



DATE: September 25, 2017

SUBJECT: The 2nd ROK-U.S. Strategic Forum 2017: Now and the Future of the ROK-U.S. Alliance

MAIN POINTS:

Session I: “Opportunities and Challenges for the Alliance”

- Strengthening trilateral cooperation between South Korea, Japan, and the US is a strategic opportunity in building better defense against North Korea.
- US and ROK-US approach to North Korea needs to be re-thought with a long-term vision, like 20 years.
- South Korea has room to improve its individual defense capabilities with US support.
- Challenges:
 - Affirming American allies that North Korea’s increased ICBM capability does not affect American commitment to the allies’ defense nor extended nuclear deterrence capability.
 - Aligning North Korea policies and implementation approaches between US and South Korea.
 - Reassurance at a higher level – there needs to be a mechanism for close coordination and consultation.

Session II: “Northeast Asia and the Alliance”

- All panelists agreed that doubt between the alliance and divergence over NK policy is a big problem.
- All agreed that trilateral cooperation/talks are necessary: some advocated for including Japan, some for China. All stressed the importance of open communication.
- Most agreed that continued US leadership is very important.
- Most agreed that the alliance cannot solely be concerned with security issues; it must address trade and history issues.
- Most are confident that the end state features a democratic, denuclearized, reunified peninsula under the ROK, with US alliance.

Session III: “The Future of U.S.-ROK Economic and Trade Cooperation”

- **In-Soo Kang** stressed that we should evaluate achievement of KORUS in a more broad sense, pointing out that it is inevitable to modify KORUS FTA at this moment.
- **Scott Miller** emphasized that whatever the US administration's economic policy is, it is more instructive and more predictive to look at their narrative on the subject and communication.
- **Byung-II Choi** presented what is wrong with KORUS FTA at this moment and what happens if Trump administration terminates KORUS FTA.
- **Wendy Cutler** proposed six suggestions: Open-Eyed Discussion, Laying out Concerns with the Agreement, Implementation, Open Mind, Update on KORUS FTA, Notice on the NAFTA Negotiation.

video available at:

<https://www.csis.org/events/rok-us-strategic-forum-2017-now-and-future-rok-us-alliance> as of September 7, 2017.

EVENT OVERVIEW:

Date: September 5, 2017

Time: 9:30 a.m. – 4:30 p.m.

Location: Center for Strategic and International Studies, 1616 Rhode Island Avenue, NW
Washington, DC 20036

Attendees:

- **Ambassador Richard Armitage**, President, Armitage International; Former Deputy Secretary of State; Trustee, CSIS
- **Ambassador Lee, Sihyung**, President, The Korea Foundation
- **The Honorable Stephanie Murphy**, US Representative for Florida's 7th Congressional District
- **Dr. Victor Cha**, Senior Adviser and Korea Chair, CSIS; Professor and Director, Asian Studies Program, Georgetown University
- **The Honorable Yoon, Young-kwan**, Professor Emeritus of International Relations, Seoul National University; Former Minister of Foreign Affairs, Republic of Korea
- **Dr. Choi, Kang, Vice President**, The Asan Institute for Policy Studies
- **Mr. Abraham Denmark, Director Asia Program**, Woodrow Wilson International Center for Scholars; Former Deputy Assistant Secretary of Defense for East Asia, U.S. Department for Defense
- **Dr. Michael Pillsbury**, Senior Fellow and Director of the Center for Chinese Strategy, Hudson Institute

- **Ambassador Cho, Hyun**, 2nd Vice Minister of Foreign Affairs, Ministry of Foreign Affairs, Republic of Korea
 - **Dr. Michael Green**, Senior Vice President for Asia and Japan Chair, CSIS; Chair, Modern and Contemporary Japanese Politics and Foreign Policy, Georgetown University
 - **Dr. Kim, Joon-hyung**, Professor, International Studies Department, Handong Global University
 - **Dr. Kim, Heung-kyu**, Director, China Policy Institute, Ajou University
 - **Dr. Sohn, Yul**, Professor, Graduate School of International Studies, Yonsei University
 - **Dan Blumenthal**, Director of Asian Studies and Resident Fellow, American Enterprise Institute
 - **Ms. Laura Rosenberger**, Director, Alliance for Securing Democracy and Senior Fellow, The German Marshall Fund of the United States
 - **Bark, Tae-Ho**, Professor, Graduate School of International Studies, Seoul National University; Former Minister of Trade, Republic of Korea
 - **Choi, Byung-il**, Professor, Graduate School of International Studies, Ewha Womans University
 - **Kang, In Soo**, Professor, Department of Economics, Sookmyung Women's University
 - **Wendy Cutler**, Vice President and Managing Director, Washington D.C. Office, Asia Society Policy Institute
 - **Scott Miller**, Senior Adviser and William M. Scholl Chair in International Business, CSIS
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SUMMARY:

Welcoming Remarks

Former Deputy Secretary of State Richard Armitage and former ambassador Sihyung Lee gave the opening remarks. After acknowledging the recent ICBM development, alleged hydrogen bomb, and abrupt announcement of the US possibly leaving KORUS, Ambassador Armitage strongly affirmed US support behind ROK militarily, economically, and politically.

Ambassador Lee shared several points of special common interest in the ROK-US alliance: [2017 was] the 135th anniversary of the establishment of the Korea-US diplomatic relationship, the fifth anniversary of the KORUS FTA, new administrations in both Washington DC and Seoul; and of course, the issue of North Korea. In addition to the North Korean nuclear issue, he emphasized the strength of ROK-US economic cooperation and encouraged continued support and cooperation for the KORUS FTA, with special mention to Wendy Cutler's recent article (previous Chief US Negotiator for the KORUS FTA). Although the ROK-US alliance faces perhaps the greatest measure of security threat since the ceasefire in 1953, Lee looked forward to the timely forum that provides the space for US and Korean policymakers to convene.

Opening Session with Representative Stephanie Murphy (D-FL)

Congresswoman Stephanie Murphy is a first-term member of Congress. She was born in Vietnam and came to the US as a refugee after fall of Saigon in 1975. She is a Member of House Armed Services Committee where she serves on the Subcommittee for Readiness and Subcommittee for Emerging Threats and Capabilities, but most importantly, she is Co-chair of the Democratic National Security Task-force, where she seeks to help Democrats in Congress propose strong, smart, and strategic national security policies, and to support/oppose the administration if it ever comes to compromising US core interests and values.

She began by sharing what she thought were the two main challenges of the ROK-US alliance.

- 1) North Korea, the alliance's original *raison d'être*
 - a. Currently uncharted territory for the US, an unprecedented threat of military escalation by a rogue nuclear state.
 - b. North Korea has tested six nuclear tests since October 2016 (four of them having been conducted under the current leader, Kim Jong-un).
 - c. 16 separate missile tests in this year alone
 - d. Questionable whether Beijing will adequately enforce sanctions. It is also questionable whether the Security Council will agree to strengthen current sanctions.
 - e. Rep. Murphy believed like Dr. Cha, that North Korea has another, less obvious, goal in pursuing nuclear missiles capable of reaching the US, which is to weaken the US-South Korea alliance. However, instead of worsening relations between the US and South Korea, Rep. Murphy thought the US and South Korea can be seen much stronger than ever. North Korea only becomes the land of lousy options if there's any real or perceived erosion in the US-South Korea relationship.
- 2) The constantly changing complex dynamics in Washington and in Seoul, along with the recent elections of President Trump and President Moon
 - a. Concerns regarding Trump administration:
 - i. The inability of the administration to nominate and secure Senate confirmation of qualified individuals to fill positions at State and Defense responsible
 - ii. Irresponsible use of rhetoric i.e. President Trump's initial reaction via Twitter to North Korea's most recent nuclear test
 - iii. Also worried about Trump's announcement to withdraw from the KORUS FTA – was this to please the domestic political audience? Rep. Murphy emphasized that both President Bush and President Obama recognized the KORUS FTA to be a vehicle beyond simply a trade deal, to deepen and expand influence with a vital ally in a key region whereas President Trump looked like he was only considering the economic benefits.

- iv. US's actual departure from the KORUS FTA will likely be seen as a betrayal of America's commitment to the broader alliance, should it ever occur.

Rep. Murphy ended her speech by highlighting the importance of US global engagement as well as the important role of Congress. She credited US leadership around the world and its participation in the web of institutions and alliances with its partners in Asia and Europe established after WWII, as two main reasons why the US has not yet seen World War III. If the Trump administration takes any step that would weaken US alliance with South Korea, Rep. Murphy believed Congress should step in, as a co-equal branch of government and one with the primary power of the purse.

Q&A

Q (Cha): Congress has been quite active on the NK issues, passing a lot of bills that have been arming the administration with the tools to move forward, particularly in terms of sanctioning... You mention that part of the solution here is that they have to recognize that their survival comes through negotiation, some sort of negotiated settlement. From your perspective and your colleagues', what does Congress see in terms of that side of the equation, in terms of this question of negotiation and some sort of diplomatic settlement?

A (Rep. Murphy): I think that there is general agreement that the best path forward is diplomatic and so we have to exhaust all means possible in that. And I think one of the things is, though we have provided the tools on sanctions, there is still a level of uncertainty as to how well implemented those sanctions have been. It's why earlier this year I introduced a bill to call for a NK intelligence fusion cell. But within that – and the intelligence fusion cell would have all of the intelligence agencies work together. And CIA has since put together their own intelligence fusion cell, but I do think it needs to be expanded. But within that bill, one of the areas of focus was to gather the information we need to know to ascertain whether or not – how well these sanctions have been implemented, and whether or not they're having an effect. You know, I think, as you've said, people don't think sanctions work, until they do, right? But it requires everybody being on board and actually executing on their pieces of that. And so, you know, I think we need to push forward and make sure that those sanctions are implemented to the full extent possible, and see what other means we can apply to create pressure to encourage North Korea to come to the negotiating space.

Q (Cha): The other place that Congress has played a very important role has been on human rights. I think the North Korean Human Rights Act is up for renewal pretty soon. There was a groundswell of interest in this issue with the UN Commission of Inquiry report a few years ago. To what extent does Congress – do you and your colleagues see yourselves playing a role and in what way would the act be renewed? What is the view on that, because attention toward that issue seems to have dissipated in the past few months?

A (Rep. Murphy): Well, I think one area that we have expressed, through a letter to the administration, is the appointment of a special envoy on human rights, and that had multiple cosigners. So I think that there still is an interest in seeing human rights addressed, and particularly because of the connection that you've often raised, which is that there's a connection between North Korea's human rights violations and the way that it's getting resources to fund some of its missile development.

Q (Rob Warren): President Trump indicated that he would withdraw from KORUS FTA. Would it be possible that Congress could override him on this?

A (Rep. Murphy): Withdrawal from KORUS would be a huge mistake. It has been beneficial to a lot of states across this country. I think there are members of Congress who are very deeply interested in seeing it continue. The ways in which, from a tactical perspective, that Congress could, if the president were to announce that, prevent it from happening is to put in an appropriations bill that no funds shall be used to implement a withdrawal from KORUS FTA. That would be one option on how Congress could intercept something like that.

