

THE BROOKINGS INSTITUTION

SAUL/ZILKHA ROOM

U.S.-JAPAN RELATIONS:
PRIORITIES FOR THE NEW ADMINISTRATION

Washington, D.C.

Wednesday, December 14, 2016

PARTICIPANTS:

Introduction and Moderator:

MIREYA SOLIS
Senior Fellow & Philip Knight Chair in Japan Studies
The Brookings Institution

Panel:

RICHARD C. BUSH
Senior Fellow and Director, Center for East Asia Policy Studies
The Brookings Institution

MATTHEW GOODMAN
William E. Simon Chair in Political Economy and
Senior Advisor for Asian Economics
Center for Strategic and International Studies

BRUCE KLINGNER
Senior Research Fellow, Northeast Asia
The Heritage Foundation

SHEILA SMITH
Senior Fellow for Japan Studies
Council on Foreign Relations

* * * * *

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

P R O C E E D I N G S

MS. SOLIS: Good morning, everyone. I think we're ready to start.

My name is Mireya Solis. I am the Knight chair in Japan Studies at Brookings, and it's my pleasure to welcome you to this morning's very timely discussion about the future of U.S.-Japan relations and the incoming administration.

I think that you're going to hear a word repeated a lot this morning, and that is uncertainty. We don't really know exactly what may be unfolding and we don't know exactly what will be the contours of the Asia policy of the next administration, but I think there is expectation that there will be significant change. During the campaign, Mr. Trump discussed U.S. alliances on transactional terms and he was skeptical about the value of economic multilateralism. And since the election, he accepted a congratulatory call from the leader of Taiwan and a few days ago he talked about revisiting the One China policy as part of a broader deal with China that included trade.

So a redefinition of U.S. policy towards Asia will certainly bring adjustments in U.S.-Japan relations, which must also factor the ongoing transformation of the region with the growing economic and political clout of China, the intensification of the North Korean nuclear challenge at a time when South Korea is in the middle of a profound political crisis with an impeachment vote last Friday, and of course, with continued stubborn territorial issues in the East China Sea, South China Sea, and the Northern Territories.

As you can imagine, we have so much to cover, and I'm truly grateful that I have a lineup of terrific experts who have very kindly agreed to share their insights with us this morning. Let me just briefly identify them in the order in which they are seated here.

Matt Goodman is senior advisor for Asian Economics and holds the

Simon Chair in political economy at CSIS. Sheila Smith is an expert on Japanese politics and foreign policy, and she's a senior fellow at the Council on Foreign Relations. Bruce Klingner specializes in Korean and Japanese affairs as a senior research fellow for Northeast Asia at the Heritage Foundation. And my colleague, Richard Bush, is senior fellow, director of the Center for East Asia Policy Studies and holder of the Koo Chair in Taiwan studies. And he's a very well-known expert in cross-Strait relations but also Northeast Asia security more broadly.

So I promise I'll bring you in and the idea here is to have a conversation. But I'll start first. I have prepared some questions and I'll engage with the panelists, and then later on we'll bring the audience so that you can formulate your questions as well.

And I want to start, if I may, with the big picture, as to what could be the underlying approach of the Trump administration towards Asia. As I said before, it's too early to know exactly. Key appointments are just being made. We got confirmation just yesterday that Rex Tillerson will be the nominee for state, and we know, of course, that any initial policy will be recalibrated over time. But even with those caveats, I think it's very important that we try to understand how President-elect Trump thinks about the U.S. role in the region. And I think this is important because we hear very different interpretations as to what could be the organizing concept, the philosophy, if you will, of the Asia policy of the next administration.

On the one hand, going with the notion of America First, some people think that this would be an administration that will be more inward looking. There will be more retrenchment, if you will. Others, using the terms advocated by some of Mr. Trump's advisors of peace through strength, think about actually the opposite; that we'll see a more active, assertive U.S. policy in the region. So it seems like the expectations run the gamut.

