperation with China to willingly enforce the sanctions. However, the reality is not like a well-designed laboratory for an ambitious experiment. The participating countries’ interests and positions are different and, even if consensus were reached, their partnership is fragile.

During the years when North Korea devoted all of its energy to the development of nuclear weapons, causing the sanctions to be harsher, its economy ironically became more stable.

Many question how this rogue regime with a malfunctioning planned economy could survive global pressure. In this regard, the purpose of this chapter is to review the background of sanctions against North Korea and to discuss their effectiveness. This academic exercise is aimed at contributing to efforts at making North Korean behavior change in an acceptable way.

SANCTIONS AGAINST NORTH KOREA

The North Korean regime’s efforts to acquire weapons of mass destruction (WMD) increase the unpredictability and instability of international relations that have been secured under the nonproliferation regime. Because of the unimaginable brutality of nuclear and chemical weapons, nations accepted an international system that put those weapons only in the hands of a few powers. The global community has not been persuaded that the isolated, totalitarian regime in North Korea would be committed to the preservation of world peace if it were to be granted the status of a nuclear power.

North Korea has a track record of systematic violations of universally recognized human rights norms. In February 2017, the assassination of Kim Jong-nam, the half brother of Kim Jong-un, brought world condemnation against the North Korean regime, whose legitimacy is based on a third-generation inheritance of power. The regime mobilized its diplomats and dispatched workers to commit the crime by using the internationally banned chemical VX. In addition, laborers dispatched abroad are exploited to earn hard currency to support the dictatorial leadership.

Multilateral Sanctions by the UN Security Council

As shown in Table 1, there are a number of resolutions the UN Security Council (UNSC) has adopted, particularly since North Korea's first nuclear test in 2006. Resolution 1718 in 2006 demanded it cease nuclear testing and prohibited the export of some military supplies and luxury goods to North Korea. Resolution 1874, adopted in response to the second nuclear test in 2009, embargoed North Korea's arms trade and requested UN member states to inspect North Korean ships suspected of carrying material related to the nuclear weapons program.

Resolution 2087, passed in 2013 after North Korea's long-range ballistic missile launch the previous year, augmented measures to seize any of its cargo ships suspected of involvement in WMD programs. Resolution 2094, in response to North Korea's third nuclear test, focused on financial sanctions, including shutting North Korea out of the international financial system. Resolution 2274, adopted after North Korea's fourth nuclear test and another rocket launch, banned North Korea's export of coal, iron, gold, rare earth metals, etc., with exemptions for livelihood purposes. Resolution 2321, passed after its fifth nuclear test, added to the list of banned exports items such as copper, nickel, zinc, and silver, as well as capping the maximum amount of North Korean exports of coal.

In theory, UNSC sanctions have evolved to increase the pain the North Korean leadership feels. In reality, however, the greater the pain inflicted by the sanctions, the bigger the scale of provocations. Continued efforts to magnify the impact of UN sanctions have failed to curb North Korea's continued efforts to improve its nuclear capabilities.

Table 1. UNSC Resolutions (UNSCR) Regarding North Korea

NK Actions	UN Reactions	Main Features
1st Nuclear test (Oct 9, 2006)	UNSCR 1718 (Oct 14, 2006)	<ul style="list-style-type: none"> • Demands that North Korea cease nuclear testing • Prohibits the export to North Korea of military supplies and luxury goods
2nd Nuclear test (May 5, 2009)	UNSCR 1874 (Jun 12, 2009)	<ul style="list-style-type: none"> • Broadens arms embargo • Encourages states to inspect ships and destroy and cargo suspected to be related to WMD
Missile (Dec 12, 2012)	UNSCR 2087 (Jan 22, 2013)	<ul style="list-style-type: none"> • Clarifies states' right to seize and destroy WMD-related cargo to or from North Korea
3rd Nuclear test (Feb 12, 2013)	UNSCR 2094 (Mar 7, 2013)	<ul style="list-style-type: none"> • Puts sanctions on money transfers • Shuts North Korea out of financial system
4th Nuclear test (Jan 6, 2016 and missile (Feb 7, 2016)	UNSCR 2270 (Nov 30, 2016)	<ul style="list-style-type: none"> • Bans exports of coal, iron, gold, rare earth metals, etc., with exemption for livelihood purposes
5th Nuclear test (Sept 9, 2016)	UNSCR 2321 (Nov 30, 2016)	<ul style="list-style-type: none"> • Caps North Korea's coal exports • Bans its exports of copper, nickel, zinc, silver

* Exact dates depend on the location of the action

UNILATERAL U.S. SANCTIONS

As shown in Table 2, U.S. administrations have issued executive orders to address the threat from North Korea's development of nuclear weapons and to introduce measures to stop its bad behavior. Executive orders have been made possible on the basis of the U.S. Constitution and laws including the National Emergencies Act, the International Emergency Economic Powers Act, the Trading with the Enemy Act (TWEA), and the Arms Control Act.

Executive Order 13466 was issued in June 2008 when negotiations with North Korea on denuclearization appeared to have reached the final stage. It addressed the seriousness of the possible proliferation of nuclear materials or technology. In August 2010, when North Korea's attack on the *Cheonan* heightened tensions on the Korean Peninsula, U.S. Executive Order 13551 designated North Korean persons as sanctions targets and banned the trade of North Korean arms and the sale of luxury goods to North Korea.

Executive Order 13570, issued in April 2011, when tensions were heightened after the North Korean shelling of Yeonpyong Island in November 2010, banned the importation of any goods, services, or technology from North Korea. Executive Order 13687 was issued in January 2015 with regards to North Korea's hacking of Sony Pictures two months prior. It blocked the property of the North Korean government or the Workers' Party of Korea, which became designated entities in U.S. sanctions for the first time.

Executive Order 13722, issued in March 2016 in response to the fifth nuclear test and another missile launch, blocked the property of any U.S. person who is involved with North Korean industries, including transportation and mining, cyber attacks, human rights abuses, censorship, and exportation of North Korean workers. Also, it banned the exportation or re-exportation of goods, services, or technology to North Korea, and prohibited new investment in North Korea by U.S. persons.

Table 2. U.S. Executive Orders		
NK Actions	UN Reactions	Main Features
Working on denuclearizing NK	13466 (Jun 26, 2008)	<ul style="list-style-type: none"> • Freezes North Korean property in the U.S. • Stops U.S. persons from registering a vessel in NK or operating any of its flagged vessels
2009 test of nuclear device and missile & 2010 attack on SK navy ship	13221 (Aug 30, 2010)	<ul style="list-style-type: none"> • Blocks designated NK persons' property • Bans the trade of NK arms and its material; luxury goods; illicit economic activity
Tension heightened since Nov 2010 Yeonpyong shelling	13570 (Apr 18, 2011)	<ul style="list-style-type: none"> • Bans the importation into the U.S. of any goods, services, or technology from NK
Hacking of Sony Pictures in Nov 2014	13687 (Jan 2, 2015)	<ul style="list-style-type: none"> • Blocks the property of NK Government or the Worker's Party of Korea
2016 test of nuclear device and missile launch	13722 (Mar 15, 2016)	<ul style="list-style-type: none"> • Blocks the property of any U.S. person who is involved with NK industries such as transportation and mining, cyber attacks, human rights abuses, censorship, exportation of NK workers • Bans the exportation or re-exportation of goods, services, or technology to NK • Prohibits new investment in North Korea by U.S. persons

* Previous Executive Orders include 12938 (1994), 13094 (1998), 13382 (2005).