Q (Yoshi Komori, Sankei Shimbun): You stated in your speech that the Trump administration has yet to fill many important positions for its policy toward Asia within their executive branch. In your observation, why do you think that the reason is?

A (Rep. Murphy): Well, we can go with conspiracy theory or we can – (laughs) – when it comes to the State Department, there have been a number of articles that have been written about the dismantling of that department. And I really believe that, if you look at your budget and your personnel policy, you'll see what your priorities are. And so I'm actually fearful that the lack of personnel appointments, and also some of the funding cuts that I've seen in the diplomatic and development space is actually a reflection of where this administration's priorities are. But again, that's an area where I would disagree. You know, our tools of national power include diplomacy and intelligence and economics, not just military. So we can't just fully fund that and rely solely on that.

Q (Ken Meyercord, TV producer): Yesterday Nikki Haley made the following statement: "When a rogue regime has a nuclear weapon and an ICBM pointed at you, you do not take steps to lower your guard. No one would do that. We certainly won't." Couldn't the North Koreans make the same statement that Nikki Haley did, with equal legitimacy?

A (Rep. Murphy): I think that North Korea's development of nuclear weapons and their missiles are in violation of international law. The possession of – the US possession of our weapons is not. I mean, so this – their development is in violation of international law.

Q (Suh Jin Kyo, Visiting Fellow at the US-Korea Institute at Johns Hopkins University):

The American handling of the Cuban issues looks very interesting to me. The normalization with Cuba may be in danger, or not. What kind of implication can I find from the Cuban case?

A (Rep. Murphy): You know, at a time when North Korea is so aggressively advancing its nuclear weapons and its missile technology in violation of international law, it's hard to imagine a – some sort of return to normalization, like with Cuba. I mean, I think those are very, very different scenarios. What North Korea is doing right now in the region is aggressively destabilizing, flaunting international norms. I think that moving to normalization without some sort of halt or some sort of agreement to roll back what they have done illegally would be a mistake.

A (Cha): Yeah, I feel like that quite often, I mean, for those of us who study this people bring up Cuba, they bring up Iran, and try to draw parallels. And I think that, you know, on the surface there may look like there are parallels, but, I mean, if you look at it in – with any degree of detail, they're very different. And in the Cuba case, you know, the obvious difference is Cuba didn't have – was not testing – as you said, was not on an aggressive testing campaign to threaten US territory, which made the conditions for any sort of even internal discussion about a Cuba model very difficult, I think, at this time.

Q (Kristina Yoon, US Air Force Legislative Fellow): I think in light of recent events kind of the big elephant in the room is this question of nuclearizing South Korea. And earlier this year, President Trump had stated that he'd be open to considering a nuclearized South Korea, or South Korea developing kind of nuclear capabilities. Could you please share the pulse of the US Congress on this particular issue with us ?

A (Rep. Murphy): We have spent decades with a lot of effort into nonproliferation and reducing nuclear weapons around the world. I don't think that we should allow what is going on here with North Korea to escalate and nuclearize the peninsula further. I mean, the point of the collective deterrence or the nuclear umbrella is so that South Korea does not have to develop its own nuclear weapons. And so long as that commitment exists and is a firm commitment on the US part, there shouldn't be a need for South Korea to develop its own nuclear capabilities. But, having said that, you know, there are a number of areas where it appears this administration is making some adjustments to South Korea's defensive capabilities. And we all understand that – even those conventional weapons, those thresholds, payloads, things like that changing creates a response by China and Russia. So we have to proceed very carefully how we allow our response to North Korea's actions to contribute to or take away from the stability of the region.

Q (Cha): You just mentioned China. Could you say a little bit about your views on how you think China has been handling this and whether you think that the administration's policy of having these secondary sanctions sort of in their back pocket to directly sanction and list Chinese

companies and entities if the Chinese aren't cooperating – do you think that's a sound strategy? I'd love to hear your views on the China piece of this.

A (Rep. Murphy): I think China has a really important role to play here. And whether or not it's exercised its full range of ability to influence this situation I think the answer to that is probably it's fallen short of its full range – although, Chinese government officials will tell you that we're overestimating China's power over North Korea. Secondary sanctions are just to encourage China to think differently about it. But I wonder if this nuclear test doesn't make it think differently about its role. And I think it has to think both in terms of carrot and stick, right? So what we've been pushing China to do is, you know, sanction North Korea, make it painful for them with – not to continue the Game of Thrones theme, but winter is coming on the Korean Peninsula. And so one would imagine any sort of oil sanctions at this time would be particularly pronounced and felt strongly by North Korea. So I think that's the stick part of it, right? But what are the carrots that are available for Korea? And how do you look at what it is that North Korea is trying to achieve and see – you know, I don't know that the US is ever going to be able to assure North Korea that we won't topple them, right, no matter who – how many people say it. But can China provide some sort of assurances on that carrot side, in addition to the sticks, to get some traction in this scenario?

Q (Dong-hyun Kim, Chosun Ilbo): I have two questions to you. Between the Bush administration and Trump administration, what will be the commonalities and differences between the policies towards the Korean Peninsula? Second question is about Dr. Cha here today – you as the new – nominated as the new ambassador to Korea, what would be your arrival date to Korea as the new ambassador? Why has it been delayed, many positions that has been under this Trump administration, which you briefly touched on today, that there are – many of the positions regarding the Asian issues are still empty. So I just want to know the reason of that as well.

A (Rep. Murphy): So differences in the alliance. You know, as with many things with this administration, there's more rhetoric than actual substantive change in policy, as of yet, right? Obviously if we move forward with pulling out of KORUS, that would be a significant change in policy. But right now, we're just hearing a change in tone and tenor of how we're talking to a dear ally. But if you look at what we've done as a government – you know, in the NDA that was passed, there's a significant investment in Asian security. We continue to do exercises with South Korea. I mean, all of the things that have been cornerstones of the alliance are continuing to date. But that's not to take that for granted that it will continue. But I think right now we're just trying to deal with a little bit of the rhetoric. And that's been the main change.

(Cha): Well, great. Well, Stephanie, thank you so much for taking the time. I thought your comments were extremely thoughtful. I know that you've traveled to the region and you're emerging as one of the leaders on Asia policy and Korea on the Hill. And again, knowing that

this is your first day back and the agenda you have in front of you, we really do appreciate you taking the time to be with us. If we could thank the Congresswoman very much.

Session I: “Opportunities and Challenges for the Alliance”

Dr. Cha began the session by asking each panelist their perspective on key tasks, key challenges, and key opportunities in moving forward in a very important transitional and formative period in the US-ROK alliance between the two new leaders.

Michael Pillsbury, China expert

Pillsbury first identified himself as a friend and past advisor to the Trump administration to convey optimism for his first recommendation, which is for President Trump to uphold his commitment on visiting South Korea this year. Pillsbury recommended a longer-term vision and strategy for US policy coordination on North Korea through study groups on North Korea and military strategy. He encouraged close consultations between the two presidents such as sharing direct high-level phone conversations, building trust and regular exchange of ideas.

Pillsbury then described the fundamental difference of China’s and US’ perspective on US-ROK alliance management. Pillsbury believed the alliance was largely about supporting South Korea’s defense and also credited Dr. Cha (Powerplay) for pointing out how America’s military alliances in Asia, including with South Korea, were formed to restrain tendencies or the use of force by the part of alliance partners, not to encircle China and contain/dismember them. China, military especially, continues to believe US-ROK alliance intensification is aimed at China; this was most recently reflected through the THAAD contention. Thus, through better explanations and effort, Pillsbury encouraged exchanging views on alternative scenarios for China and sharing our debates.

He encouraged improving the trilateral relationship among South Korea, Japan and the US through GSOMIA, which is an agreement on the protection of military secrets. This would improve military and intelligence coordination between the three countries. Pillsbury also encouraged approaching trade and security issues together, particularly recommending a dispute mechanism process (type of joint committee) within the KORUS free-trade agreement. He also mentioned nuclear energy cooperation and the question of whether South Korea should possess nuclear weapons. Pillsbury is usually bullish but currently quite optimistic that the recent Pyongyang behavior had actually pushed ROK and US closer.

Foreign Minister Yoon Young-kwan, previous Foreign Affairs Minister for the Roh Moo-hyun government

Foreign Minister Yoon discussed three challenges for the US-ROK alliance:

- 1) Having the same policy and implementation approach in pursuing North Korea’s denuclearization – Both ROK and US governments agreed on maximum pressure and

engagement but the approaches of applying that pressure must be carefully calibrated to be in sync. Yoon also mentioned keeping diplomatic channels open.

- 2) The issue of extended deterrence in the era of North Korea's nuclear ICBMs – North Korea's increased capability to strike the mainland territory of the US may seriously weaken the credibility of US commitment in extended nuclear deterrence so ROK, US and Japan should discuss what kind of measures should be taken to face these new challenges.
- 3) Coordination in future NK negotiations – One group says we should have a phased approach while another group proposes a grand bargain between the US and China. Ultimately, Yoon also recommends a mechanism for close consultation and coordination, not just for the sake of the goal of denuclearization or the alliance itself but also for the strategic interest of the US.

Abe Denmark, previous Deputy Assistant Secretary for East Asia in the Office of the Secretary of Defense

Opportunities for the alliance:

- 1) Denmark encouraged the leadership from Seoul, Washington, and Tokyo to take the opportunity to strengthen trilateral cooperation.
 - a. Involving Japan in potential defense exercises in South Korea could be very important.
- 2) Another opportunity is the opportunity to increase South Korea's military capability, along with mention of opening up sales to Japan to allow them to enhance their military capabilities as well.
 - a. This should be done cautiously so that US allies don't interpret this as a sign of the US taking a step back, as it had in the past with Vietnamization and the Guam Doctrine during the 1970s.

Challenges for the alliance:

- 1) Conventional deterrence (not strategic. Denmark said US strategic deterrence was actually quite strong). North Korea has been acting more aggressively and confidently at the conventional level than what we've seen before i.e. the shelling of various islands, Cheonan sinking.
- 2) Enhancing reassurance and coordination channels at the highest levels of command.

There is a need to assure our allies that this nuclear capability is not going to prevent us from defending our allies, but this requires the high-level reassurance phone calls, not just simple statements. As the US continues to enhance its capabilities in the region, it is important that the message is said very clearly and publicly that the US is maintaining strong cohesion and coordination with its allies.

Choi Kang, previous senior advisor on the National Security Council for the Kim Dae-jung administration

There are at least four areas of coordination that includes both challenges and opportunities: North Korea, regional cooperation between the US and ROK, global issues, and alliance management (the base, OPCON).

