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In-Kook PARK

I would now like to invite Vice President Douglas Paal to speak. We could expect very unusual Republican flavour because he was on the National Security Council staffs of Presidents Reagan and George H. W. Bush between 1986 and 1993 as director of Asian Affairs and then as senior director and special assistant to the president. I don't know if he still maintains the political leaning, but I hope we could hear from him an objective view on this pending issue. Thank you.

Douglas PAAL

Thank you, President Park. Objective may be in the eye of the beholder. Taking off from Professor Cooper's very sweeping and I think quite accurate characterisation of the verbal traps that have been set by the campaign, I want to go into a little more depth of the challenges facing the Trump administration and the potential avenues and frustrations that lie ahead. This is a really sophisticated audience with a lot of travel in and out of the States so maybe you have all of this internalised. However, I have been struck by how much people do not get the Trump win. The American establishment, 95% was completely shocked by the outcome and they have not reacted well to it, they have not internalised it. I see this in, for example, the day to day reports coming from the media at the stakeout of Trump tower, where they see people go in and they say, 'That is an odd person to be thought of as a cabinet member; Giuliani or someone like that. They begin to say, 'He would not get along with the Democrats in the foreign relations committee'. I think what people need to understand is, this election is a total rejection of the establishment. The election was carried out in the heartland of the country by means that do not fit any of the models for modern electoral politics. It was not winning the swing states, as Karl Rove established in 2004 and Obama's people established in 2008 and 2012.

My own experience if you got out to these places, West Virginia, Western Pennsylvania, the Western part of Virginia state, Iowa, is that people have just had it with a Washington that does not get past gridlock; with politicians that promise things and never deliver. Trump has delivered a lot, or at least he has left people thinking he has promised a lot. It is going to be tough to put the coal miners and the people in heavy metal related industries in that part of the country back to work. They expect him to do that. When I have talked to people like this, they have said, 'We know he is vulgar', 'We know he is ignorant', 'We know he misspeaks and mistreats people, but he says he is going to change this and dammit we expect him to change things.' We need to think outside of the box. I think Professor Cooper addressed this very rationally, things like Washington insiders would say, 'Let's put a 45% tariff on steel coming from China', because there is not very much steel and aluminium coming from China. It would be as if we had accomplished that objective of meeting that campaign promise. That is not going to cut it and he has a real dilemma, because how is he going to put those people back to work. He talks about a huge infrastructure project; if we put a lot of highways through these parts of the country, that might bring some work back. He talks about a big tax cut and fiscal stimulus and those probably are not going to address the problems of the livelihoods of people who voted for him, who have been left behind by globalization. As Professor Cooper said, undoing the monuments to globalization in the form of trade agreements is not on the cards. We are up for what I think will be a highly emotionalized and difficult interaction with the international market place and international actors going forward. That is just to set the overall tone.



I have just come back from a week in China where I saw Professor Jia and others, while I was there. China's reaction, since this is the topic of my remarks, has been of two characters. One is a very popular reaction, and this is reflected in an op-ed piece Eric Li wrote for *The New York Times*, in which he said there are great days ahead. He's a businessman. He'll make deals. He's not interested in building alliances or projecting power; he wants to take America more home than out on the international scene. Therefore, China should make ready to make hay in the sunshine. It will be a good time for China. That is widely felt in the business community and outside official ranks. I think officials are far more sober in China and have a better sense of things, having seen them before and put them into context. Also, they have paid a lot more attention to the actual statements in the campaign.

Right now, I think China finds itself witnessing the collapse of the Obama pivot or rebalance. The events in the Philippines, Malaysia or Thailand have significantly advantaged Chinese influence there over American efforts to keep Chinese influence under some limitation. Obama's talk about the alliances in the campaign was misread by many in China to believe that we are going to negate them or not pay attention to them. However, it is important to note that among the very first things that Trump has done as President-elect, is to call the allies in Japan and Korea, reassure them that the alliances are going to continue and to be strong. It is important to take note of the people who have filled in the un-nominated ranks of the transition. It is going to be a really narrow spectrum on the far right of American Republican thinking. It has all the very strong hawks on China contained within the campaign, from distinguished professors who are hawks, to people who way out there on the extreme who are hawks. Presumably they are positioning themselves, some may get a job, some may not, but the overall tenor is one of very great suspicion of China.