Besides Executive Orders, on March 31, 2017, the U.S. Department of the Treasury also sanctioned eleven individuals and one entity associated with providing funding and support for North Korea's WMD program. The Trump administration seeks to close down more procurement channels and funding sources for North Korea in third party countries, including China, Russia, Vietnam, and Cuba.⁶

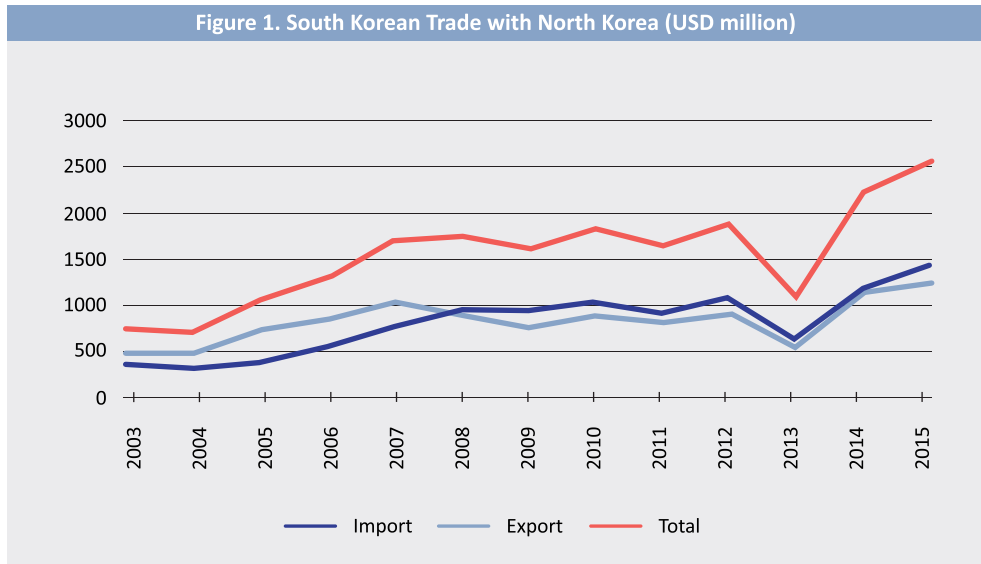
Inter-Korean Relations and Sanctions Effectiveness

South Korea has initiated and supported global efforts to punish North Korea for its bad behavior. Not only has it been diligent in implementing whatever is stipulated in the UNSC resolutions, it has taken unilateral sanctions measures against North Korea, seen in the shutdown of the ten-year-old Kaesong Industrial Complex (KIC) immediately after the fourth nuclear test in February 2016. Stopping the KIC was a reaction to the North Korean regime's contradictory policy of pursuing WMD on the one hand and of national reconciliation on the other. What triggered the South Korean government to shut down the KIC in 2016? What was the main purpose of the shutdown? What was the essence of the cost-benefit calculation by South Korean decision makers?

The main argument in support of the KIC shutdown is that payments of labor wages were used to contribute to the development of nuclear weapons programs in North Korea. The South Korean leadership at the time justified its decision to stop business operations in the KIC, expressing confidence in the close connection between business and provocations.⁷ Some criticize the closure as "shooting oneself in the foot" because North Korea's nuclear ambitions could not be stopped by doing this,⁸ and South Korean firms were the ones that were hurt.

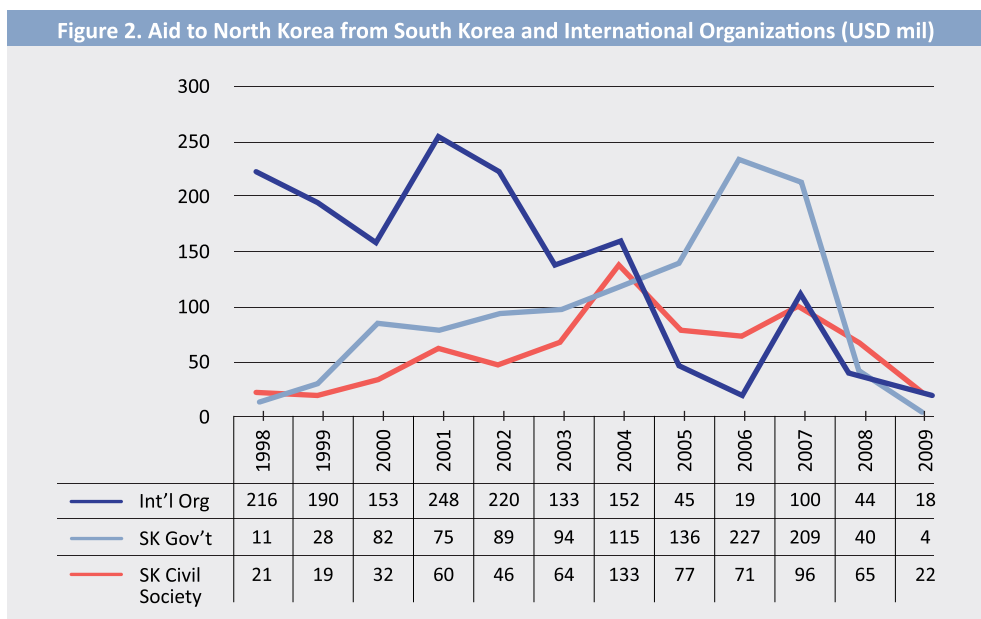
An annual income of \$100 million from the KIC may be meaningful for North Korea, whose options for acquiring hard currency are quite limited. Stopping the money inflow seems to have not influenced the North Korean regime, whose main interest is not the growth of people's wealth but the growth of the regime's destructive power. This criticism points out that there is little benefit South Korea could gain from the closure of the KIC. Through projects in Kaesong, South Korean businesses enjoyed a monopoly augmented by direct and indirect government subsidies and the exploitation of cheap North Korean labor. Thus, it is argued that the closure of the KIC hurt the South far more than the North.

North Korea experienced the sudden administrative cost of relocating the 54,000 well-trained Kaesong workers as well as the loss of their regular income. Despite losing the income from the KIC, the Kim Jong-un regime continued to develop its nuclear weapons with its fifth nuclear test in September 2016, indicating the limited effectiveness of South Korean sanctions. The efforts to upgrade sanctions ended up stopping business cooperation between the two Koreas. As shown in Figure 1, inter-Korean trade had steadily increased until early 2016, even after it was reshaped due to the North Korean attack on a South Korean naval ship in 2010, when the South Korean government adopted bilateral sanctions blocking all exchanges and business cooperation except the activities in the KIC. Thus, since 2010, inter-Korean trade has consisted only of transactions through the KIC.



Source: Korean Ministry of Unification

As shown in Figure 2, international organizations' aid to North Korea peaked in 1998-2000 and then continued to shrink. Since inter-Korean political relations turned positive in 1998 when the Kim Dae-jung administration's Sunshine Policy was introduced, South Korean NGOs actively engaged in inter-Korean reconciliation and cooperation programs and projects. However, after some trial and error, South Korean civil society's interest in aiding North Korea began to diminish from 2004 when the KIC was launched. The focus of South Korea's approach to the North shifted from humanitarian assistance to business cooperation, and aid to North Korea was initiated mainly by the South Korean government until 2009 when the North conducted its second nuclear test.