- 1) North Korea: There needs to be a clearer long-term vision about the end state on the Korean Peninsula and discussion on how to achieve it step-by-step. So far it seems the US and ROK have been more reactive than proactive in preventing North Korea from doing something.
- 2) Regional: Need to think about how to strengthen the foundation of a rule-based regional order in East Asia, and how to engage China without containing it.
- 3) Global issues: public health, resource management, human rights, energy security. The Moon Jae-in administration announced that he is going to depart from nuclear energy so this could be problematic. Kang still advises the importance of discussing energy cooperation if not specifically nuclear energy cooperation, which was mentioned earlier in the panel.
- 4) Alliance management:
 - a. How to approach the idea of “burden sharing” – not simply about the amount South Korea is paying but how to formulate the burden sharing. What kind of things can the US provide in exchange for South Korea to take a bigger burden?
 - b. OPCON transfer – The currently agreed upon conditions-based OPCON transfer and expedited process requires the South Korean government to spend more money in building a higher capacity defense, which means a increased defense budget in South Korea. It is also important to consider an alternative command structure or whether ROK-US will maintain combine forces.
 - c. Kang also supported an integrated missile defense system, though this may be controversial politically.

Dr. Cha responded to these presentations by asking a follow-up question on trilateral coordination amongst the US, Japan and Korea. Can you say specifically what you like to see do? [Denmark] mentioned more integrated exercises. Does that mean Japan is part of the spring and fall exercises in Korea, or exactly do we mean when we say going deeper?

A (Choi): OK, sure. Maybe I can think of two or three things. First, I think that maybe after concluding GSOMIA with Japan we have to think about this – the ACSA, the acquisition and service agreement between the two countries, and then the others – like, for example, we are very much concerned with North Korean submarine activities around Korean Peninsula. We have to think about this antisubmarine warfare cooperation. So there’s that. The other is, like, for example, the minesweeping operation, we can think of. But before going to actual – the physical exercises, it seems to me like it is necessary to have some kinds of tabletop exercise amongst three countries. If North Korea does something, what we are going to do, so we can clearly identify where we can go together or where we can’t. So maybe clearly think about this rather grandiose strategy designed, pushed by North Korea.

A (Denmark): I thought those were very good suggestions. I do think that enhancing or bringing trilateralism into some of our major exercises in the region would be very helpful, starting small at the beginning but gradually building it up to demonstrate to both sides how all this works together I think would be important. Beginning with tabletops I think is a good way to – a good way to go. ACSA, of course, I think would be an important step after GSOMIA to enhance that military cooperation. The maritime cooperation that was mentioned is also important. I would add to that missile defense, that some of – we had some baby steps in the past – in the past couple years of missile warning coordination, but really taking the next step and turning it into more full-fledged trilateral missile defense cooperation, focused on the North Korean missile threat, I think would be very important. And then go – and then beyond that, beyond the military sphere, looking at enhancing economic ties, cultural ties. You know, one of the things that surprised me as somebody in government, considering how careful some people were about talking about talking about trilateral cooperation, actually moving ahead on it, looking at some of the polling being done in Korea, being done by Asan, is that generally speaking Japan is actually polling quite well in Korea...compared to China. And so the people seem to be a bit out front of the government in that way. So I think that there is room to move forward in trilateral cooperation. But as I said earlier, it'll take leadership from both sides as well as leadership from the United States to ensure that this is moving forward at a stable pace.

Cha: So I have a list of ASW, minesweeping, tabletop, GSOMIA, ACSA, missile defense, these sorts of things – because, obviously there are political sensitivities, is this something that you believe should happen at sort of below the headlines, or should be embedded in some bigger, broader trilateral political declaration among the three countries that publicly mandates the three countries to work in this direction? I mean, I've heard arguments on both sides. Some people say, no, just do it quietly. Others say, no, you need sort of high-level sort of anointing of this as the official position going forward. What do you think?

A (Denmark): I think keeping things quiet, keeping things below the radar is a very helpful way, especially for people – for technicians, for people on the military sphere who just want to have the practical cooperation. There does need to be some political top cover at some point that – as you build from small to big, there will need to be some sort of political declaration. I think some people thought we already had that in the declarations between Prime Minister Abe and President Park. If that needs to be redeclared, if it needs to be that every time there's a change of leadership in either country there needs to be some sort of statement. I think for the United States, that's really a question for those two countries. As an American, my focus would be on the practical cooperation and ensuring that we're doing what we need to do. And if either country, either Japan or Korea, feels that they need some political declaration at a high level, then our political leadership can engage to try to encourage that, to make that happen.

A (Choi): I agree with Abe on this more practical cooperation instead of going for a higher level political declaration. At the same time, it seems to me that we can go, along with the political declaration, in agreeing this trilateral cooperation and providing the regional comments.

So there are non-regional security issues which are very actually tangible in East Asia. So we used to have a kind of search-and-rescue operation and disaster relief, humanitarian assistance. All these things can be together. But actually, those things can be reflected in the political declaration. In the meantime, maybe a harder security cooperation can be pursued at the working level, at the practical enhancement of trust, and also the coordination mechanism among three allies.

Cha: OK. Great, thanks. And I want to ask now, Dr. Pillsbury or Minister Yoon, two questions, and then you can choose which ones you want to respond to, but I have a feeling I know which ones you will respond to. (Laughter.) And the first question is, you know, Foreign Minister Yoon, you mentioned in your comments about the importance of pressure, but also the importance of signaling to avoid miscalculation or to avoid putting – I mean, the last place we want any country to be in is where they feel like there are – there’s nothing to lose in war and there’s a lot to lose in peace, right? That’s a very dangerous situation. So I guess one of the questions, I think, that I certainly have, is there signaling that other countries can send to the current North Korean regime that has not been signaled already, or could be signaled in a way that would actually make a difference? And then related to that also is the 800-pound gorilla in the room in any discussion these days about Korea is China. And, Mike, you’ve studied China. You know China very well. You have networks in China. And I guess the question there is, in your opinion – in your well-informed opinion, is China ready for – are they ready and willing for a long-term strategic conversation about the future of the Korean peninsula? Because China’s such an integral part of any tactic that is implemented with North Korea. But as a number of you mentioned, the tactics are not helpful unless we have a long-term plan, right? And I know you, we participated for many years in a lot of these net – a lot of net assessment work with grand marshal where the mandate was to look 20, 25 years out.

A (Pillsbury): We should have had Korean involvement.

Cha: So those are the two questions I’d like to ask you. Maybe Foreign Minister Yoon, you’d like to start on the signaling question.

A (Yoon): That’s very difficult question to answer, but there are two points that I would like to make. One is the reason why I emphasized the importance of sending clear signals consistently to North Korea is that words augur quite often, because of misperception, misunderstanding, and overreaction. And if we send confusing signal to the other side, there will be increasing chance of misperception and misunderstanding and overreaction. So I think it is important, very important, to send a clear signal consistently. Very rare calibrated signals. The second point to your question is that I think if we want to have a successful negotiated solution of what any conflict, I think we should provide national pressure and, at the same time, maximum incentive. But I wonder whether our side – both the US and South Korean side – have done enough to provide maximum incentive so that Kim Jong-un thinks that without nuclear weapons he can survive, or even prosper. We did try hard to pressure North Korea with

maximum, I mean, strength or force or something like that. But I think we did a little less than that in providing maximum incentive so that the leader of North Korea really believed that it is better for him to give up nuclear option. I mean, cost-benefit calculation should provide him some kind of incentive that it is better to give up our nuclear weapons to survive, to strengthen their domestic political legitimacy, or something like that. For example, in the 1994 framework, there was an important clause included that was improvement of political relationship between the United States and North Korea. I think North Koreans had high expectation about the implementation of that clause. But I think the American side regarded that agreement just a simple military technical, I mean, agreement. So from the US side, their point of view, I think we – I mean, the US and South Koreans, should have done more, tried harder, something like that. So that's my answer.

A (Pillsbury): Victor, it's unfair you're asking the easy questions to Abe and Asan Institution, and you're asking the Foreign Minister and myself the hard questions. So I just want to object. (Laughter.) I think there's a link between trilateral cooperation and US-China relations. In my book, "The Hundred-year Marathon" I mention a particular CIA officer named Joe DeTrani, who is one of your speakers tomorrow. I hope somebody asks him this question. The level of cooperation between China and the United States has been extremely high – far more than the public has known until I published my book, with security review permission from CIA and the Pentagon. We've cooperated with China on the largest covert action of the entire Cold War, and just a whole range of ways. I list 12 examples in the book, and I think there are even more that didn't make it through security review. So it's actually a good thing for people in Seoul to be suspicious of the Korean passing over the heads of Seoul. I don't deny that possibility. The relationship between the US and China is widely misunderstood in Asia as being somehow antagonistic – that is, that China rises and we get these strange stories about a Chinese military guy who says, well, let's divide the Pacific in half. There's a kind of conspiratorial thinking that the US and China are about to go to war. But at the same time, that this cooperation continues. And this comes to bear particularly with trilateral cooperation between Japan, South Korea, and the United States. It would be a nightmare – I mean, one of China's nightmares – I actually wrote an article on 12 Chinese nightmares in survival several years ago. So the tradeoff is if we could persuade South Korea and Japan to have what Abe is proposing – which I tend to agree with, regular exercises, not just one-off, that involves Japanese forces, South Korean forces and our forces, and perhaps even potentially by invitation others who might want to come. The message to Beijing is close to a stab in the back, that we are organizing Northeast Asia against you because, despite our 40 years of cooperation and all the things that Joe DeTrani did, we really don't like China anymore. So that's the kind of tradeoff when you raise the grand strategy-level issues, which I was so impressed in your book, Victor, "Powerplay," to mention it again. Why didn't we originally – in the days of Truman and then John Foster Dulles – why didn't we have a joint treaty involving South Korea and Japan? And you actually have a section on the thinking of American policy planners at the time, that these were two different issues and only a fool would mix them together. But now the grand strategy assessment level has changed. And as China begins to draw close to us in terms of its economic strength in a way the Soviet Union

never did – the Soviet Union may, at best, have reached to 25 or 30 percent of the size of our economy – Soviet Union, United States. China, if you just go by IMF/World Bank numbers – China is closing in on us. There are some of their economists – Hu Angang, Justin Lin – estimate by 2030 they’ll be double our economy, despite Gordon Chang’s they’re going to collapse. They have a quite different view. So in this overall strategic picture, looking at 20 or 30 years all at one time, the United States – a new United States president, it seems to me, who comes from the business world, has to look at the overall strategic context. And my view is trilateral cooperation among South Korea and Japan and the United States is very important and makes a lot more sense than 10 or 20 years ago. So to answer your question to them, I do think it needs political cover. It needs a framework of some kind. It will probably help a lot with both Japan and South Korea for them to say the Americans want this. There’s an American framework here. We’re not doing it because Korea and Japan love each other. We’re doing it because the Americans want this. But the damage to our relationship with China – that will exist. And we’ll need a good explanation for why we are doing this. And I would suggest one of them could be, well, the Chinese are invited to these exercises too, as long as they meet certain conditions. But the conditions may be very difficult for China to meet. Democracy would be one of them. (Laughter.) A multiparty democracy. Sorry for the long answer. But I think what you’re raising for all four of us is really the grand strategy going forward, the next 10 or 20 years. When a new president comes in, he asks certain kinds of questions that if you were kind of a cheeky think tank person you say, well, that’s – what a stupid question. But actually, some of the new president’s questioning is really quite profound. How did we get here and where are we trying to go over the next 20 years?