That is backed up by a desire to rebuild the American navy. There is soon to be former congressman, Randy Forbes, who has long had an interest in promoting his home district's construction of ships for the US navy, but who is also interested in being Secretary of the Navy under the new administration. He and his staff are conducting a thing called the 'China Caucus' for several years, where they point out on a day-to-day basis the number of areas China is getting an advantage over America in the Western Pacific, or is wrong footing our interests in the region. They are the ones who are pushing for rather substantial naval fleet expansion. I would note parenthetically, that with the budgeting process and such, if a decision was made today to go from 274 to 350 ships, which I doubt would be reached, they would not be seen until Trump is out of office. It may not have immediate consequences, but it is where they intend to go.

The Chairman asked me to talk about China on maritime issues and Taiwan, Hong Kong and there was some discussion of North Korea. On the maritime issues, Trump did say in an offhanded manner that the South China Sea belongs to China. It is hard to reconcile that with the intense promotion of a larger fleet and more proactive naval activity in the region. The fulcrum for American power has been diminished by the arrival of Duterte as President of the Philippines, and I would be happy to talk about that in subsequent questions. I do not see any diminishment of support for Japan on maritime issues in the East China Sea, but I do not see any particular change in that either. As Chairman Park said, this is an area where the tensions are there, but I think that both President Xi Jinping and Prime Minister Abe have an interest in keeping the flame low. It suits them both to have a certain amount of tension; it does not suit them to raise that tension very much.

Taiwan should be mentioned, because that was requested. Taiwan is in a very slow motion, or a very slowly ticking time bomb in cross-strait relations. The unwillingness of the new administration in Taiwan to meet China's bottom line on a political basis for relations, is firm and, I think, unwavering. It is almost an asymptotic process; I think Taiwan is capable periodically of coming up with a word that comes closer to what China wants, but never gives them all the words they want. Over against this are the very big ambitions of the Taiwan authorities for economic growth and reorientation of their market and production platforms away from China, so that there is less dependency across the



strait and for a lot of indigenous development. She has an advantage in that she has two thirds of her legislature for the first time in a long time, this line up of the administration and the legislature. Thus far, they have not been able to effectuate the kinds of reforms, and this is only six months into her administration, that would get her internal economic development rolling to the point where voters would meet their expectations, that the situation would meet the voters' expectations in time for the next election. That is why it is a very slowly ticking time bomb. China is restraining itself, only putting on certain kinds of pressure such as fewer tourists and no opportunities at international gatherings, but no direct or overt pressure for fear of giving voters on Taiwan even more reason to want to move towards independence, or nominal independence, and away from the PRC. They feel very frustrated because they want to do something, they want to send a message, but they realise that it could be counter-productive to do so.

As the situation unfolds in Taiwan, I would expect four years from now that, like most politicians who have made excessive promises, she will encounter disappointment from the voters and opposition from her own constituency. She does not have an effective opposition party now and may not have one for a decade; the Guomintang is going through a major crisis. However, within her party, those people who want her to be less constructive or less non-confrontational in cross-strait relations, may demand as the price of failure on the economic front, may demand more political action to demand that Taiwan is moving in a new direction. I would put the Taiwan rise in tensions out a few years; it is not really on the immediate agenda. It will give the new administration in America the chance to learn the terrain, because we have had an eight-year vacation on cross-strait tension with Mr Ma Ying-jeou. People have got out of practice with how to deal with that.

Finally, I will turn to North Korea because that did beg a mention. Trump did say during his campaign that the solution to North Korea is China, through China, because of China; everything is China. I assume that is the starting point. As we have learned over the last 20 years, I was in the first negotiations with North Korea over the nuclear issues in the first Bush administration. We made very little progress; we had a sort of an uphill curve that we fell-off, went up again in 2008 and then just collapsed. Today, the likely number of weapons, or weapons capable material in the hands of North Korea, is approaching 50. Increasingly, those people who are expert on North Korea say that it has all the incentives not to give it away, having learned from Iran, Libya, and other countries.