And my first question, and I'm going to ask perhaps Bruce and Sheila to take this one on, but again, the idea is for all panelists to jump in, is why do we have these sharply different expectations about what kind of policy is forthcoming, and which one do you think actually is more accurate? Where should we put our money, if you will, in deciding where the Trump administration will go with Asia policy?

So Bruce, would you like to get us started, please?

MR. KLINGNER: First of all, thank you for the invitation to be here. It's always good to be back at Brookings. This was my first job out of college, so I'm coming home in a way.

I think you've really stole our thunder when you said that uncertainty is the word that's used most often. I think probably all of us have turned "we don't know" into a 15-minute presentation both in Washington and overseas. And when I was in Seoul twice last month, you know, people would say what would the Trump Asia policy be? And I gave them what we used to call the CIA salute which is, you know, we don't know.

And when you asked, you know, how can we have such divergent interpretations, it's because Mr. Trump said such divergent things during the campaign. He certainly seemed to question the alliances, put a conditionality clause on them of 100 percent payment or we walk. I would argue alliances are based on principles and national interests, not a business relationship, and that alliances are a bargain, not a burden. But I think the reality will be somewhere in between the two extremes and it's a pretty safe guess to make.

I think when we see the selections for the senior positions, particularly General Mattis, who certainly understands the importance of alliances, and I think a lot of the campaign rhetoric will sort of fall by the wayside as Mr. Trump gets more exposed to

experts and hopefully also intelligence briefings, so I think we will perhaps not see as big a shift as we might have thought just based on the campaign rhetoric.

Now, whether it's just you dismiss campaign rhetoric as just talk or whether it was negotiating tactics for future cost-sharing agreement negotiations or it just needs to see the light of sort of expert input, you know, we can argue about that, or whether it's sort of a flip-flopping, but I think we will still be there for our allies. I certainly would recommend that a main message that the Trump administration should send very early on is while administrations change, our commitment and our resolve to defend our friends and allies does not. So that's certainly a message that we need to send very quickly.

MS. SOLIS: Thank you, Bruce.

Sheila?

MS. SMITH: Thank you. And thank you again, Mireya, for inviting us.

It's a conversation that we've all been having privately among ourselves, and so we'll just have the conversation publicly now. I do think your question -- at the end of your question you raised this issue of isolationist versus realist, right? And I think it's way too early to make that judgment about how to define the direction or the ideological principles that might bind a Trump administration foreign policy, let alone Asia policy. And what I think, as Bruce pointed out, we've gone from campaign mode to now transition team mode. And then pretty soon after January 20th we'll be in full-on administration mode. And we're watching this unfold. And what I fear a little bit is there won't be enough time to really give to thinking about an overall strategy, again, in Asia, specifically. As you know, we've got two demanding problems. We've got the rise of China and the increasing tensions between Washington and Beijing over some dimensions of that rise, and you've also got instability on the Korean Peninsula. I'm sure

we'll get into this later.

So we have two points of focus for our Asia policy where you really want an administration to walk in on day one, at least somewhat prepared, if not have all the details of strategy, to at least have a perspective about how to proceed in those two critical relationships. I agree with Bruce, and I wrote it on a piece for CFR, you know, our alliances are not liabilities. They're strategic assets. And I don't know -- I sense that you have a Trump administration that's transitioning to that point of view, especially when it comes to the U.S.-Japan relationship because of Mr. Abe's visit and there's been some contact as well with South Korea. So I suspect that transition is underway. I hope at least it is.

But I think there's another aspect, and we've all watched it, which is the tweets. You know, the kind of tweaking here and tweaking there, and tweeting here and tweeting there. And of course, the phone call with President Tsai opened up a whole interesting barrage of policy over Twitter, right, that came from Mr. Trump himself that I think is alarming. Richard has a great piece on the front of the Brookings website today on the One China policy and its history, but I think there's going to be a lot of that kind of maybe stumbling a little bit or maybe it's strategic or tactical, I don't know, but the region will be tweeting every one of these little things as if it's policy. In fact, we do that. We sit around tables here in Washington. Is that where they're going? Is that what they're thinking? Is that really what, you know, is this what the advisors want to do? So that uncertainty has actually -- the murkiness I think with which the Trump administration is beginning its approach to Asia worries me that it's going to end up being defined by these small moves as opposed to a broader, strategic thought process.