Q&A

Several questions taken together.

Q (Mike Bucaklew, Pac Forum Young Leader): So I have a two-part question. The first is, what lessons do you see President Moon as having drawn from the experience of his predecessors, particularly that of his mentor Roh Moo-hyun, when engaging with North Korea and dealing with US alliance management? And on the American end, what lessons do you think President Trump should draw from his predecessor’s experience dealing with North Korea and alliance management with the ROK?

Q (Yashar Parsie, CAP): I address this question to Dr. Pillsbury. The president tweeted this morning that he will authorize the sale of advanced capabilities to the Japanese and South Koreans. Beyond the THAAD system, what additional capabilities do you think that the South Koreans require to deter and defend against North Korea? And what affects do you think these additional capabilities might have on strategic stability with China in the sense of a security dilemma?

Q (Steve Winters, an independent researcher): This is also for Dr. Pillsbury. I’ll make it brief. Sir, you mentioned several times the Chinese perhaps irrational fear of encirclement, and so

forth, and you've discussed that. To what extent do you think the Chinese see the current sort of increasing chaos on the peninsula as something that would increase their suspicions of why this is happening, because in their statements they've suggested a double freeze and this and that. So they seem to think that there are two sides, neither of which is willing to deescalate the situation. And so is this going to increase their paranoid view?

A (Yoon): I think we have a kind of – (inaudible) – in terms of North Korea policy in South Korea, which he emphasizes the importance of person-to-person integration between the North and South and cooperation and a peaceful coexistence, or something like that. And that kind of belief was shared by both President Roh Moo-hyun and President Moon Jae-in. I think that's a kind of legitimate because we have some examples like German unification. And both Germanys could be unified because of very excellent diplomacy, on the one hand, by Helmut Kohl. But on the other hand, without Ostpolitik, which was initiated by social democracy leader there, the unification could not have been possible.

So it is – that kind of experience influenced President Kim Dae-jung very much. And that kind of dream was the reason why he pursued engagement policy toward North Korea, which was also shared by President Roh Moo-hyun and President Moon Jae-in. I think many – probably most – Koreans have been dreaming a kind of a state of coexistence. And that's the reason why those three leaders are emphasizing – helping emphasize the importance of inter-Korean cooperation. However, the problem is that North Korea's provocative security policy of developing nuclear weapons narrow the space for those leaders to implement that kind of engagement policy. Even though they may be dreaming, President Moon have an idea of engaging North Korea in his mind. He is a realistic political leader and recognizes the limitation to truly implement that kind of policy. That is exactly why he has been trying hard to strengthen bilateral relationship between ROK and the US, and to overcome this very difficult challenge posed by North Korea's threat. However, I still think that it is desirable for Korean government to pursue some kind of inter-Korean cooperation in the few areas outside international sanctions like providing medical assistance to North Koreans, where many people are dying because of lack of medicines.

There is no reason for not trying that kind of cooperation for President Moon. And I fully support that kind of initiative, but I think he recognizes it is not the right time to pursue full-fledged economic engagement of North Korea. I think that he is definitely realizing the current difficult situation.

Q(Cha): Do you want to talk about the question regarding Chinese encirclement fears as a result of the current crisis?

A (Pillsbury): There is a debate that is broken out in Beijing, which I have tried to cover in my previous books. The debate is part of the initiative that China and then Russia joined, and put forward for the double suspension, as they call it. I agree with Nikki Haley, of course, that it is a non-starter. But it does show the Chinese willingness to take an initiative. And it does show an interesting betrayal, in some ways, of North Korea.

As Joe DeTrani told me a long time that a very high-level magazine with many sponsors got closed in Beijing just for publishing an article that we should consider whether North Korea is more of a liability than an ally. That is almost 20 years ago. Now, in China, there is much more widespread discussion of the option of really getting tough on North Korea. So part of what you see in China, it seems to me that they have tended to bide your time and hide your capabilities. But the rest of the world, especially friends of mine in Asia have missed this. They think they're still dealing with the old China. And one reason for that is that we, the US, have had a lot of net assessment sharing activities in Europe. We have not really done a net assessment collaboration with South Korea. And I think we should. We have not done a formal net assessment cooperation with Japan, and I think we should.

Behind a lot of these questions including the one about President Trump's tweet and what more can we sell to South Korea to, there are the military balance and the trends that are occurring. If it is weakening and deterrence is going to get harder and harder over the next 10 years, then we will wish that back in 2017 and 2018 we had done more to strengthen our side of the balance. If it is getting stronger and stronger, that is a different story. We can be more complacent. So I would like to put that on the agenda of think tanks in Washington, Seoul, and Tokyo. What is happening to the conventional balance and to the strategic balance? My fear is it is getting worse. But I am not sure. Do we want South Korea to have longer-range missiles or not? If the balance is getting worse, then we do.

A (Choi): About the lessons President Moon has learned from the previous administration, I think there are at least two, actually. One – actually, President Moon is underscoring the ROK-US alliance as backbone in solving the North Korea problem. That's one. Actually, there's a difference, because actually it's more Kim Dae-jung-like instead of Roh Moo-hyun. So actually strong emphasizing ROK-US collaboration and coordination in handling North Korea. Not seeking autonomy 100 percent from the United States. So cross consultation is going to be pursued between the two parties. And also, the other thing like the – of course, is conditionality is attached to the inter-Korean dialogue, except on the humanitarian front. That's a difference between the Roh Moo-hyun administration and the Moon Jae-in administration. Because it actually seems to me that the Roh Moo-hyun administration actually their argument goes like this: Despite all this – problem they have with dialogue with North Korea, I don't think that's the case in the Moon Jae-in administration. If you read his statement, he always attaches the conditionality of inter-Korean dialogue. Whenever there is meaningful progress on the nuclear front, we can have dialogue – even including the inter-Korean summit. That is the conditionality attached. So I think there are two differences between Roh Moo-hyun administration and Moon Jae-in administration. President Moon Jae-in has become much more practical and pragmatic.

A (Denmark): First, on the lessons for the president, I clearly can't comment on what lessons he has drawn. I could comment on lessons that I think should be – should be drawn from previous experiences. And I will only focus on two. First is the importance of our alliances in Asia. To realize that US alliances are at the foundation of American power and influence in the

region, and that enhancing collaboration and cooperation, but also building ties at the military, political and economic level is absolutely essential as Asia grows more important and as China continues to rise. That without our allies the US will not nearly have the same amount of influence and access and power as we do – as we do with them. So first is criticality of our alliances. And the second is to not put too much stake in personal relationships with Chinese leaders. That you can have good meetings, you can have good engagements, you can say good things to each other. But in the end, both countries – both leaders are going to represent the interests of their countries. And that just because you have a good meeting, you have a good engagement, make sure that you're – make sure that we're not putting too much stake in the quality of that arrangement. I think the in the past people – and this is not specific to any single person or any single meeting – but ensuring that you have a good meeting but also that you're realistic about what to expect from them, I think, is very important. Other piece I wanted to mention, the fear – China's fear of encirclement, China's take on strengthening of our alliances, which is a point that Dr. Pillsbury has touched on several times. Obviously, there are people in China, some at very high levels, who believe crazy things about the United States, going back decades. And more recent examples about conspiracy theories surrounding THAAD are just a more recent example of that. The key to understand this, though, is that this is not based on technical reality. China's concerns about THAAD is not based on the range of the radar or the range of a missile. It's political. And a lot of these conspiracy theories that are fairly popular in some circles in China reflect instead of a literal belief that this thing actually happened, more of a fundamental suspicion about American intentions and the role of the United States vis-à-vis China. And so my take on this is that America's role in the world – any American leader is first to defend itself, to defend the United States, and to defend our allies. And that reassuring China of baseless suspicions is secondary. So to me, making decisions about THAAD, for example, cannot happen if you're allowing Chinese paranoia to get too far into your decision cycle. That the first question is, what's best for the United States? What's best for your ally? And once that decision is made, then you can start talking about how to talk to the Chinese about it, how to make them understand the real capabilities, the real intentions behind those. So to me, when thinking about enhanced trilateral cooperation or any decision as it involves the defense of the United States or our allies, the first fundamental and really only question is, is this helpful for the United States? Is this helpful for our allies? And once you come to that answer, then the secondary question is how do we talk to the Chinese about this? How will China react to it? What's the engagement plan, comes into effect. But I think we got to make sure we keep that priority in mind.

(Cha): Perfect. We are out of time. OK. So really, I found it a very interesting and informative discussion. Thanks to all of our panelists for their presentations and for answering my questions as well as the questions from the audience. Let's give them a round of applause.

Luncheon Keynote with Cho Hyun,

2nd Vice Minister of Foreign Affairs, Republic of Korea

Minister Cho was the previous South Korean ambassador to India, Austria, and the Permanent Mission to International Organizations in Vienna. He has worked on a variety of issues during his distinguished diplomatic career, including trade, nuclear security, energy, and climate change policy.

Minister Cho began his address by showing appreciation for the US' support to South Korea during a precarious period twenty years ago, particularly throughout the IMF bailout and the election of Kim Dae-jung, and expressed the continued importance of US support to South Korea in the present day. He then described the current challenges South Korea faced and prescribed close cooperation between the US and South Korea governments. Current challenges include the previous South Korean president's scandal, the growing inequality and socioeconomic challenges in South Korea, and the issue of North Korea. Minister Cho emphasized that [South Korea] cannot accept two things: 1) North Korea as a nuclear weapons state and 2) war on the Korean peninsula. Cho supported the continued idea of sanctions and pressure, with emphasis on China's participation in fully implementing the sanctions and pressure. Secondly, Minister Cho expressed that deterrence efforts would also help prevent war from occurring on the Korean Peninsula; emphasized the importance for close cooperation between the two governments; and referred to the June summit meeting, July G-20 meeting, and direct telephone calls between the two presidents as promising displays of the current and future cooperative efforts between US and South Korea.

Minister Cho gave two suggestions on why North Korea continues to exist as a huge threat. First, North Korea takes advantage of the democracy processes of both the US and South Korea – the elections, change of government, and change of policies. Second, the US as a global power and authority, had their attention stretched by other priority world issues, which might have left room for North Korea to pursue its nuclear ambitions. Minister Cho concluded that the two ideas reveal a problem of inconsistency, and emphasized the need for focused efforts over a longer period of time. Lastly, he expressed that some dialogue with North Korea is more important than no dialogue at all. He proposes two types of dialogues – one for denuclearization and the other for humanitarian issues and reducing military tensions in the DMZ at a later state. He believed the latter dialogue would help create an environment favorable to be able to approach the former.