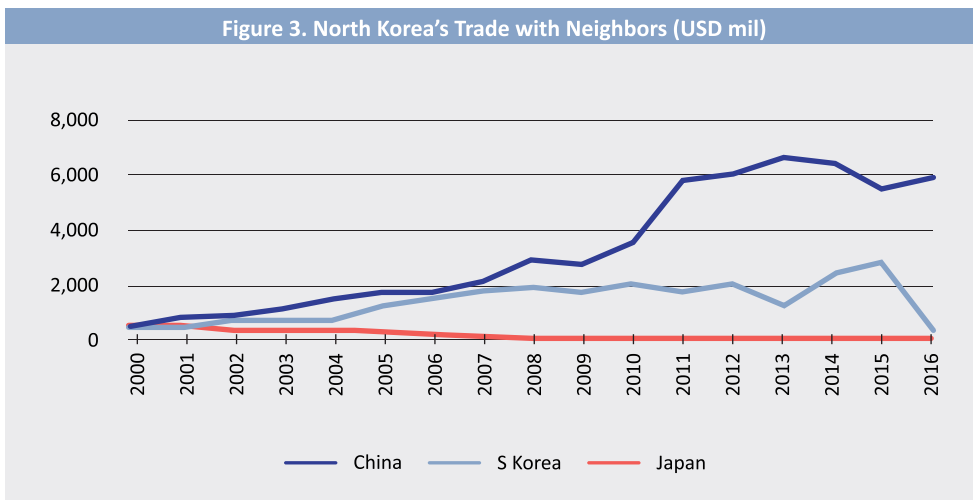


Source: Korean Ministry of Unification

In sum, multilateral and bilateral sanctions on North Korea triggered by North Korean bad behavior have decreased inter-Korean cooperation. The Pyongyang regime is now further isolated and losing any chance to figure out an alternative to its costly weapons development programs. So far, sanctions have not made the North restore dialogue with the South.

NORTH KOREA-CHINA RELATIONS AND SANCTIONS EFFECTIVENESS

The Chinese government is quite determined to implement UNSC sanctions measures against North Korea for its violation of international laws and agreements regarding WMDs. As a traditional ally and close neighbor of North Korea, however, China has a policy dilemma. Geopolitics give China pause with regard to strategic calculations of the relationship with North Korea in light of China's past and future national interests. As a globally influential player, China clearly understands the importance of punishing North Korea, a violator of international agreements. However, as an ideologically bonded ally, it cannot push North Korea into a corner, where its fragile economy may collapse. China's active engagement with the North Korean economy is now threatened by escalated provocations that result in stronger demand for tougher sanctions against North Korea.



Source: Korea International Trade Association (KITA) & China Customs Statistics

Figure 3 shows the trend of North Korea's trade with its close neighbors China, South Korea, and Japan. Japan was an equal shareholder in trade with North Korea in 2000 when North Korean trade with China, Japan, and South Korea recorded \$488 million, \$464 million, and \$425 million, respectively.⁹ From 2000, trade between North Korea and China showed an average growth of 22.4 percent annually, except in 2009 and 2014. The superficial decrease in 2009 from the previous year was 38.6 percent, but the substantial decrease was only 4.2 percent. Trade in 2014 showed a decrease of 2.8 percent compared to the previous year, but it actually increased by 4.9 percent if invisible imports of strategic materials such as oil are considered.¹⁰

Since China joined the World Trade Organization (WTO) in 2001, it has aggressively expanded its influence by increasing trade and investment, including with bordering states such as Mongolia and North Korea. In particular, since 2010, when China renewed its national economic

development projects, trade with North Korea began to soar even while North Korea's political environment was deteriorating at a rapid pace, exemplified by the North Korean attacks on the *Cheonan* and on Yeonpyong Island.

As the speed of inter-Korean economic cooperation fell from 2008, North Korean dependency on the Chinese economy proportionally increased. Kim Jong-il had visited China to discuss how to receive aid in the form of economic cooperation. North Korea was interested in building economic infrastructure to surf the prospective wave from the latest Northeast China revitalization plan.¹¹

Trade between North Korea and China has been influenced by changes in both politics and the market. When bilateral trade shrank for a time, the effect of sanctions was not a unique factor. Their trade has also reflected a decline in the export price of coal or a decrease in Chinese energy consumption, for example, during 2014-2015. This explanation is supported by other cases, including Mongolia's trade with China.

Figure 4. North Korea-China Trade Share in North Korea's Total Trade (%)

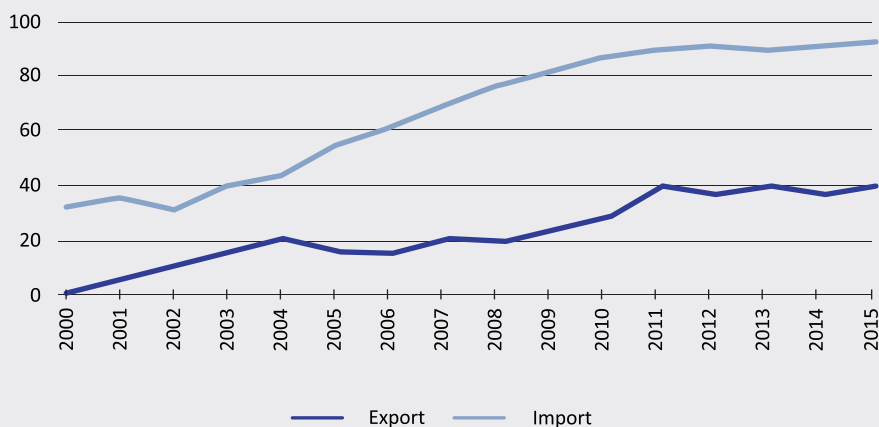
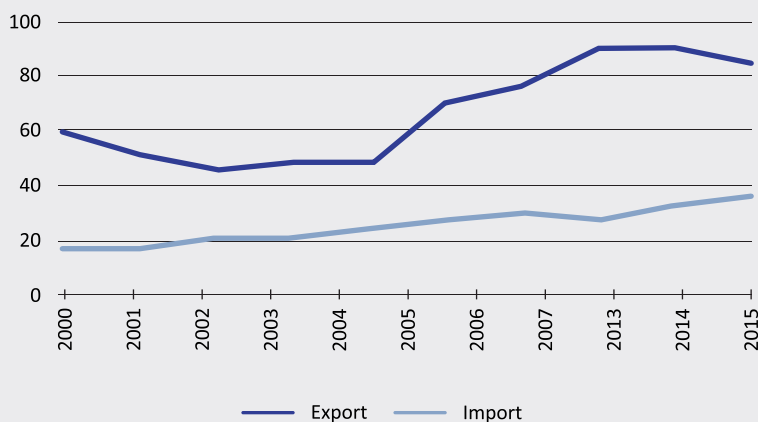


Figure 5. Mongolia-China Trade Share in Mongolia Total Trade (%)