MS. SOLIS: Matt?

MR. GOODMAN: Can I say one word? First of all, thank you Mireya, for

inviting me. I'm honored to be here.

Who the hell knows? I start every sentence with that phrase because I was so certain I knew what I was talking about until about 8:30 on November 8th. And so obviously I didn't, so please take what I'm about to say with a grain of salt.

But I think clearly it's too early to define, you know, sort of big thrusts or themes. I think the things that are starting to take shape though strike me as sort of a number of different Ts, one of which is tweeting. And I actually do think that's policymaking now and we need to see it not just as something amusing but actually a new tool of policymaking. You know, the word "tough" comes to mind. The word "transactional" comes to mind. And then trade. In substantive terms, trade is the one thing where I'm pretty confident I know he feels strongly about that and he wants to do something very different. We're going to come back and talk about that. But just I think some things are starting to take shape. What it all means in terms of something with a single adjective that defines his foreign policy philosophy, I think it's too early to say.

MS. SOLIS: Richard?

MR. BUSH: A supplementary remark. One of the ways to close the disconnect is by creating an institutional process, first of all in the transition, and then in the government after January 20th, that forces the different elements of the new administration to engage with each other on what the substance of policy will be. Can they create a way to move towards a common assessment of the environment we face externally? Can we -- can they, you know, ache a structured process for formulating options and defining interests and making choices? Can they sort of create procedures to bring about message discipline? That's what tweeting is all about, but it's only one part of the larger messaging process.

I think we understand that this is an administration where the

personalities of the people at the top will have more importance than they did in the Obama administration. I think President Obama is the sort of person who suppresses his personality and allows institutions to work, but the administration can help itself by sort of gearing institutions so that they create the best possible policy. Thanks.

MS. SOLIS: Thank you. Excellent points, everybody. I think that already has come up the question of discipline in messaging, and then the importance of personalities, and I'm sure we'll get into that as we go along. But also very early on I think everybody alluded to the question of alliances. And as I said before, during the campaign, President-elect Trump talked about the expectation that there would be a larger financial contribution from allies to shore up the cost of defense support. But since the election, after the election, then, of course, President-elect Trump has reached out to leaders of South Korea and Japan and there was that important meeting, personal meeting between Prime Minister Abe and President-elect Trump trying to reassure them about the value that these countries have for the United States in the region.

So I want to go a little bit deeper. I mean, this question of burden-sharing is certainly not new. Any Japan hand in the room is familiar with that discussion, but it's a discussion that we have not had recently. It's coming back, if you will. And I guess we need to discuss what would be the concrete manifestations of that discussion? What is the expectation? Is it about reopening negotiations on host support? Is it the expectation that Japan should increase its defense budget? Is it a discussion about deepening, expanding defense and security cooperation between the United States? Where might these conversations go? And also very importantly, how will Japan respond?

So Richard, you have written on this. We had a collection of papers on the Brookings website on policy briefs and you wrote one on alliances, so why don't you

get us started, please?

MR. BUSH: Okay. And I hope that Bruce and Sheila will weigh in because they look at these issues every day. And I will just echo what Bruce and Sheila have already said, that sure, alliances benefit Japan and Korea and other countries, but they also serve U.S. national security interests. And they make -- as long as we adopt a certain approach to the role of the U.S. and world affairs, these alliances will be useful to us.

The first thing I hope will happen is that there is a full and objective discussion among the right people about how our alliance with Japan and our alliance with Korea actually work, and who does what, who contributes what. The role that the armed forces of Japan -- self-defense forces of Japan and the armed forces of the Republic of Korea will play if god-forbid there is ever a military conflict. And one impression I have of President-elect Trump is that he's open to being corrected if one explains a different set of facts than the one he was carrying around in his head then at least for a while, and one hopes for a longer period of time, he'll change his mind.