Q & A

Q (Isabelle Hoagland, Inside US Trade): I'm curious how Korea is viewing these threats from President Trump to withdraw from KORUS, specifically from a civilian standpoint. What's the feel over there domestically regarding these threats?

A (Minister Cho): Thank you for raising that particular question. Some years ago, I was chief negotiator for the renewal of our 123 Agreement. I negotiated with Bob Einhorn. And at the time, I argued that this renewed agreement on 123 Agreement would be our third pillar, after the alliance and the KORUS. So it is very important and I'm very sanguine about its future. Some people worry about it. But, as I know, our negotiator, Kim Hyun-chong, happens to have many friends in the Beltway. He will sort it out.

Q (Andy Wright, Pochemsi): So you mentioned there are two things that you cannot accept—one was a nuclear North Korea and one was a war on the Korean Peninsula. Being mindful of the other actors that are involved, China or Kim Jong-un, if you were forced, which one would you prefer to have?

Q (Florence Lowe-Lee, Global America Business Institute): This is follow-up on the first question, about 123 Agreement. You had a passion, and you are chief negotiator for 123 Agreement but right now, the current administration policy is phasing out nuclear, civil nuclear program in Korea. How do you feel? Or is there any sort of viewpoints from your – from your – as a negotiator initially, as your perspective?

A (Minister Cho): Well, the phasing out of nuclear reactors in Korea is not imminent. On the contrary, it'll be a long-term goal, maybe 50 years. I do not know... We have the shared interest that building nuclear reactors around the world should not be left to countries other than Korea and the United States so we will closely working on it. Regarding the question on this issue [first question], I would prefer doing neither of the things, and I won't answer to that very hypothetical question.

Q (Carlo Munoz, Washington Times): I just wanted to follow up on your comments about – you said the White House has seemed distracted at times, which possibly could have allowed an opening for North Korea to have pressed ahead with their weapons programs. In your assessment of the White House's response, has it been adequate enough to sort of tamp down pressures on the peninsula? Or, in your opinion, can the US do more? And if so, what should they do?

A (Minister Cho): With regard to the current White House, I don't see any problem. Due attention has been given to this issue. As for previous ones, well, understandably there have been some very imminent and important issues all around the world.... But thanks to North Korea's continued provocations, we cannot afford such things [strategic patience] recently.

Q: Mr. Minister, I think you've presented a conundrum for us, and I'd like to discuss it. You have suggested that we need a dialogue. On the other hand, you also have suggested that you cannot have a nuclear-armed North Korea. How do we enter into a dialogue without first having an understanding that there would be denuclearization?

A (Minister Cho): Well, Robert, it's good to see you after some 20 years. And I hope I could answer your question. Luckily, I do not deal with the issue, for the time being at least. And so my answer to your question is that of my own, and I think it can be done through close cooperation/collaboration between our two governments for making a kind of roadmap. And then we will ask China to jump on it and walk together for the peace and prosperity of Northeast Asia. Of course, the devil is in details. And unfortunately, I cannot go further.

Session I & Luncheon Keynote

Report by: Elizabeth Yang, Research Intern

Session II: "Northeast Asia and the Alliance"

Dr. Michael Green, as moderator, began the discussion by stating that the vast number of different ideas in Northeast Asia regarding its past and future brings confusion and obstructed effort in finding a diplomatic solution to the North Korean issue. He believed that it was difficult for the major powers to align on North Korean nuclear problem because of these differences, leading North Korea to use these fissures and splits to its advantage. Green emphasized that the ROK-US alliance is one of the most important elements of how the power will play out in Northeast Asia.

Professor Joon-Hyung Kim argued that there are two main variables to the ROK-US relationship: 1) doubt between alliance members and 2) divergence over North Korean policy. He mentioned that the trilateral cooperation between Japan, US and Korea, excluding China, was a problem.

Laura Rosenberger then discussed the importance of US leadership continuing to express the values and rules it has worked so hard to convey over the past few decades. Rosenberger was worried that if US commitments to Korea ever became in doubt, China's hands would be strengthened, a greater economic dependency between Korea and China would emerge, and Seoul would be less able to resist the kind of pressures seen from China. She argued that progress has been made on trilateral cooperation, which she believed is incredibly important in dealing with the NK crisis, in managing the rise of China, and in securing US interests in the region. Rosenberger emphasized that the role of Russia in the region should not be disregarded and was extremely optimistic about the US-ROK alliance and the Northeast Asia region.

Dr. Heung-kyu Kim emphasized that the US and South Korea should carefully evaluate China's foreign policy shift under Ping and its implications, as it may bring about greater cooperation with the US. He agreed that trilateral cooperation between the US, Korea, and China matters for the stability and peace of Northeast Asia, and suggested that both leaders assure China that they

would not utilize defense against China and not see China as an adversary. Dr. Kim argued that the Alliance must alleviate China's worries that NK policy would not create a NK regime/state collapse nor reunification, and that they need to increase mutual trust and establish a strategy dialogue.

Dan Blumenthal stated that it was "mind boggling" that NK is not formally considered a terrorist organization or rogue state, and claimed NK is not a state in any real sense of the word. He argued that Korea, as the "geopolitical cockpit of history" explains China's reluctance to the reunification of Korea under the ROK. He added that the US had dropped the ball on values and leadership because it hasn't employed a humanitarian policy that depends on both sides of the peninsula. He concluded by emphasizing that we are getting to a heavily militarized Northeast Asia, with distinct possibilities for nuclear breakout and offensive strike capabilities, and that without an end state that leads to reunification and demilitarization, he thinks it could be very dangerous over the long term.

Concluding the introductory statement round, Dr. Yul Sohn began by advocating broadening the scope to collaborating with Japan on multiple other issues in the region. He mentioned that the history problem continuously drags down the future of bilateral relationships, and that Japan-Korea relations has been characterized by bilateralism, overshadowing specific historical matters. He outlined two challenges:

- 1) The lingering bilateral problem derived from history in Japan (ex. Comfort Women issue).
- 2) The trade issue.

He argued that both leaders need to act to sustain the liberal trade regime in Asia, and emphasized the importance of trilateralism for NK issues.

Dr. Green then asked the panel what they would want to see as the end state in the Korean peninsula.

Rosenberger answered first, identifying reunification and denuclearization, with the rules and norms she believes will continue the peace, prosperity and security of the region. She remarked however, that this was very aspirational.

Blumenthal also mentioned reunification, with the democratic rule of the ROK, adding the importance of an alliance with the US. He remarked: "I don't think one can say the US is pushing values in Asia when Korea is one big slave labor camp." He added that for now, we should push China to do more in Asia and to be much more nervous about Russia as it currently is.

Professor Kim, on the other hand, argued that reunification is far away. He emphasized that the

dilemma is between peace-management and the balance of terror/security dilemma/arms race, and that for President Moon, peace comes first, reunification comes in the process. He mentioned that pride among conservative Koreans is weapons, but argued that Koreans don't want to live in a terror kind of state.

Dr. Heung-kyu Kim followed by also arguing that a unified, denuclearized, and democratic Korea was his perception of the end state. He later mentioned he had confidence in the capability of the US to convince China to accept the reunification of Korea.

Blumenthal disagreed, in that China currently does not accept this. He therefore argued that the policy is to attempt to tie North Korea around China's neck to the point that China feels pain over North Korea. He followed by saying we may have to give China reassurances about what we do with Korea militarily.

Rosenberger then responded by arguing that US and Chinese interests are never going to align, and that US leadership is always going to have to be active. She said she was doubtful that China could ever be reassured about a regime change in the North, as it is regime threatening in China's eyes. She argued that increased pain for the Chinese is necessary, and that any US-China direct dialog would need South Korea as part of the conversation.

Professor Joon Hyung Kim mentioned he was also a bit pessimistic, because of the great difficulty in cooperation between US and China, and said: "It's not going to be easy. These are all strong leaders unwilling to consolidate their power."

Dr. Kim interjected by saying open communication was absolutely necessary.

Dr. Sohn followed by arguing that state powers in the region need to establish an economic cooperation network and revitalize the trade networks as a cushion. "It's not just strictly security issues."

Dr. Green, concluding the discussion, argued that the US and the ROK appearing to be diverging over the long term view would enable Chinese decision making to stall and decision makers to think that time is on their side. In his opinion, it is vital for the US and Korea to have dialog, as many in NE Asia think the US-ROK alliance is much more wobbly than it is and that there is much less solidarity than there is.

Q&A

Q (Tim Shorrock, The Nation): I have a question mostly for the Korean panelists. I spent quite a few months in South Korea recently within the last few years, and I have never heard Koreans talk about forced unification under South Korea. I hear Koreans talk about wanting to visit their families, wanting to have unification in some way, not forced unification under US pressure with

US troops throughout South Korea, that's not what most Koreans I encounter say or even think. How do you Koreans view that? This doesn't seem to be a very reliable policy.

A (Green): Well, I'm glad you don't hear that because you didn't hear it on this panel. I didn't hear anyone say we should force unification with American troops everyone on the peninsula but it's a good question. We're talking about the end state here. (Cross talk.) I'm trying to separate the end state from the tactics, and the policies for a moment, but I'll ask if any of the Korean panelists want to answer...Of course we know from the Korean public there's no consensus on this at all. Professor Kim?

A (Kim HK): I don't think the US is willing to take this kind of option as well. This is not an option. And if you are very close to the North Korean artilleries, then, within 40 km, the million people living over there, the Korean economies, and messing in the way of Korean artilleries. Also, in the 20th century, we can find that there are better alternatives and the US and South Korea can find a way out, and this is what I believe. So, I don't think it's this moment's option.

Q (Stephen Lande, Manchester Trade): Two quick questions, but much more based on today's news. Everyone talks about President Trump talking about fire and damage and the picture is that President Trump talks about bringing fire and damage to North Korea, and everybody speaks about the ability of North Korea to rain rockets down on Seoul, and have a tremendous casualty rate at the end of the first day. And the second issue is not talked about but it's thought about, and it's the idea that maybe China, perhaps with the US, quietly will go into northeast North Korea and try to destroy the North Korean nuclear facilities if they really are able to develop a bomb. Quick question, how is that felt, is there a possibility of this fire and damage on either side, and two, is there the possibility of a very quiet Chinese-US agreement to perhaps knock out the nuclear facility before it really does create something that can be delivered to any place?

A (Green): So odds of a, I guess you mean a preemptive strike.

A (Blumenthal): If I could, it's an interesting point you raised, so, this is not a static issue, by any stretch, so, unification or changes, one way or another, are going to happen, I think, either because of an intense pressure by, on a global embargo that cracks the Kim regime, if we do all these things, that we were suggesting, and China is going to go in and take care of its interests, I think, no one of us have any doubt about that, and part of the reason China has invested so heavily in North Korea particularly in some of the national resources areas is because they're slowly, in my view, carving out a sphere of influence on the peninsula, whether we think that unification is the strategic end state or not. So, the reason I think Korea is always the geopolitical cockpit and the reason great powers fight wars there, is because, you know, China will do what it believes is in its national interest, whether we get our act together or not. If Kim starts to crack, if they can't stand him anymore, they may do things unilaterally, and we have to be prepared for reunification or regime collapse no matter what. On preemptive strikes, I hate to

say, it's very unlikely, it's extremely unlikely.