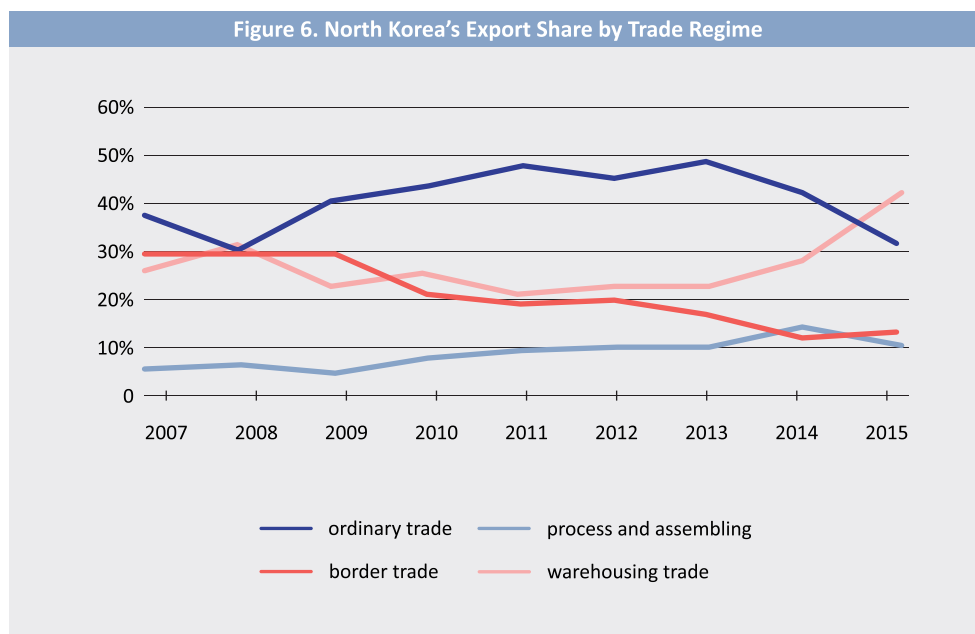


Figures 4 and 5 support the argument that the continued increase in China's trade with its neighbors North Korea and Mongolia has reflected synchronized supply and demand. The share of Mongolia's exports to China in its total exports soared to almost 90 percent in 2014, whereas the share of North Korea's imports from China in its total imports passed 90 percent in the same year. In this regard, the increased demand for tougher sanctions on North Korea has brought bigger attention to the waxing trade between North Korea and China.

The year 2015 was the first bilateral trade decrease since 2009. According to China customs, trade with North Korea was \$5.4 billion in 2015, a drop of 14.7 percent from \$6.4 billion in 2014. North Korea's exports to China in 2015 recorded \$2.5 billion, 12.6 percent lower than \$2.8 billion in 2014. Its imports from China marked \$2.9 billion, a decrease by 16.4 percent from \$3.5 billion in 2014. These numbers reflect structural changes, such as the lowering of China's GDP growth rate or the shift of focus from export-driven to domestic consumption-driven growth.

During 2014-2015, North Korea's imports declined, probably related to a shortage of foreign currency due to export reductions or economic sanctions. Alternatively, it may be part of the consequences of domestic change in response to outside pressure. Pyongyang's new propaganda insists that production capabilities have improved and more domestic goods are available, which is opposite to the reality, where North Korea is disconnected from global sources of hard currency.

Some strategically spotlighted industries of North Korea, however, tend to show positive change. For example, the increase in coal exports to China implies that North Korea has improved its mining capability, by either upgrading its production system or receiving more foreign investment. As shown in Figure 6, in 2015 warehousing trade surpassed ordinary trade. Warehousing trade is suspected of being detour trade from North Korea to third countries, via China.¹² It primarily consists of processed goods, including textiles, rather than raw materials. Thus, it can be presumed that North Korea has improved its production capacity in manufacturing, which made a notable contribution to the expansion of trade.



Source: China Customs Statistics

In early 2016, North Korea's trade with China was expected to be affected by many factors including new economic sanctions, the shutdown of the KIC, a continued decrease in raw material prices in the international commodity market, and China's import decline. However, there was an increase. Exports to China in 2016 reached \$2.6 billion, an increase of 6.1 percent from the previous year, led by coal (\$1.1 billion), fabrics (\$600 million) and iron ore (\$200 million). In 2016, total Chinese imports of North Korean coal were around \$1.1 billion, an increase of 12.5 percent from the previous year. And in the first two months of this year, Chinese imports of North Korean coal had already reached 2.69 million metric tons equivalent to \$219.5 million, representing over 50 percent of the \$400.8 million limit mandated by the UNSCR 2321 for China's 2017 imports of coal from North Korea.

CONCLUSION

Economic sanctions against North Korea have been imposed by the United States and the United Nations since the armistice treaty signed in 1953. Since 2006, when North Korea's first nuclear test occurred, more significant sanctions were introduced. Pyongyang has displayed its nuclear and ballistic missile capabilities, violating international laws and norms and threatening the United States specifically. On the first day of 2017, Kim Jong-un declared that his state had reached the final stage of being capable of launching an inter-continental ballistic missile (ICBM), undoubtedly targeting the continental United States, which he may be able to reach in the near future. In the 21st century, North Korea appears to be unique in continuing its nuclear build-up despite increased pressure from the international community. Thus, it is said that coercive diplomacy has failed.

Upon his first official visit to East Asia in March 2017, U.S. secretary of state Rex Tillerson admitted that approaches to the North Korean nuclear problem have proved to be a failure over the past twenty years. For the last ten years of global economic sanctions, the world has witnessed five nuclear tests. The reasons for the failure of costly efforts to make sanctions on North Korea effective include a weakening global "united front." China is regarded as exploiting loopholes.¹³ Its enforcement is the key to effective sanctions.

For the past decade at least, China is said to have turned a blind eye to sanctions violators and kept the non-compliant North Korean regime alive. The United States blames China for its reluctance to use leverage over North Korea, while China blames the United States for its reluctance to open an unconditional dialogue with North Korea. For the United States, sanctioning North Korea is regarded as an inevitable choice to keep international peace and order from a rogue nation's irrational behavior. However, for China, the same action may be interpreted as weakening the traditional socialist alliance with North Korea. The two big powers' tug-of-war over the North Korea problem ironically provides North Korea with strategic room to manipulate the crisis situation.

North Korea's fourth nuclear test in February 2016 triggered South Korea's decision to introduce THAAD. The Park Geun-hye government officially announced in July its decision to put THAAD in a southeastern area of South Korea. In response to that decision, China began to "retaliate" against South Korean businesses to pressure the South Korean government.¹⁴ In the eyes of the Chinese leadership, North Korea's obsession with WMDs may be tolerable, whereas South Korean accession to its ally's

additional self-defense measures, including the installation of THAAD on Korean soil, is provocative. China's admonishment with no punishment has spoiled the North Korean regime.

The effectiveness of sanctions depends on whether the United States and China have a common understanding of the threat from North Korea. Some now contend that China views North Korea's nuclear ambitions as a threat not only to the U.S., ROK, and Japan's interests and security, but also to Chinese interests and security.¹⁵ If this is true, it is a big shift.