It may be that the focus will be on the amounts of host nation support and through modest increases in Japan's and Korea's contribution then that can be the end of it. I would also wager a guess, and it's only a guess, that the attention may, with respect to alliances and burden-sharing, is going to be less on Japan and Korea than on our NATO allies. That one could make a case that that's where the problem really lies and that at the end of the day there will be a clearer understanding of what Japan and Korea actually contribute. Thanks.

MS. SOLIS: Thank you.

Bruce or Sheila, would you like to --

MR. KLINGNER: Yeah. You know, I think if you ask the five of us are

alliances important, the answer is five for five yes, and within the beltway you're going to get a very high percentage. But one thing the election sort of raised the idea of is we need to get that message outside of the beltway. So I think there's a sense that maybe we need to go back to Alliances 101 in that things that we all take for granted, maybe we need to do a better job of explaining sort of nationwide of why they are in our interest. And with the president-elect, it may almost be sort of a whisper to him of "Don't tell the allies, sir, but it's actually in our interest to have our troops deployed overseas, and they're actually paying for a lot of it. Hahaha." You know, we pulled one over on the allies. So it's not only cheaper to have in many cases the troops over there rather than here, but far more important than the dollar cost is that they are there for our interests, including maintaining peace and stability in Asia, and you can't put a cost on the deterrents that they have. The wars that they deter, the provocative actions that they deter, and the sense of well-being and stability that we gain from it so that you can then have the economic relationship and growth that you can have behind that shield of the U.S. forward-deployed presence.

And under Japan we've seen a growth in Japan's willingness and ability to assume a larger role, not only for their own security but also for common security challenges in the region and globally. So I've been very pleased with the steps that Prime Minister Abe has done. He has to make sure he always reassures the neighbors that they are not a threat, and I've spent a great deal of time talking with South Korean colleagues to reassure them that collective self-defense is not a threat; it's something that we need in order to better defend Korea against North Korean threats. So I think it's just we need to make a better case for why alliances are in our interest.

MS. SMITH: Just a couple of thoughts. I think Richard is right to direct us to NATO. I think it's also a good historical reminder that this whole idea of burden-

sharing began in the '60s in NATO. Right? It was Mike Mansfield, in particular on The Hill who began to talk about now that the allies had recovered in Europe it was time for them to spend more on their own defenses. And so eventually you get the NATO conversation leading to the Lisbon goals, which is three percent of defense -- GDP defense spending annually. The NATO allies never made it to there but that's the context of that early conversation on burden sharing, and Japan didn't really join it until the '80s and Japan was the economic superpower, and Pat Schroeder up on The Hill and her burden-sharing committed started to poke at the Japanese a little bit about their spending.

But, you know, Japan has always opted instead of using its resources to spend money on its own defense has opted for host nation support, and that conversation developed over the last two decades. Today's Japan, I think, will be much more interested in investing in defense capability to the extent to which it has the fiscal resources to do it. So I'm not saying they're about to jump up to three percent of GDP; that wouldn't be possible. But I think you have a prime minister and you have a fairly strong consensus in the MOD across the SDF, and in fact, and in MOFA and other places that the time has come for Japan to pursue greater self-reliance, military self-reliance under the umbrella of the U.S.-Japan partnership. So don't mistake me; I'm not about to say Japan is about to go off on its own. I don't mean it that way, but I do think that there's a fairly strong consensus in Japan.

I was in Tokyo the week after the election and at that point the defense minister, Minister Inada said it publicly that, you know, it's time for greater self-reliance. Ishi Basan (phonetic) -- Ishi Bashagetu (phonetic), as many of you know, is a strong advocate as well, and Mr. Onadeta (phonetic), a former defense minister echoed this language. So I think we'll see Japan debate this over the coming year. I suspect that the

prime minister in his conversations with Mr. Trump will communicate the way in which Japan wants to proceed with these alliance equities, and I don't think you're going to see the host nation support piece become an issue in the near future. Remember, Japan and the United States just signed a host nation support agreement last year, which lasts for five years. So as a practical matter there is no negotiations coming up on the horizon, so I think that's what we should expect, or maybe we should hope for in the U.S.-Japan conversation.