A (Kim HK): Of course we have to prepare for the continuous situation, especially the worse scenario. We will fight back if North Korea threatens us with nuclear weapons. But, before, we have to think about the better options. I question the American side on whether you are really willing to have preemptive or preventive strikes, are you capable of that? I recognize where the nuclear bombs are located, or, otherwise, it's kind of insane to have that kind of option. So that's my question. China, also these days, increase their military preparation to control or manage North Korean WMD, which is closely located to the Chinese border. I am quite sure they are doing exercises. But the key question is whether the United States and China have the kind of compromise as to who is going to be in or when they're going to take that kind of action. It is still without that kind of consensus or agreement. Who is going to take that kind of initiative? This is my question.

A (Green): Basically, I would agree with Dan, it's very unlikely. Your question was, is the US capable of a preemptive strike? Absolutely yes. Your next question is do we know where everything is and the answer is absolutely not. So a preemptive strike would be less than effective in terms of eliminating the programs and threat, and of course there's an enormous risk in terms of the danger of a wider war. That said, I personally believe that, if Hillary Clinton were president right now, or Jeb Bush, or Marco Rubio, they would also be sending very, very tough deterrence messages, and they would also be deploying strategic assets in the US-Korea exercises. And they would also be looking at preemption options. Because, this has reached a stage where, it's the only prudent thing to do, and, we, the US and the ROK, need to demonstrate clearly that even though Kim Jong-un may have some new capabilities, it has not changed our fundamental commitment to defending the Republic of Korea and our interests, and that we are fully prepared, as the Chairman of the Joint Chiefs of Staff said, to go to war, as we always have been, this doesn't change that at all, so, a lot of the sabre rattling you see, although it has a little bit of a World Wrestling Foundation feel when it comes on Twitter, is actually I think probably the kind of prudent deterrence message that any administration would have done at this point – Laura is shaking her head – stylistically maybe.

A (Rosenberger): Well, I was about to say, I can confirm in fact – no you can't set aside the Twitter because he's the Commander-in-Chief, he carries the strongest possible weight, and as you were saying, they are heard more loudly in Seoul than even here, you cannot put his words aside. I can confirm that all of those options that you laid out would have in fact been part of, or at least were in the planning and transition documents, for a Hillary Clinton administration. And so, in terms of where we are strategically, I think that that's absolutely the case. My biggest concern, and this relates to the Twitter phenomena, I do think we would be sending very clear deterrent messaging, but, deterrent messaging in order to be effective, has to be credible, and it has to be consistent and it has to be clear. And what worried me about what we have seen, is that it has been mixed, it has not been clear, nobody really knew what "fire and fury" meant, nobody really knew what "locked and loaded" meant, nobody really knows what many of these things

mean, I'm not even sure the President himself even knows what he means by that, and I think that's incredibly dangerous. What I worry about is not actually, either, North Korea taking preemptive action or whether the United States should actually be exploring these actions, but they are very bad options. What I worry about most is miscalculation. There are two miscalculation scenarios that worry me the most. One is in fact because of a lack of clarity in deterrent language, that something is said that is misinterpreted potentially in Pyongyang. And so something is said that leads Kim Jong-un to believe that a US strike is imminent, whether it's decapitation, or some other strike is imminent. And so Kim Jong-un acts out of what he believes is preemption. That I think is a very dangerous scenario. Scenario number two, is in fact, whether, you know, since it's always been so dangerous for North Korea to be obtaining this capability, is in fact not that it would necessarily use it, but it increases the risk of North Korea taking conventional action against the South. So whether that's like the torpedo shelling or some other kind of activity, I think that we have seen the risk of that go up incredibly, as this capability has developed. And so in a time when messaging is unclear and there's a high risk of miscalculation, this is why I think alliance coordination is of utmost importance right now. What we can't have is for some scenario like that of conventional action against the South to take place, where the US and Korea don't have a clear expectation of exactly what the response is going to be and who's going to be backing up what commitment.

A (Blumenthal): On the credibility question, where I thought we might be going is, we have decimated our military for the last, eight years. To a point where it's going to take a long time to build it back up. So for those who argue for a containment deterrent strategy, we are well behind the curve on missile defense, decimated in the last eight years. Well behind the curve on everything from tactical aircraft to long-range strategic bombers, well behind the curve on enough marine and army units in place to do the WMD stability operations, and actually, that is one of the legacies that hurt us the most, I think, for the past eight years, and I don't see any improvement along the way, and so, the South Koreans are asking for all kinds of assets to be in place right now, not to mention that we thought over the last eight years, nine years, that we were going to, and we did, we cut our nuclear arsenal and nuclear weapons would become less important. The South Koreans are asking for a lot of strategic assets to be in place, we can probably get them there, but at a huge risk to other parts of the world, and, I think that's discussed enough. Congress and the President have a chance to fix this now, but it's not been fixed.

A (Kim JH): Americans are surprised, you know, why Korean people are so calm, even in the crisis. There are reasons, because if it's war, it's the end of the day, because whether it's the nuclear bomb, or other conventional war, this is why this crisis is not different from old. We have been in the same situation for the last half century, maybe we're immune. But these days, we really start to worry because of the Trump factor, not the Kim Jong-un factor in a way. So really, President Moon lamented a few days ago, he said, President Trump can say whatever he wants, from preemptive strike to peace and dialogue. If I say something different, and I'm not considered as, even if I'm declaring peace, and no war without our permission and things like

that. So I'm asking, to him, to Trump, unpredictability of the policy may be his strength. But at least for the alliance, it's not good. At least he is concerned, at least it's predictable to Korean policy makers.

A (Sohn): I think, here, the North Korean issue now, we are entering a new phase in which the United States sees this as a national security issue because of the missiles and everything. So there's a discussion over surgical strikes and others, but to many Koreans, the North Korean issue or the problem is not only a national security problem, but also it's an economic problem of North Korea, there's the human rights problem, there's many other things together, so we have to solve not just North Korean nuclear missile problem, but also the North Korean problems per say. Then, surgical strike, or this kind of military action, maybe is a partial solution but is not the ultimate solution. So that kind of discussion or discourse of these surgical strikes or debates are kind of giving you a sort of cleavage of interest between South Korean people and American strategies.

A (Green): So I think we're all in agreement that the sort of robust deterrence posture was inevitable given North Korea's action, short of anyone but Bernie Sanders being elected, and maybe even then, I won't put you on the spot on that one, but the tweets and the declaratory policy are a problem. Are you (Rosenberger) worried a little bit that Kim Jong-un might believe it? I'm actually worried that he won't. I worry about the sort of inconsistency of the manner of the president's declaratory policy. Actually we have been using what is the source of immense power, which is the voice of the American Presidency. I also worry, I think we all do, about the position this puts President Moon in. I remember well, as would Dan, that the Bush-Roh Moo-hyun years, there were some pretty big disagreements between the two Presidents, but for President Bush's part, he never voiced them in public, never. I think President Trump is going to have to, and his team is going to have to, and maybe this most recent phone call is an exhibit of that, exhibit a lot more discipline in how we talk about our ally, because as we were talking about at the beginning of this panel, the other big players, China, you mentioned Russia and Japan, to the extent the big players are on the Peninsula, not to mention Kim Jong-un, think the US-Korea alliance is kind of in flux, or that we're not united, we really, really weaken our hand, and of course Korea's as well, so the declaratory policy does matter.

A (Blumenthal): I would take issue, I don't think the declaratory policy has been, I think there's inconsistencies in timing with KORUS and all of that, but as I said before, first of all, I would say two things, and it's a problem of a strategy of long term deterrence with Kim, we have no idea what deters Kim Jong-un, no idea. And that's very scary. When people bring out the Cold War, it's very Revisionist. We knew Stalin, Kennan lived in Moscow for twenty years. They were a Cold War ally, we had some sense, and even then they were near misses, so to sit here and say that the declaratory – and I don't mean to make light of what you're saying, but to say that the right declaratory policy will deter Kim, I don't agree with that at all.

A (Green): I'm not saying that at all, I'm saying the wrong declaratory policy will

weaken our deterrent posture.

A (Blumenthal): I understand that. What we need to do, what we have done effectively, is scare China. And I've never seen China this scared on this issue before in my life. And what we need to do to get to the strategic end state in my view, that we all agreed here, on unification is to have China very, very scared and on its heels.

A (Green): So this is a really important question that leads back to our original geopolitical discussion. You used the word "scares" China. I wouldn't, I wouldn't substitute "incentivizes" China, motivates China, shakes China out of its complacency, out of calling for dialogue standing on both sides. What does that? Fear of a US attack does that. I think that's sort of where you're going. I think what does that is recognition that contrary to some strategic expectations in Beijing, US alliances are getting stronger, not weaker. There's a tension between those two, as if the belligerent rhetorical line is not credible or if it creates tensions with Seoul, we may win in the short term in the being scary about preemptive strikes, but lose in the longer term in terms of solidarity of our alliances. That's a very subtle balancing act, which comes back to the theme we keep hitting on, which is why these two Presidents have got to get in lock step, and our two governments have to be on one page on this going forward.

Session II Report by: Chloe Pulfer, Research Intern

Session III: "The Future of US-ROK Economic and Trade Cooperation"

Tae-Ho Bark began the forum by highlighting the recent developments on the KORUS FTA. It started its implementation on March 15, 2012. The KORUS FTA seemed to be working in the right direction as a mutually beneficial trade agreement, although occasionally there were a few concerns raised during the process of the implementation. These days, however, President Trump views the KORUS FTA to have serious problems. A special session of the Joint Committee was held in Seoul between the USTR, Mr. Lighthizer, and the Korean trade minister, Mr. Kim, last month. President Trump will talk about the KORUS FTA again this September, with his steps including the possible U.S. withdrawal from the KORUS FTA.

In-Soo Kang

Kang said that KORUS FTA has brought economic benefit to the two countries over the last five years. However, President Trump consistently mentioned some negative remarks about the KORUS FTA. Therefore it is inevitable to modify KORUS FTA at this moment. In order to do this, it is necessary to conduct joint research about the results of the KORUS FTA for the last five years. For comprehensive judgment, not only the commodity trade but also service trade and direct investment and job creation should be analyzed. In addition, the reactions, the responses of the Korean private sector and the government sector and also the government and American industrial sector should be considered. Based on the fact, KORUS FTA should be proceeding in

a more future-oriented reciprocal way.