The recent remark by Secretary of State Tillerson signaling the end of Obama's policy of "strategic patience" implies that the Trump administration will be active in considering a variety of policy options ranging from dialogue to military actions in solving the North Korea problem. However, during Obama's tenure, various options were already discussed as follows:¹⁶

- 1) Go to the United Nations Security Council
- 2) A "secondary boycott" on firms that do business with North Korea
- 3) Escalation: hit North Korea back
- 4) Strike a grand bargain
- 5) Pressure China
- 6) "Strategic patience" (otherwise known as containment)

Sanctions against North Korea have evolved; however, the reality is that North Korea's nuclear weapons program continues to develop. The same question is repeatedly asked: How can sanctions be upgraded to lead to a different outcome?

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A U.S. Perspective on the Impact of Sanctions

James Walsh*

Despite a crowded news agenda, North Korea has managed to draw the attention of both political leaders and the public at large. Missile tests, an assassination employing VX nerve agent, and preparations for a nuclear test have drawn strong reaction from Washington to Kuala Lumpur. Each new controversy sends policymakers scrambling for a response and, more often than not, that response has been a call for new and tougher sanctions. And not surprisingly, each new call for sanctions resurrects the old question: do sanctions on North Korea have any impact?²

There have been moments when sanctions seem to have motivated a North Korean response, as appeared to be the case with Banco Delta Asia (2005).³ In general, however, analysts have judged that sanctions on North Korea have not achieved the desired outcome, namely an end to North Korea's many objectionable behaviors.⁴ If anything, the situation looks worse, with the pace of weapons testing and human rights violations having increased over time despite ever-stronger sanctions. Still, despite the historical record, one might reasonably ask if conditions are changing. Over the last year and into the beginning of 2017, there have been a number of new developments in the North Korea file that might augur a shift in prospects. UNSCR 2270, whatever one thinks of it, was certainly unprecedented, e.g., for the first time setting hard caps on key commodities imported from the DPRK. North Korea's international isolation is, arguably, near an all time high, boosted by its row with Malaysia and an aggressive full court press by the South Korea foreign ministry to persuade countries from Africa to the Middle East to cut their ties with the North. And with a new, tough talking American president in office vowing to stop the DPRK, it may be time to consider again the topic of sanctions on North Korea.

This chapter assesses North Korea sanctions by first putting the topic in a historical and social science context and reviewing recent developments in the region. It then considers how one might define and measure the impact of North Korean sanctions and assesses the current and prospective state of the sanctions regime. Finally, it offers a stylized account of how Washington views the North Korean challenge and concludes with a cranky alternative view that reflects growing concern about events on the peninsula.

WHAT WE KNOW ABOUT SANCTIONS, NORTH KOREAN AND OTHERWISE

Before assessing the efficacy of new sanctions on North Korea, it is worth stepping back and putting the subject in a broader context of what we know about sanctions in general, as well as the record to date regarding sanctions on North Korea in particular. Sanctions have long been a tool of statecraft, and scholars, with varying degrees of success, have attempted to document their effects and their effectiveness.⁵ Here it is worth noting that sanctions have evolved over time and in recent years have come to include an array of financial and secondary sanctions that have provided policymakers with additional options. In general, analysts have fallen into two camps, sanctions optimists and sanctions skeptics. Optimists point to individual case studies where sanctions appear to have contributed to the desired outcome, e.g., Iran's nuclear program. Indeed, it has been said that sanctions are more effective than people think.⁶ Skeptics point to their own case studies.⁷ They also cite quantitative studies that appear to cast doubts about the value of sanctions.⁸

A judicious, if broad, assessment of the debate is that sanctions can prove useful under particular circumstances, but that, in general, they are a limited tool, their value being a complement to a broader policy approach that includes diplomacy, the threat of military force, and other tools. Sanctions alone are unlikely to achieve the desired results, and their potential contribution depends very much on the specifics of the case.

So what of this case, the case of North Korea? Is the situation on the peninsula one that is well suited or ill fitted for a sanctions-oriented approach? And what do decades of experience with sanctions on North Korea suggest about the future prospects of a sanctions regime?

Sanctions on North Korea have a long history,⁹ and analysts trying to assess the impact of sanctions also tend to fall into either the optimist or skeptical camps. Optimists about North Korean sanctions do not argue that past sanctions have worked as much as they maintain that future sanctions could work, and that the problem is that governments have not gone far enough in imposing sanctions.¹⁰ And without direct evidence that sanctions have changed North Korea's unwanted behavior, some optimists argue that indirect indicators point to the possible impact of sanctions. The increasing pace of defections and the apparent need for the Kim government to conduct loyalty campaigns might suggest, for example, that sanctions are biting. Optimists also take the view that, absent sanctions, the North would be even further along in its weapons programs than it is now.

Skeptics simply point to the empirical record as it is and conclude that sanctions have failed and are, therefore, unlikely to perform any better in the future. Skeptics doubt whether the pace of defections or the pronouncements by defectors predicting a coming collapse are all that meaningful. They have heard that before. In addition, they point to documented shortcomings of sanctions on North Korea.

One set of challenges revolves around the poor implementation of existing international sanctions.¹¹ Another set centers on the DPRK's evasion techniques, e.g., the use of front companies and private Chinese middlemen. Skeptics also point to specific structural impediments that undermine sanctions on North Korea (e.g., geography, globalization, and inherent limits on the ability of governments to police transnational trade).¹² So far, the skeptics have carried the day analytically. Sanctions optimists might be correct that the North is "under-sanctioned" and that success is just around the corner, but that seems more an aspiration than the record to date.

In sum, few would argue that sanctions are worthless, especially given the list of individual cases when they appear to have helped achieve a policy objective. Still, this brief review suggests that 1) sanctions are a rather limited tool whose success depends the conditions in play, and 2) sanctions on North Korea have failed to achieve their objectives. It is against this backdrop that we can now assess new developments in the region and the prospect that new sanctions and national policies might prove more successful.

RECENT DEVELOPMENTS

One reason for optimism about sanctions is that they are among the more innovative and dynamic arenas of policymaking. New types of sanctions have been developed, and old sanctions have been applied in new and novel ways. In addition, conditions in the region are evolving. Indeed, some of the biggest changes have occurred in the last year or so. Whatever DPRK sanctions' past successes or failures, it is worth considering these new developments and whether they provide reason to think that sanctions might be more effective going forward.

One set of developments relates to the behavior of the North Koreans themselves. Kim Jong-un has moved to accelerate the development of his illicit weapons programs. Compared to his father and grandfather, the young Kim has dramatically increased the number of missile and nuclear tests, and it seems likely he will continue apace. That could have two very different effects. On the one hand, repeated tests may keep the North Korean issue on the agenda and increase the political pressure on governments to address the implementation issues documented by the Panel of Experts. Alternatively, the constancy of testing may “normalize” the phenomenon with the consequence that any particular test or action carries less shock and political punch.

The North's assassination of Kim Jong-nam, though not directly tied to sanctions, may, nevertheless, have implications for the sanctions regime. First, it has resulted in a row with Malaysia, one of the few countries that had positive relations with the DPRK. The North's decision to hit back at the arrest of the plotters and to essentially hold Malaysian citizens in the DPRK as hostages will likely worsen relations further. The attention drawn to the DPRK-Malaysia relationship exposed the North's use of Malaysia to evade sanctions. Finally, the assassination irritated China, as Kim Jong-nam was alleged to have been under China's protection. Taken together, the North may have alienated an important country in its procurement network and given China yet another prod to rethink its strategy.