MS. SOLIS: Great. So let me move it then to talk about some of the regional problems that allies are facing, and of course, front and center we have to think about North Korea. The United States has had a longstanding policy to try to prevent the nuclearization of North Korea and it has not been very successful. The program continues. And this year in particular we saw an acceleration in the nuclear missile program in North Korea. So I think that there is the clear recognition that this will be one of the most pressing, immediate challenges that the incoming Trump administration will face. And there is a sense that we could actually be facing this issue sooner rather than later in the sense that we have perhaps the perfect conditions to tempt the North Korean regime to engage in yet another reckless act. Why? We'll have an American administration in transition. We're going to go through the confirmation process before all the team is there, and also because as I was alluding to in my introductory remarks, we have a South Korea in a profound political crisis that might not be resolved for several months as my colleague Jonathan Pollack has written about as well. So the idea is that this could indeed create an environment that is too tempting for the North Korean regime and that they may strike out.

So I want to ask Bruce first, but obviously everybody at the table who would like to share an opinion, do you get a sense that there is indeed a very present

danger that this could indeed unfold soon, that the conditions are there to tempt the North Korean regime to do something sooner rather than later?

MR. KLINGNER: Well, on provocations, I think all of us who work North Korea sort of realize provocation is not a great word but we can't come up with a replacement. I mean, really, it's a catchall phrase for what North Korea does which are acts of war, acts of terror, violations of U.N. resolutions and violations of U.S. law and physical attacks on the South. So provocation actually sort of sounds benign but it encompasses a great deal more.

Asking will North Korea do a provocative act, it's like yeah. I mean, that's the easiest answer to give. It's in the nature of the regime, we just don't know when. And whenever they do, we'll debate amongst ourselves, you know, was it because it's an anniversary? Is it because it's before the U.S. is about to do something, or was it because the U.S. just did something? And the same with South Korea. We don't know, and what we need to do is focus on the action. It's like someone robs a bank. We can debate whether it was because they wanted the money, they didn't have enough hugs as a child, you know, whatever, so that just focus on the act. They robbed a bank. They did the violation of the U.N. Deal with it. You know, we know from senior defectors, North Korean defectors that they like to do a provocation early in the term of a U.S. and South Korean administration, in their words, to train them like a dog. You know, and we saw that, three weeks before President Park Geun-hye's inauguration they did a nuclear test. You know, shortly after President Obama's inauguration they did a long-range test and a nuclear test. So that would be consistent with the data.

On the other hand, it would make sense for North Korea not to do a provocation. It would distract from the turmoil going on in South Korea right now. It would sort of make the case for the conservatives that North Korea is a threat. It would

undermine what could very well be a progressive successor to President Park Geun-hye who is more likely to adopt a sunshine policy or sunshine-like policy of less conditionality, less enforcement of U.N. resolutions and sanctions. You know, reversing the THAAD decision, et cetera. So throwing money at North Korea in the hopes that this time will be different.

But then also it was the same idea that it wouldn't have made sense for North Korea to do a provocation when Obama came in because otherwise he would have blamed Bush for all the problems and it caused the Obama administration to reverse course and adopt a tougher policy. So obviously, I've been working North Korea too long. I can argue yes and no at the same time.

MS. SOLIS: Great. Well, Bruce, given that you've worked on this topic for so long, let me shift from the immediate concerns to long-term solutions, if there are any. You know, again, President-elect Trump during the campaign talked about the need for China to play a larger role in helping deal with the North Korean nuclear threat. Is that in the cards? I mean, lately it seems that the temperature has risen because of the tweets and so forth that Mr. Trump has issue vis-à-vis China, so could greater Chinese cooperation be elicited?