Balance Sheets of KORUS

Kang said that Korean export to America has increased a lot from 38.8 billion in 2009 to 71.6 billion in 2016. However, since there are many other factors affecting export, it is not reasonable to see the increase in trade simply as a consequence of FTA factor. In the fast export growing industries, such as automobiles and general machineries, the US also increased the import from other countries. It means that the increase in Korea's export to America is also due to cyclical factors, which means the demand for automobile and general machineries increased as the U.S. economy recovered. In case of automobile, most of the tariff cuts were made last year. It means that there's no tariff cut in auto sector for the first four years

Kang highlighted the market share of each country in other country's market. Korea's trade surplus for the US expanded from 11.6 billion in 2011 to 23.3 billion in 2016. Despite the global trade slowdown, Korea and the US have increased their market shares in popular market. During this period the share of the US in Korea's import market increased by 2.1 percent point from 8.5 percent to 10.6 percent. And the share of Korea in the US import market also increased by 0.6 percent from 2.6 to 3.2 percent. The US has about 20 FTAs, but only four FTAs increased the market share of each country, including Chile, Peru, and Korea. In the case of Korea it is important as the scale is quite big.

The USTR 2017 report on trade barriers across countries also gave a positive overall picture of the KORUS FTA. The service export of the US to Korean market grew by 23.1 percent. Manufacturing export grew by 3.8 percent and transparency of the Korean regulatory system increased. In addition, nontariff barriers were eased to improve market access before the KORUS actually took effect. On the cumulative trade balance, Korea's service trade with the United States recorded 14.1 billion-deficit in 2015. Korea's foreign direct investment into the United States has increased significantly since KORUS FTA took effect, ranking the first among foreign investing countries in 2016. The top-tier Korean companies that invested in the United States have created about 37,000 jobs, and the average wage paid by a Korean invested company was about 10,000 higher than other foreign invested companies. It created good-quality jobs. It is not like the work Trump mentioned, said Kang.

In addition, while the cumulative amount of direct investment of the United States into Korea was 20.2 billion for five years, Korea's cumulative direct investment for the same period into the United States reached \$51.2 billion, more than 2.5 times higher. It implies that the economic benefit is quite evident overall. Therefore, we need to evaluate achievement of KORUS in a more broad sense, said Kang.

Responses of the Korean and American Industries

Recently, there are more organizations and associations in the United States and South Korea which openly express their opposition to the FTA amendment, said Kang. In addition to the US

beef and pork producers association, which has increased its export to Korea, the US Grains Council, USGC, expressed their concern about the amendment of the KORUS FTA. The US Chamber of Commerce also said that most US companies do not support renegotiation or termination of KORUS FTA. They believe, in general, the KORUS FTA is working relatively well. The US business community has clear position to the managed trade that forces US products to be compulsory bought. With most mainstream economists, it opposes the claim that KORUS FTA is the cause of significant trade deficit of the United States. In addition to this, there are several other survey results about the KORUS FTA. According to the recent survey by KITA, the Korea International Trade Association, 70 percent of 250 Korean firms which invested into the United States have difficulties in making business plans due to increased uncertainties after President Trump's Inauguration. Fifty-seven percent of the responding firms negatively evaluate the trade policies of the Trump administration. The enforcement of import regulation, levy of a border adjustment tax, renegotiation of NAFTA are likely to have a seriously negative effect on business. The Korean petrochemical industry do not seem to have serious damages caused by KORUS modification, because the size of Korea's export to America is only 1.74 billion, which is 10 percent of Korea's export to China, and most of the major petrochemical products are already tariff-free, even before KORUS FTA took effect. However, there could be indirect negative effect if the US levies high tariffs on Chinese product.

The Korean government submitted an analysis to the USTR, saying that the KORUS FTA has resulted in an increase of export to 40 out of 50 US states. The Korean government has particularly emphasized the fact that Rust Belt industrial zone, which is epicenter of transport, benefited from KORUS. There are 14 states that have increased their annual export to Korea by more than 50 percent annually for the last five years. In particular, those of Pennsylvania, Ohio, Wisconsin and other areas increased by 45 percent annually. The Korean government wrote that the average export growth rate of the US 50 states were 19 percent per year, and the Rust Belt region are particularly beneficial. In conclusion, there were some mutually beneficial results of the KORUS-FTA.

Scott Miller

Miller pointed out that when they start a discussion of economic cooperation between the United States and any other country, South Korea in particular, they would begin with thinking about the US economic policy, the US administration's trade policy and economic policy. He emphasized that whatever the US administration's economic policy is, it is more instructive and more predictive to look at their narrative on the subject and communication. Miller said that Trump administration operates largely off a narrative used frequently in the campaign and used repeatedly since taking office. That narrative is very common in almost any kind of communication. It is a story that helps explain why you are doing what you are doing. The Trump policy for the narrative is actually pretty simple. President Trump and his team tell a story that past administrations have been inattentive to the interests of Americans and given too much access to foreign governments, with too little in return, said Miller. He said it was a campaign theme and has been repeated. There was a debate on the Tariff Act in the Congressional Record

of Andrew Jackson's administration about 200 years ago. Senator Henry Clay took to the Senate floor and criticized "European pauper labor" and that low labor costs in Europe were a burden on American workers and therefore needed to be corrected. In 1820, US labor costs were higher than European labor costs. There are actually good reasons for that. But that was the theme of unfairness. It has repeatedly used and has been used almost in every political ad about trade policy. Usually it is blaming foreigners for cheating, but it plays on the sense of unfairness. Now the fact that a narrative works politically is not surprising and that is why politicians use them, said Miller. Narratives run into trouble when they are disconnected from the underlying commercial realities, at least when it comes to economic narratives. And that is where the tension arises with the US business community and others with respect to the Trump trade narrative. When corporate executives or agriculture group executives talk, they usually do not talk about trade deficits or balance. They will talk about competitiveness or improving global operations or improving customer service or having contestable markets, which are actually really important things in the real economy.

What we have now is a disconnect between people in the real economy, most importantly American business, American agriculture, which look at the KORUS FTA as a good agreement, and they like the stable set of rules. They are finding ways to benefit from it. They like the fact that markets are more contestable. They might find improvements as well. Importantly, it does not have anything to do with the narrative that the president talks about of unfairness and the narrative of needing balance. This disconnect will not long persist, and there is a reason for that. The main reason is that while Congress has delegated enormous authority to the president over time, they retained for themselves the power to regulate foreign commerce. President Trump and his team take their issues of unfairness and renegotiate KORUS FTA. However they do it in a way that is inconsistent with the actors in the real economy, which ultimately would help form the political coalition to convince the Congress to approve the changes. The previous administration spent five years negotiating an agreement that wound up back in Washington with too little support from the commercial actors involved and was never even presented to the Congress.

This week, in the NAFTA negotiations, one of the most sensitive issues is automotive rules of origin. The auto industry is quite large. It is quite specialized across the three NAFTA economies. They are highly productive and globally competitive as a result of that specialization. And behind the NAFTA preference, in order to qualify for the NAFTA preference, a vehicle must pass 62.5 % regional content to qualify for the preference. The US auto industry says that 62.5 % is a good number and they want to stick with it. The Canadian auto industry says that they like 62.5 % and the Mexican auto industry say that 62.5 % works for us. At the negotiating table over the weekend, the Trump administration proposed something in the neighborhood of 70 %, but something different.

But at some point the real economy and the narrative have to merge. They have not merged yet and that creates the friction. That creates the sparks that are flying off a lot of our trade relations

at the moment. There are a couple of suggestions:

1) Clear Implementation Agenda: If there are still unresolved issues in KORUS, put together a plan to resolve them. Fix it, make it work, and satisfy people. Show progress because progress is an important balancing narrative to the concern of unfairness.

2) KORUS FTA is Not the Whole Story: We should not get stuck on an agreement that was signed 10 years ago, representing commerce from a different era. Lots of other things are going on now. There are lots of ways to boost competitiveness in both countries and make markets more contestable and available to players that would be good for growth and competition.

Byung-II Choi

What's Wrong with KORUS FTA

The reason why KORUS FTA has been on the limelight again is because of the US accusations, mainly about a sudden unexpected rise of trade deficit, which is unfavorable to the US side. But somehow that trade deficit discussion has been transformed into issue-related implementations. The Korean side has been accused of not playing fair, mainly related to automobile regulations and of trying to come up with some imaginative and creative regulation which is going to eventually impede the US terms or condition to Korean market. In addition, the US thought that Korea is going to fully liberalize the illegal service and make it to 100 percent ownership. But what the Korean government did was 50-50 joint venture, and still they are saying that it is up to the spirit and the letters of the KORUS FTA, and some other issues such as digital trade and custom clearance.

If we focus on implementation, Korean negotiators also point to the US side, said Choi. He said that if we try to play with unfairness issues, burden of proof falls clearly on both sides. Although the implementation issue has been resolved to US satisfaction, it is not going to resolve the trade deficit issue. Therefore, if the US wants to achieve their negotiating goal, then they have to rewrite terms on trade, which is something related to KORUS FTA, but again, they require some managed trade. Rewriting KORUS, and changing terms of trade, market access condition is not going to solve their own problem. Therefore, what should happen is something like what happened between US and Japan back to 1980s. Korean side should import more from US side outside of trade agreement, and Korean side should export less to the US outside agreement. We should not play by rule, but we should play by some additional deal. System is changing from rule-based system which US has been advocating for a long time to deal-based system.

Eventually the US will talk about currency issues. For instance, they are going to argue that they have to stop Korean government intentionally undervaluing US currency. If that happens, it is like opening the Pandora's Box. Trade agreement is talking about currency-related issues. With that said, we will get to open up uncharted territory in world trading system.

What Happens If the Trump Administration Terminates KORUS FTA?

First of all, it is not going to serve US economic interests because Korea is very much opened and a competitive place. Korean government, in past 10 years, they negotiated FTA with more or less 50 countries. So Korean market is very much open, especially to Australian farmers, Canadian farmers, New Zealand farmers, and European Union farmers, which implies that the termination of KORUS FTA is not going to serve the interest of the farmers in the US. Automotive sectors also have been complaining. If Korea's 8 percent tariff on automotive is jacked up again, this is not going to serve US interests. Pharmaceutical sector will not serve US interests as well.

We heard a lot about strategic implication these days. The US and ROK are showing more divergent views on their alliance. KORUS FTA negotiation took almost five years from inception to complete and they had additional renegotiation. During those five years, ROK was divided in half between pro-KORUS FTA and anti-KORUS FTA. Terminating the KORUS FTA is going to send very clear signal to those people. Many Koreans believe that American soldiers might have to withdraw from their continent, but in that way, they will end up claiming that they need to nuclearize themselves, said Choi. It is going to be really badly serving US-ROK alliance. In addition, it is not going to serve US strategic interests because one of the most important US strategic goals in terms of grand strategy is to engage China effectively. It would send a very clear signal to Beijing that Seoul is going to be a closer orbit of Beijing. Therefore, it is not going to serve US interests. If President Trump is willing to walk away from KORUS FTA, then this is not going to make America great again, as he promised, said Choi. Ha said that this is a really bad economic policy and terrible diplomacy.