CHINA, SOUTH KOREA, AND REGIONAL DEVELOPMENTS

Over the past year or so, there have been a number of events in the region that could affect the viability of sanctions. On the positive side of the ledger is China's support for UNSCR 2270, which for the first time ever established caps on the economic value of coal imports coming from the DPRK. In private, U.S. officials downplay the significance of China signing on, pointing out that it took a long time for Beijing to finally agree to an import cap and that the livelihood exception – what some analysts strangely call a “loophole” – allows China to fudge its commitments. And at the end of the day, 2016 coal imports from the North to China actually increased over their 2015 levels by 15 percent.¹³

Still, to this observer, the fact that China agreed to a cap in a binding UN resolution is a surprise and may signal rising concern in Beijing. Perhaps adding credence to that interpretation was China's unexpected announcement on February 17, 2017 (following the test of an intermediate range missile and the assassination of Kim Jong-nam) that it had already capped out its coal imports from North Korea for the year and was suspending further imports. Time will tell whether China means what it says,¹⁴ but the regional coal

markets reacted at the time as if *they* thought it were true.¹⁵ In addition, it appears that China has moved forward with establishing the regulatory and administrative processes required to implement the caps.

There have been less encouraging developments as well. The U.S. decision to deploy a THAAD missile defense system in the South has, at least temporarily, soured relations between Seoul and Beijing, with China seeking to punish South Korea through various economic measures. Separately, South Korean relations with Japan, which have always been fraught, appeared to deteriorate despite the progress the two countries have made in trying to improve their bilateral relationship. It is difficult to know what, if any, impact all of this might have for the sanctions regime, but in general, North Korea prefers a situation in which the regional players are divided and at odds, probably on the theory that it can exploit those divisions for its own good.

Finally, no description of regional events would be complete without reference to the fall of President Park in South Korea. The lengthy scandal and domestic crisis affected South Korea policymaking for some months. Uncertainty about her future was replaced by uncertainty about the post-impeachment elections and the arrival of new leadership that may bring a change in the South's approach to the North.

A NEW SHERIFF IN TOWN: THE ARRIVAL OF MR. TRUMP

Donald Trump's surprise election victory could have far reaching implications for the peninsula, either as a result of the new president's policy choices or as a consequence of his personality and unorthodox governing style. The Trump administration has concluded its policy review for North Korea, a process that has endorsed an approach based on "Maximum Pressure and Engagement."¹⁶ Despite concluding the policy review, the senior administration officials – including the president, vice president, secretary of state, and U.S. ambassador to the UN – have offered a barrage of contradictory statements about its North Korea policy. Secretary of State Rex Tillerson himself offered radically different positions in a matter of weeks, first rejecting talks with the North during a visit to Seoul only to reverse that position soon after. Everyone in the administration has rejected the Obama doctrine of "strategic patience," though "maximum pressure and engagement" appears a re-articulation of that same policy.

Trump's impact on the future of the peninsula will be a function of not only the policies he chooses and how he reacts to provocations but also the nature of his bilateral relations with the key players in the region. To his credit, the president appears to have had a successful summit with China's president Xi, and while this has led to a series of awkward comments by the president that may have set off alarm bells in Seoul and Tokyo, so far it appears that China is more actively cooperating on North Korea. The new U.S.-China relationship is encouraging but likely fragile. Whether it can be sustained is one of the central questions for the future of North Korea policy.

The administration's early engagement with South Korea has been less successful, one would have to say. The president's statements that KORUS should be renegotiated and that South Korea should pay for THAAD – statements that were later retracted – could not have

been reassuring to this most important ally. Going forward, there are questions about the near-term future of U.S.-ROK relations given the presidential election in the South. If Trump embroils himself in disputes with both South Korea and China, it will not bode well for North Korea policy. Indeed, Pyongyang might get its wish that the major players are at odds with one another.

In sum, on the positive side, the DPRK apparently cannot refrain from behavior that alienates itself not only from the international community but from its closest friends. In addition, the sanctions regime and China's North Korea policy both appear to be evolving in unprecedented ways, with China having signed off on measures that could in principle severely affect the North's economy. On the other side of the ledger, potential divisions between the regional players reduce the odds of achieving the kind of consensus required to execute a sanctions policy, or more importantly, a shared political strategy that could change North Korean behavior.

DEFINING AND MEASURING IMPACT

Assessing the utility of sanctions requires definition and precision. One must specify: impact on *whom*, impact on *what*, towards what *objective*, and with what *result*. Sanctions on North Korea could affect different constituencies, including the inner circle of Chairman Kim and senior North Korean policymakers, North Korean elites, the average North Korean living outside of Pyongyang, the three Chinese provinces bordering the North, China more broadly, Chinese and other business entities that do (and do not do) business with the North, as well as humanitarian and other NGOS that try to operate in the DPRK. Moreover, sanctions likely have downstream effects not only on the target (DPRK) and those connected to the target but to the countries that are imposing them, e.g., the United States and South Korea.

The effects of sanctions, both intended and inadvertent, may extend over a variety of areas: WMD procurement, the North Korean economy, or the regional coal market, to name a few.

As for the objective, sanctions can be used for a variety of purposes, including denial, coercion, bargaining, punishment, and inducing regime change. "Denial" refers to sanctions intended to prevent or otherwise slow and make difficult the North's attempts to acquire illicit goods and technology. "Coercion" describes efforts to impose economic, political, social, and other costs on North Korea in order to force it to change its behavior. "Bargaining" entails the imposition of sanctions that can later be used as a bargaining chip for concessions in negotiations. "Punishment," an objective that is more common than might be imagined with North Korea, involves the imposition of costs for the sake of imposing costs, without expectation of a particular change (in contrast to coercion). Punishment is a normative act meant to signal the social or moral unacceptability of a behavior. Sanctions in the service of regime change are intended to topple a government. A given sanction might fail to achieve one kind of objective (e.g., regime change), even if it succeeds with a different objective (e.g., punishment).

Most importantly, there is the question of whether a sanction produces the intended outcome or result. A sanction could be "successful" in many ways and yet fail to achieve the key objective. Sanctions to deny a country technology for its weapons program might work in cutting off foreign suppliers, but if the country is self-sufficient in those materials, the

sanction will have failed to slow or stop the program. Another sanction might successfully harm a country’s economy but not dissuade a government from violating human rights. This distinction between “impact” and “outcome” is crucial. Policymakers prefer to frame the issue of sanctions in terms of impact or the costs imposed on a target rather than outcomes (or changes in behavior), but it is the latter that counts, not the former.

Table 1. Defining the Impact of Sanctions on North Korea	
	Examples
Who	DPRK policymakers, elites, average North Korean, China, business entities, NGOs, countries doing the sanctioning
What	Procurement, economy, elite lifestyle, DPRK international political standing
Objective	Denial, coercion, bargaining, punishment, regime change
Outcome	Slow or halt weapons programs, reduce human rights abuses, release of foreign detainees

Finally, to answer questions concerning the impact of sanctions, one needs a way to measure the phenomenon. That includes metrics related to both what is being sanctioned and the outcome. Take, for example, economic sanctions that are imposed with the hope of inducing Pyongyang to end its WMD programs. Assessments might employ a variety of different metrics. To measure the impact of sanctions on the economy, one might use before-and-after indicators of the economy (e.g., GDP, inflation, unemployment), testimony by North Korean defectors, reports by sectorial businesses operating in the region, the level of refugee flows, or firsthand accounts of life in Pyongyang and the border cities. Metrics for outcomes related to the missile and nuclear programs might, for example, include the number of tests, the ratio of successes to failures, the relative capabilities being tested, or the pace of improvements in capabilities.