MR. KLINGNER: No. Let me backtrack a bit. Again, we don't know what Mr. Trump's North Korea policy will be. During the campaign it was sort of two extreme suggestions. One was he'd have a "hamburger summit" with Kim Jong-un and that led many in South Korea to see this as an indication of greater engagement from the U.S., and perhaps the fact that he selected the CEO of Hardee's for a cabinet position shows that a hamburger summit will be catered.

You know, the other extreme was he was saying he would ask or pressure China to take Kim Jong-un out and very expeditiously, sort of the godfather

option of leave the gun, take the cannoli. So I think the reality will be somewhere between those two foods of hamburger and cannoli. But you know, with China, they've been part of the problem, not part of the solution. They've impeded more effective U.N. resolutions. They denied the evidence of the Cheonan sinking. They impeded a response to the shelling of Yeonpyeong. They only enforce sanctions for about one to four months if you look at the data. So they have been obstructionists.

But there are things that we can do to wean away the Chinese banks and businesses away from engaging North Korea as part of the overall new international consensus to tighten the economic noose on North Korea. Through third-party sanctions you can change the cost benefit analysis of those companies. We did that in 2005 with Banco Delta Asia when there were a series of private meetings by U.S. officials throughout Asia which led to 24 entities, including entire countries, as well as the Bank of China to cut off engagement with North Korea. We now know that the Chinese government didn't want Bank of China to cut them off but the Bank of China resisted and said, look, for our own continued existence given the centrality of the U.S. financial system and their need to access it, et cetera, they had to do it in their own self-interest to maintain their own existence. So if we do that with additional third-party sanctions on Chinese entities, we can wean them away from engaging North Korea even if the Chinese government doesn't like that.

MS. SOLIS: Thank you, Bruce.

I wonder if I can bring in other panelists to talk about the North Korean question, perhaps share with the Japanese perspective is on how to go about this issue. I guess I was hinting at Sheila and she kindly nodded.

MS. SMITH: I heard that. Ooh, ooh, that's me.

So the Japanese perspective, as you all know, has been that the

organizing principle of Japan's defense posture has -- during the Cold War and after the Cold War has been the potential for a contingency on the Korean Peninsula. So Japan has very high stakes. Prime Minister Koizumi, when he went to North Korea, was also speaking not only about abductees, the Japanese citizens abducted by the North, but he was also trying to reiterate what was a growing concern about North Korean missile capability; right? So when the Japanese look out across the "sea that shall not be named at the moment," when they look out at North Korea, right, they see enhanced not only their nuclear ambitions but they also see the proliferation of missiles, missiles capable of hitting Japan and also the intermediate range Taepodong and others, right, that may go over Japan and hit the United States and affect the extended deterrent.

So the Japanese don't have a direct role if there's provocations or whatever we're calling North Korean behavior against the South, but they certainly have a deep strategic interest, security interest on our response -- the U.S. response and the South Korean response.

I think this year, 2016, has been a very busy year for defense planners. One of the pieces that are noteworthy for the U.S. and Japan is this has been the year in which the alliance coordination mechanism, which was instituted in 2015, was used to deal with a crisis, and that crisis was the repeated launching of shorter range, but nonetheless, provocative missiles towards Japan.

So the alliance is on actually pretty steady ground on the coordination side of a response, both a deterrent response and an actual ballistic missile -- potential ballistic missile response to Korea. Should we fall off the wagon, so to speak, in other words, should we have a transition in which those mechanisms of coordination with Japan and South Korea fail, or are not utilized in an appropriate way, that would be very alarming, I think, in Tokyo. So that's, you know, we're in good shape in terms of the

alliance mechanisms for responding, probably better than we've ever been. I should also note that Seoul and Tokyo have just signed a GSMA finally. Even though it's come in the midst of this political turmoil in Seoul, it has been signed. And so they are also in a better position should there be any provocative action by the North. But that presupposes a pretty strong lead by the United States.