How We Can Change Subject More Constructive and Mutually Advantageous

US might want to rewrite KORUS FTA, but Moon administration would want to defend KORUS FTA as it was agreed. Those two approaches are quite compatible because it has been negotiated more than 10 years ago. Now we are experiencing the evolution of economy. Now it is time for the upgrade between two states. At the same time, it is time for expanding. If we are really concerned about how we can effectively deal with the rise of China or assertive China, it is time to think about having more competitive and open East Asian economy with US presence. Therefore, one step toward that direction is to invite Japan to create US-ROK-Japan economic agreement, aiming at embracing China eventually.

Wendy Cutler

Cutler said that KORUS FTA was a win-win agreement and that benefits from this agreement are flowing both to the US and to ROK. Although the current administration is trying to withdraw from this agreement, this is possible under the agreement. The US and ROK negotiated 10 years ago a provision which allowed either party to notify the other country of its intention to withdraw from the agreement, as long as it provided a six-month notification period.

Factors Motivating the Trump Administration

1) Displeasure Expressed by President Trump with KORUS FTA: It started on the campaign trail, and it has continued. President Trump views this agreement as unfair, failed, and unbalanced, said Cutler. The good news for Korea is that they are not alone. There are other agreements he views in the same light.

2) NAFTA Factor: Trump administration might have wanted to withdraw from NAFTA, but President Trump has repeatedly told that he cannot do that as the economic stakes are too high and economies between Canada, Mexico and the US are too integrated. Therefore, somehow KORUS FTA became the second best if withdrawal is on the radar screen, said Cutler.

3) The outcome of the meeting in late August between the US and ROK: The meeting resulted in an impasse between the two sides. They had very different views on whether KORUS FTA has worked or not, whether KORUS is responsible for a growing trade deficit between the two countries, and what, if any, steps need to be taken.

4) Negotiating Tactic: The US might be discussing withdrawal as a negotiating tactic, which will allow the US to get more from Korea in any upcoming renegotiation.

Suggestions

1) Open-Eyed Discussion: Korea has put forward a proposal for some kind of joint study on the sources of the bilateral trade deficit, and also a discussion or analysis of the benefits of KORUS FTA. Both issues merit a discussion, but I think both sides need to go into such a discussion open-eyed. Both sides can deepen their understanding of each other's positions, and that will allow them, then, to work together to address each other's concerns.

2) Laying out Concerns with the Agreement: It is important that each side lay out its concerns with the agreement. After the concerns are laid out, both sides should discuss the best ways to address them.

3) Implementation: Many of these concerns can be addressed through better implementation of the agreement. One of our frustrations with the KORUS FTA is that many Korean Ministries were intent on implementing the letter of KORUS, but not the spirit of KORUS FTA. That has led to many of these implementation problems, said Cutler. With a new administration in Korea, a new trade minister who has a reputation for a hard charger and someone who has worked effectively with other ministries in the past, there's a good opportunity for the administration in Korea to take a fresh look at these implementation issues and find a way to solve them and address the US concerns.

4) Open Mind: Both sides should keep an open mind about whether certain amendments are needed to the agreement. Cutler stressed that it would be a two-way process. The US needs to expect that Korea also may have suggestions for amending the agreement, and both sides should be open to that discussion.

5) Update on KORUS FTA: Most of this agreement was negotiated 10 years ago, so it is appropriate for both sides to think of ways to update the agreement in ways that could be very win-win. The issue of digital trade, where the US and Korea share many interests and objectives

could be put on the table and would lead to a very constructive discussion.

6) Notice on the NAFTA Negotiations: It is important for the US to update Korea on the NAFTA negotiations since many of the issues appear to be raising with Korea. That type of discussion will also help both sides find a way forward.

In conclusion, both sides need to get back to the table. Withdrawal will be a policy decision we will regret for numerous reasons, said Cutler.

Q&A

Q (Kang, In Soo, Professor at Sookmyung Women's University): What is the object of President Trump when he talks about balance and unfairness? Other than the political reason, what is the other reason for this kind of mention?

A (Scott Miller): This is his rationale for his policies. I can tell you that they have been consistent for a long time. So it is relatively predictable narrative on his part. He has believed this for a long time. That is where he is. So what is our job? Those of us who differ with the president, we have a responsibility to convincing him to the contrary that what he is intending would be bad policy and there are better policy arguments. That is really all our jobs in a democracy when our political leaders are on the wrong course. It is our job to find ways to change the course or persuade them differently. For instance, in the tweet storm over the weekend, the best statement was made by Senator Ben Sasse. Senator Sasse, the senator from Nebraska, important agricultural state, basically said that the Trump administration is pursuing 18th-century thinking with their trade policy because they construe it as a zero-sum game. Senator Sasse went on to say that Nebraskans know that trade is mutually beneficial, it is win-win, and we wish our president would agree with us. I think there is an opportunity to persuade, which I personally have not given up on. But I think it requires not accepting the premise that you know is flawed.

Q (Kang, In Soo, Professor at Sookmyung Women's University): I am not quite sure what the consequences of Trump's argument are going to be if he can make it.

A (Scott Miller): He can make it. The text of the agreement gives him the authority to withdraw. However, I personally do not think it is quite that simple, because to eliminate the tariff preference, it would have to be eliminated by an act of Congress. No president can change a tariff schedule. That part would not be self-executing. And I have noticed that federal courts are pretty anxious to weigh in on many of the administration's decisions. I would say there is plenary authority for the president to restrict migration due to national security reasons, but the 9th Circuit disagreed and stayed an order. So lots of things could happen to this. But I wouldn't worry too much there. I would rather worry about building an alliance with the American

companies who are invested in Korea, the traders, the people who are active in this relationship and looking for ways to say what can we do in concert, what can we do together to improve the conditions under which market competition happens, to look for ways to make markets more contestable to benefit our citizens, and have a positive agenda that is the real counter to the claim of unfairness.

Q (Steve Landy, Manchester Trade): Let me put some ideas that you may find useful in terms of dealing. President Trump made a big deal about two or three kind of controversial decisions when companies decided to invest in the US instead of investing in Mexico, if you remember, at the beginning, even before he was the president. So again, given the Korean companies and so on and what they do, I do not know what you can do in terms of managed trade. I do not know if you can bring US brands over to Korea and try to sell them. Again, it may not make sense, but if you can have some success stories that the private sector generates, it will be unbelievably effective. I know it is not trade negotiations.

A (Wendy Cutler): In terms of the other suggestions that were put on the table and this idea that, you know, from a political point of view what is – what does the president get out of all of this, you know, we should kind of rewind the clock to late June, when President Moon came here. And my sense was the meeting went very well between both our presidents. And President Moon brought a lot of corporate executives with him, and they announced large plan – plans to make large investments in the US. And so, you know, that is out there. And I think 2016 was a record year in terms of Korean investments in the US. And these are not just investments. These are investments that employ tens of thousands of Americans. So given the new plans, I think that was very well-received by the administration. And then somehow, at the end of the meeting, you know, the president referred to a KORUS renegotiation and even hinting that it was already underway. And my understanding is, that kind of left the rest of the people that work for him to kind of catch up with him, and therefore to request this special meeting with Korea under the agreement. Also it is a very different world when I negotiated with Korea than when Steve did, and I think it is a very different world today than when we negotiated KORUS FTA in 2007. Import penetration in the Korean automotive market is now 1-5 percent. It was 5 percent 10 years ago. It is hard to say that market is closed now. I agree that there are probably unnecessary regulations and probably improvements that can be made to make it easier for US companies to operate in Korea, but 15 percent market share and a growth of 10 percentage points over a 10-year period of time is pretty stunning.

A (Choi, Byung-il): US Congressman Ed Royce came to Korea a week ago, along with three other congressmen. And when he met President Moon, he talked highly about Korean company making investment in his district to come up with many manufacturing jobs employing American workers in producing Korean dumpling food. So that makes of certain interest. I think similar thing was happening when President Moon was coming to USA and he brought a lot of Korean businessmen. So they could promise. But the thing is, businessmen are discussing whether or not Donald Trump is a temporary shock or permanent shock. Even if you promise

and even relocate a lot of business to the USA, what if three years or seven years from now, the tide is turning toward more free and open trade? Then I think they made very irreversible business commitment decisions. So that is something to think about. And I think if the Korean government is run by CEO-minded president, perhaps then he or she could come up with the kind of concession as some of panel or the audience mentioned. But the time is quite different. I like to remind American audience in this room that negotiation is not about simply exchanging deals on the table. It is also played in a context of national spirit. In Korea, there truly is a rising tide of confidence, nationalism. We believe we changed the Korean government through the democratic means. So if Korean side is making that kind of concessions, then many Korean media, some NGOs, and these grassroots are going to depict this as surrendering to US pressure and yielding to US pressure. So this is likely to be seen as something quite good to government. So government is going to play realistic politics or play with more by listening to domestic audience.

A (Scott Miller): I agree with the point that was made that you don't solve political problems with technocratic means. That is totally true. Sometimes some technocratic means can help. For instance, I think if there were fewer American interests complaining about lack of compliance with the original KORUS FTA, the politics would be a little better. But overall, you've got to solve the political problems with politics. And what I have noticed in this administration so far is the president finds sort of action plans very appealing. I would note the Pence-Aso dialogue, the hundred-day plan with China. That seems to have resonated with the president and certainly his messaging about the trade relationship with China, for instance, was much more positive after the announcement of hundred-day plan. There may be a nugget there in addition to KORUS FTA implementation issues. That is going to happen behind the scenes. Out front, something with a higher profile, and perhaps centered on Korean investment in the US because ultimately, those jobs really matter. And we will not tell the president that you increase the trade deficit when Korea invests in the US. But what you can is tangibly tie it to US workers. So I think given the rate of increase of Korean foreign investment in US enterprises, it is a strong indicator of a communications strategy to go along with it helps promote in a very tangible way US-Korea economic cooperation.

A (Kang, In Soo): About Trump's argument, what I want to say is that this year, actually the trade surplus of Korea against US has dropped a lot, about 30 percent decrease. And that kind of the changes in trade should be reflected in the negotiation. I do not know whether it is possible or not. The mutual understanding is very important. So even though it is a political reason, it should be realizing economic area. So economically, we should investigate what has happened between Korea and USA. The Korean government suggests some kind of joint research or joint investigation about the impact of the KORUS FTA.

Q (Mark Manyin, Congressional Research Service): I am wondering if the possibility of increased US sales of LNG natural gas to SK could be a possible answer to some of these questions. Secondly, does the S. Korean government have the ability to manage imports of

natural gas, for example, through KOGAS? How are S. Korean companies or state-owned enterprises' decisions on purchasing are being made?

A (Kang, In Soo): Actually, the last government announced some kind of plan to put their shale oil and shale gas. So it will decrease the trade deficit.

A (Bark, Tae-Ho): Let me also answer your question. I actually visited Houston last June. We had a seminar. And I know that KOGAS is establishing some kind of facility so they can import shale gas directly from that area. And also, SK Energy, they are investing huge amount of money in Austin and other Texas area to build their own facility to be prepared to import that kind of shale gas and shale oil. So I think this is our efforts in this investment so we can create some more jobs, too.

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