IMPACT OF SANCTIONS ON NORTH KOREA

Is there reason to hope that today’s sanctions (or others in the offing) could work a little policy magic and contribute to a change in North Korean behavior? Will sanctions on North Korea have an impact? To answer those questions, we begin with the concepts outlined in the last section, namely objectives, impacts, and outcomes. For each objective listed in Table 2 below, there is a summary assessment of the impact of sanctions on the North and an appraisal of the outcome. In general, the sanctions appear to have had a low to moderate impact but have been unsuccessful in changing behavior or altering the relevant outcomes. The question going forward is whether UNSCR 2270 and related actions might produce a different result.

Table 2. Objective, Impact and Outcomes

Objective	Impact?	Outcome?
Denial	YES, BUT interdictions denied some goods; in general, drove up price of procurement, but DPRK adapts so little net effect	FAILURE WMD programs progressing in numbers and capabilities
Coercion	YES AND NO Political isolation; shaming on human rights; but economy for elites has improved; leadership shifts costs to general population	FAILURE NK has not changed policy; if anything its nuclear/other policies have become more formalized
Bargaining	YES NK anxious to trade away Banco Delta Asia sanctions and terrorism designation; agreements use both inducements and sanctions relief	SUCCESS AND FAILURE Substantive agreements with substantive results reached but agreements eventually fell apart
Punishment	UNKNOWN BUT UNLIKELY Cost of some luxury goods inside DPRK may have increased; restrictions on travel	LIMITED Doubtful that elites are hurting; non-elites taking the brunt of costs
Regime Change	NO No evidence that sanctions have led to political opposition	FAILURE No regime change; improved economy for elites; economic insecurity for non-elites

DENIAL

Efforts to disrupt the DPRK's procurement of illicit material and technology have, in fact, had an impact. There have been occasional interdictions of shipments, and North Korean defectors report that sanctions have had the effect of driving up the cost of transactions, because working with North Korean entities has become more risky. Unfortunately, the North responded by monetizing the risk and paying higher commission fees. Higher fees and other innovations have enabled the North to continue and, in some cases, even improve their procurement.¹⁷ The North has found a way to not only sustain its weapons programs but to accelerate their development.

UNSCR 2270 does a better job at identifying some of the issues that need to be addressed such as Pyongyang's use of diplomats and consular offices for procurement. The resolution, however, offers little for countering the North's use of private Chinese brokers and front companies. The most recent Panel of Experts report makes evident that: 1) many of the member state compliance issues noted in previous reports persist; and 2) in any case, the DPRK continues to make extensive use of intermediaries to shield its activities. Even as the United States and others have moved to curb Pyongyang's access to international finance, the North has again turned to private brokers to evade detection.¹⁸

Individual governments and the international community have looked to impose a variety of costs—economic, political, diplomatic, and social—on Pyongyang with the hope that it would change its behavior. Their impact has been mixed, with diplomatic and social sanctions having hit the DPRK harder than the economic and political sanctions. In the community of nations, the DPRK is increasingly isolated and continues to be shamed for its human rights record. Still, the economic and political impact has been limited. Economically, Pyongyang's elites appear to be better off today than they were 10 years ago.¹⁹ And politically, Kim's leadership seems no more vulnerable than it was when he took power. Rising rates of defection, continued executions and purges, the North's sensitivity to propaganda from the South (e.g., loudspeaker broadcasts, leaflets), and the assassination of Kim Jong-nam might suggest that Kim is insecure about his position, but the evidence is hardly dispositive.

COERCION

UNSCR 2270, if enforced, could certainly impose tremendous and unprecedented costs on the DPRK. Chinese caps on imports of North Korean coal and other commodities could damage the North Korean economy. New sanctions on remittances could be costly as well, as would any number of national policies China could adopt in its dealings with North Korea. It remains to be seen how far China will want to go in squeezing its neighbor. Given China's national interests, there are reasons for skepticism, despite China's willingness to sign on to UNSCR 2270. Further complicating a coercion strategy is the reality that Chairman Kim can shift the costs of sanctions to the general population. Even with a substantially smaller pie, the Kim family and the ruling elite will get the first and biggest slice, which might be enough to keep the system going.

BARGAINING

In negotiations over its nuclear program, the North has sought both positive inducements (e.g., normalized relations, fuel oil, a light water reactor) and sanctions relief. In 2005, it seemed particularly interested in a resolution of the Banco Delta Asia issue and in being removed from the list of state sponsors of terror. U.S. negotiators were able to win concessions from the North in return for sanctions relief. The result was a series of agreements, the most notable and consequential being the 1994 Agreed Framework, which, while it lasted, froze the DPRK's nuclear program and ended long-range missile tests – two conditions most observers would prefer to be in force today. The agreement ended for a number of reasons relating to actions taken by both North Korea and the United States.²⁰ While not sustained, the agreement was successful, while it was in force. To date, it appears that the Trump administration is holding open the possibility of negotiations, and if negotiations begin, the U.S. and other negotiators will be able to use sanctions relief as a chip to trade for changes in North Korean behavior.

PUNISHMENT

When meeting with officials in Washington, Seoul, or Tokyo, one cannot ignore the real anger and emotion that animates the views of some policymakers. One senses, and sometimes it is expressed directly, that particular officials want to simply punish the North for its outrageous actions. In particular, they want Kim (together with members of the ruling family and senior officials) to feel pain and to suffer for their actions. Of all the possible objectives, this is perhaps the most difficult to assess. Data are limited, and it is hard to measure an individual leader's level of pain. It may be that some luxury goods are not available or come at a higher price, and certainly international travel has been restricted, but it is difficult to say that the North's leadership is paying for its sins. And again, as long as the government can extract enough resources from its population, it can insulate itself.

There is not much reason to expect that the ability to punish political elites, and not the general population, will improve in the near term. The North's leaders will likely command enough resources to live in a style to which they have grown accustomed. At this point, it may be that the greatest source of fear and pain for DPRK officials is not international sanctions but their leader, who on any given day might turn on them and have them sent off for "rehabilitation" or even executed.

REGIME CHANGE

Regime change is not the official policy of any government grappling with the North Korea problem. Though it has to be said that some officials privately wish for that outcome, and few would shed tears if it were to suddenly happen. As a matter of policy, however, it is not an objective, and in any case, it does not appear to be happening. Forecasting collapse is a tricky business, and social scientists are better at diagnosing the causes after the fact than they are at predicting it in advance. There appears to be little evidence of political opposition to Kim's rule or of the kind of elite economic hardship that might encourage thoughts of a post-Kim Korea. Naturally, the military in what was once a "military first" society would be a candidate to lead such a change, but there is little evidence to suggest such a scenario. It is also difficult to imagine that the international community could ever impose the political stress and hardship that the North already experienced during the famine of the 1990s, and even then, the Kims survived.