MS. SOLIS: Great. All right. So then, moving along then I want to talk about what I refer to as the Putin factor. Russia and Mr. Putin have been in the minds of American people for the past few months, not only because President-elect Trump has disclosed his desire to have friendlier relations with Russia, but also because of the role of Russian hackers in the American election and there's momentum towards launching a bipartisan query on the role of these cyberattacks.

Now, for the Japanese public, Russia and Mr. Putin have also been very much on their minds but for very different reasons. As we gather today on this panel, Prime Minister Abe is about to host President Putin in what is referred to as the Onzen, the hot spring summit, to talk about the Northern Territories, perhaps the potential for finally concluding a peace treaty between both countries.

So I would like first to talk about, you know, get an understanding on what is within reach? What are the different options? We always talk about the 1956 Joint Declaration, the terms that were discussed then, but then there are newer discussions, something called two plus alpha and now there's two minus. So, you know, there's a lot of imagination out there.

So Sheila, if you would like to first discuss, what are the contours of a potential deal, but also why has the mood soured? I think the expectations that a breakthrough could happen in the next couple of days has significantly gone down. Why is that the case?

MS. SMITH: So let me reverse the order of your question. You know, Putin will be arriving in Japan tomorrow and there's been a lot of last minute tweaking of this visit. For those of you who have not seen it there's a really kind of striking interview that Mr. Putin did yesterday with Yomiuri and Nippon TV together. It's on the Russian -- it's in English. I tweeted it in case you follow me, but it's a big, long lengthy interview in which Putin not only throws cold water on the visit but adds a few ice cubes as well. I mean, it was really striking how far down the path he went to saying I'm not playing on the game that you want me to play. And I don't know until we get to the other side of the summit what this actually means. So in answer to the big question, what are the contraries of the deal, I'm not sure we know, but I think the deal has fundamentally -- expectations are being very dramatically lowered before he arrives. So he's flying in tomorrow. The Yamaguchi part, you know, with Mr. Abe and the Onzen Summitry was supposed to be a big day or more of this personal dynamic that Mr. Abe and Mr. Putin have cultivated on both sides. Mr. Putin, the extent of the cold water, Mr. Putin has just rejected the dog, the sabacka, and it's all in the Japanese newspapers, and that seemed to be gratuitous to me. Why do that unless you're really trying to send a signal to the Japanese people that he doesn't need to send. But the personal rapport seems to have suffered somewhat. That's one piece of the puzzle. And I thought the personal rapport was a large part of what we ought to have been watching. I think they've met 15 times. They've met an inordinate amount of times; right? So that's one of the reasons that expectations were so high.

So what was in the mix? So the two-island solution, as everybody knows, going back to 1956, we went to the two small islands closest to Japan would be Japanese, and the other two islands upon which the Russians still have and continue to build military, you know, artillery units would not be in the mix. So the two plus or minus

the alpha is two things that Putin wants. One is he wants Japan to ease away from the sanctions completely or completely exit from the sanctions regime; right? Two, he wants a substantial amount -- some people say it was \$14 billion, some people had a number on it, I'm not sure we should, but a substantial demonstration of Japanese economic commitment to the Russian Far East. Not just in energy. So not just the sacoline (phonetic) and other kinds of things that we've heard before, but a much bigger investment commitment by major Japanese manufacturers and a long-term presence in the Russian Far East.

He also wants significant amounts of trade loans. And again, that would fly in the face of at least the spirit of the sanctions; right? So what we're going to see is we've already seen an announcement, and I can't remember the aggregate number, but two Japanese banks have already announced they're willing to provide loans, a substantial amount of money. And again, I don't have the number at my fingertips here. So he will get some of it.

My understanding of corporate Japan is that they are somewhat uneasy about being pulled into the diplomatic fray, especially given the current state of the U.S.-Russian relationship. I think a lot of Japanese corporations are somewhat nervous about the long-term prospects for Russia-Japan relations in light of the other issues that are happening between the U.S. and Europe and Russia.