The new incoming President faces a situation where more and more people are saying that the old position of saying that nuclear weapons in the hands of North Korea are unacceptable. That has been said by every President even as they have accumulated, and he faces the question of whether we accept a limit or try to develop a limit and stop them from developing a bigger and bigger arsenal, in exchange for a package of economic, political and other benefits. I think this is likely to come very quickly with the new administration, and that would be the case whether it was President Clinton or President Trump.

This is the year of an election in South Korea. The North Korean dictator has shown a propensity and has every incentive to continue escalation of provocations, missile tests, other tests, things on the DMZ, various ways to try to push the voting electorate in South Korea towards the selection of a left-wing government. They have a right-wing government now that is in disarray, for reasons unrelated to North Korea. The opportunity is there for the North. It is going to be a serious policy challenge for this new administration to confront the choice of abandoning the complete elimination of nuclear weapons, telling the American people that they have changed position and are going to accept a freeze. Then trying to get North Korea to accept that and find a package that would appeal to them to do that. At the same time, they will have to incorporate what was said about China in new ways, because I do not expect China is going to fundamentally change its policy towards balancing the stability of North Korea and its desire to de-nuclearize the peninsula. That is going to be a very substantial challenge and it is likely to come precisely at the moment when Trump may have a new cabinet and, as we have seen, it is a cabinet of unusual talents. He may have a new cabinet



and be very far from having in place the Assistant Secretaries, Under Secretaries and supporting expert personnel who make issues like this move forward.

Just one final observation, and I gather there has been some discussion of this in other sections. This is my pet peeve about this last election. We have had two presidential candidates and their teams who have not been forward looking; they have been very much backward looking. I guess this reflects the pendulum swing of anti-globalisation and the real politics that politicians have to deal with. Nobody is articulating what that trade future should be; how to handle the re-emergence of great power relations. Russia is back in the game, for whatever it is worth, with China and the US. In the United States over the last 20 years we have been used to a unipolar world and that is changing fundamentally, and no one is articulating how we are going to deal with it. Here, Trump may surprise us, because a particular aperçu when it comes to Trump and when it comes to Putin, is that he may be able to get us out of the cul-de-sac we have got into with the Russians and to start dismantling the edifice of confrontation that has replaced the goals of the early 1990s of a Europe whole and free, goals of the early 1990s before we got enmeshed in the expansion of reactions in Russia, and then our expansion of our reactions to Russia. There may be some new great power opportunity there. Having said that, I would be hard pressed to identify the person or the policy who could get us on a path of de-escalation with Russia and a great power triangular relationship among Moscow, Washington and Beijing.

Thank you.

Richard COOPER

You did not talk about North Korean weapons, but North Korean missiles. Why missiles?

Douglas PAAL

I put missiles and weapons in the same category. We could end up with a disaggregated negotiation between missiles and...

Richard COOPER

If North Korea tried to fire a three-tier missile again, that is going to confront the administration with a possible act of war.

Douglas PAAL

I am happy to go down this path, if you want to at this point. Part of the big trade-off, is that people in Washington and elsewhere are increasingly of the opinion that you either present a huge package of incentives to get a freeze, or you make a real threat to take military force; or you shoot down missiles either launched or pre-launch. Both of those are going to be wholly new categories of decision and it is particularly important to weigh the cost. North Korea, irrespective of its nuclear capabilities, has 17 000 artillery tubes within range of Seoul, where 20 million people live and casualties could be massive. No President can disregard these concerns. It is becoming a very high stakes and difficult policy challenge.

In-Kook PARK

Just one question on your perception of the nuclear deal with Korea. Your argument is based on freeze, which is not a brand new idea because the freeze was the starting point in the Leap Day negotiations. One of my concerns is that if freeze could be a starting point for future negotiations with North Korea, they might regard it as getting a virtual de



facto nuclear state status, which is very dangerous to the Korean peninsula and our future. I want to get your comments on that possibility in our discussion later.