UNSCR 2270 and other measures governments might plausibly introduce could, in theory, dramatically hurt the North Korean economy. If the economy collapsed, perhaps so too would the Kim government. Still, too many "ifs" combined with the demonstrated resilience of the North Korean state make this outcome seem unlikely – at least by intention. One could imagine, though, that China or other actors might impose sanctions on North Korea for the purpose of coercion but miscalculate the North's fragility and instead take steps that have the effect of inadvertently tipping over the regime. This inadvertent outcome is not likely for the same reasons that a purposeful pursuit of it is unlikely to be successful, but it is a possibility.

OTHER IMPACTS

Sanctions aimed at North Korean decision makers create outcomes that affect the North Korean government but also others as well. Some of these impacts involve other North Korean constituencies. It has long been suggested, for example, that sanctions foster corruption, and certainly some observers would say this was true of the late Jang Song-thaek's network. Of greater import are concerns that both international sanctions and the sanctions imposed by U.S. and ROK authorities have negatively affected the status of the civilian population. Sanctions have had an impact on non-governmental actors, and in particular the UN and private humanitarian aid organizations, that provide disaster relief, food aid, and medical treatment for communicable diseases such as TB.²¹

As documented in the Park-Walsh study, sanctions have affected the behavior of private Chinese businesses in ways both good and bad. On the one hand, sanctions have had the positive effect of fostering the growth of "compliance culture" in many larger, internationally oriented Chinese banks and financial firms. On the other hand, sanctions have led to North Korean counter-measures, whose effect has been to attract larger and more sophisticated Chinese partners that operate in black and gray markets on behalf of their North Korean clients.²²

Finally, one might surmise that sanctions have had an impact on the very governments that impose sanctions. In the U.S. case, for example, one might hypothesize about the political consequences of a "sanctions first" mentality. On the positive side of the ledger is the possibility that the sanctions option, effective or not, has given policymakers an alternative to the use of military force and that anything that staves off such a risky option is for the

best. Alternatively, some have argued that a preoccupation with sanctions has crowded out a consideration of diplomatic options and has interfered with using inducements and other approaches.²³

Indeed, though it is too early to say, it may turn out that sanctions have their biggest impact not on the DPRK's nuclear or human rights policies but on other actors and other areas. Chief among those possibilities is an outcome where the people most affected by sanctions are average North Koreans who already suffer the bad luck of living in the DPRK.

POLICY IN A POST-FACTUAL WORLD

Washington is populated by a variety of rare species. There is, of course, the new president and the various departments and executive agencies he oversees. There is the Republican controlled Congress, the media, think tanks, political operatives, and lobbyists. Many of these players know little about North Korea, which does not prevent them from offering views that are strongly held.

In general, they espouse a set of views that sounds something like this.... “The DPRK's leadership is aggressive and, perhaps, even irrational. The North might attack the United States and is looking to retake the South. Missile defenses can protect the United States and its allies from a nuclear attack. As the North is an evil regime, the United States should not negotiate with it. If Washington were to negotiate, Pyongyang would cheat. Indeed, the Agreed Framework was a disaster that proves you cannot talk to the DPRK. Yes, South Korea is an important ally, but this is really about North Korea versus the United States.”

When it comes to sanctions, the consensus insists that: 1) sanctions are good, 2) sanctions are not working, and 3) we need more sanctions. There is a general and strong preference for coercion, despite its lousy record. And, of course, “this is all China's fault.” In this worldview, “The Chinese could solve this, if they wanted to but they will not because Beijing and Pyongyang are pals. Since China is not helping, we should threaten them —‘sharpen their choices.’ If that means “ringing them with missiles” or sanctioning their banks, then so be it. After all, once we pressure them, they will likely want to cooperate with us, even as we pursue THAAD, contest the South China Sea, and threaten tariffs.”

The Trump administration's contribution to this conventional “wisdom” remains unclear amidst a cacophony of contradictory official messages and unspoken signaling, but the hints coming out of the executive suggest a more muscular approach. It seems that the logic here is that the DPRK does not realize that the United States possesses the largest and most capable military in human history, complete with nuclear weapons. Somehow, despite the yearly large-scale military exercises off their coast, repeated threats by the U.S. civilian and military leadership, and the South's ever-growing conventional capabilities, Chairman Kim does not understand the military balance. If the United States would just simply display some symbolic acts of power or increase the U.S. military budget (whose results would not show up for years, if ever), the North will “get the message” and back down.

Almost every aspect of this “view from Washington” looks to be logically or empirically questionable, with the consequence that this is as dangerous a time for the peninsula as there has been since the Korean War. There have been other dangerous times to be

sure, when events might have gotten away from political leaders in a headlong rush to confrontation, but they did not. Despite a *Choenan* here, a Yeonpyeong Island there, a DMZ mine, or an American hostage, we have managed to muddle through.

It strikes this observer, however, that the odds of calamity, while still relatively modest, are higher than they have been in a while. President Trump and his small, neophyte team of foreign policy advisors have a penchant for bluffing, extemporaneously tweeted red lines, and tough talk. The president describes himself as a “counter-puncher” and recently declared that “I’m a very instinctual person, but my instinct turns out to be right.”²⁴ He abjures his own intelligence community, has little patience for interagency reviews or the counsel of allies, and has yet to fill critical national security appointments. He has little time for the details of policy but is supremely confident in his own abilities. He cares very much about manly strength, abhors embarrassment, personalizes political defeats, is concerned more with symbols than substance, and, it has to be said, seems completely out of his depth.²⁵

Add to this the peculiarities of Chairman Kim, the advancing DPRK missile program, escalatory military doctrines, force postures in the South and perhaps elsewhere, political divisions between most of the main players, inexperienced leadership, and the absence of communication between the North and the relevant governments, one cannot help but wonder about the future. Under the circumstances, the struggle to build a better sanctions regime may be the least of our problems.

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ENDNOTES

1. The question of North Korea and sanctions effectiveness is a subject the author has considered on previous occasions. See, for example, Jim Walsh, “Implementing Sanctions against North Korea: A US Perspective,” *The Asan Forum*, Vol. 4, No. 4 (August 2016).
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19. The standard Washington narrative of the Agreed Framework was that it was a failure and ended due to cheating by the DPRK. The former claim is just wrong, especially when judged from where things stand today, and the latter claim is simplistic to the point of falsehood. For some eight years, the DPRK froze its production of fissile material and did not conduct long-range missile tests. The North did indeed violate the agreement by initiating a centrifuge procurement program, but long before that point, the United States had begun to undermine the agreement, first with the ascent of a Republican-controlled Congress under Clinton and then under the Bush administration. For example, American promises of normalized relations, a security assurance, and a light water reactor were never fulfilled. If anything, the Bush White House escalated threats against Pyongyang. American officials at the time later reported to the author their belief that something could have been worked out regarding the centrifuge program, but that the Bush administration was intent on destroying the agreement -- just as they had earlier pulled out of the ABM Treaty. For a brief recounting of events at that time, see Mike Chinoy, "How Washington hard-liners helped to create the North Korean crisis," *The Washington Post*, April 19, 2017, <https://www.washingtonpost.com/news/global-opinions/wp/2017/04/19/how-washington-hard-liners-helped-to-create-the-north-korean-crisis/?utm_term=.28ffd5a6699c>
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