In that interview that he did with Yomiuri, he was really quite blunt. He wants sanctions removed. And then he also in that interview, used a language that I have not heard, and again, I'm not a Moscow watcher so some of you may have been paying closer attention, but he said the 1956 deal, the terms of the '56 deal is what I signed up for basically -- I'm paraphrasing. The Japanese took it out of that framework. They are asking for more basically is what he was implying. And he was really in that

interview saying I'm not going there. So there's a tension in his approach between the economic, right, tradeoff or whatever the island package may look like in the sanctions and then this very historical trend, you know, going back to the '50s to define the terms of a deal. Frankly, I don't think we're going to see a big announcement when he's in Tokyo. He is going to meet with Kadonren (phonetic) leaders, and we will find something there but I don't think it's anything like what a lot of people were imagining. It's not a comprehensive economic initiative for the Kurils or Northern Territories. I don't see it. We could be very surprised a day after tomorrow, but given that interview, I think we are not going to see very much come out of the meeting.

MS. SOLIS: Thank you, Sheila. That's really interesting.

Let me follow up, because another thing that, you know, is really noticeable is that there are actually two different locations for this gathering; right?

MS. SMITH: Yeah.

MS. SOLIS: So they go to Yamaguchi but then -- to talk about the Northern Territories question, but then they move to Tokyo to have that economic forum. And it may not be the far comprehensive, you know, set of economic deals that perhaps were in the mix before, but nevertheless, there is a clear expectation that there will be some concrete economic deals coming out of that meeting. So my question to you, Sheila, and everybody else who would like to respond, is there a risk that Mr. Putin is perceived as a big winner of these 15 meetings? Because after all, you know, he didn't want to talk about Northern Territories. He's already told the Japanese press that, and he's still getting that economic cooperation that he values most for the Russian Far East?

MS. SMITH: I think it depends on what he gets. And again, because we don't yet know what the contours of that that are going to come out from Kadonren, and again, I was in Tokyo two weeks ago so I don't know how thinking might have evolved as

the visit gets closer. But the reality is even Japanese corporate leaders who want to support Mr. Abe's initiative, and there's a lot of support for Abe's diplomacy, they are looking at the changes in Asia. They are looking at our transition. And one of the factors that will be very hard to read in Tokyo, whether you're sitting in the Conte (phonetic) or you're sitting at Kadonren, right, is what the Trump administration is going to do with Russia. Because all the way up until now the Obama administration has actually been trying to slow down Mr. Abe a little bit, or urging caution; right? And now you have an incoming president that is signaling that he is willing, or his administration may be willing, to ease up on the sanctions. So that then will put Mr. Abe -- if he is hesitant about this, he may be playing catchup with Mr. Putin. And that may be a little bit what's happening with that interview. That was the thought that crossed my mind is that Putin is basically saying play ball now because later I'm going to have a government in Washington that's going to be much more forward-leaning and you'll be left out of the game. Now, I may be too Machiavellian, but I think it's a different dynamic now because of our transition and because of some of the signaling we're getting on some of the personnel coming into our government.

MS. SOLIS: So instead of the Putin factor, maybe I should have said the Trump factor.

All right. Let me move on then to relations with China, and I think this is the big elephant in the room. Again, the conversation by phone with President Tsai and then the discussion of Taiwan as potentially a bargaining chip. As Sheila mentioned, Richard, you posted an open letter to President-elect Trump on this, so could you please react to these latest developments, and what should you think be the path forward on China policy for the next administration

MR. BUSH: President Trump, in his discussion of China policy on the

FOX News on Sunday suggested that he might use his -- the issue of whether he's going to adhere to the One China policy as leverage to get things that he wants out of China on trade, on North Korea, and South China Sea. And this fits with the image that we have of him as a very transactional guy. You find your adversary's point of weakness and try to exploit it and use it to get what you want.

There are a couple of problems with this, I think. First of all, issues in U.S.-China relations are not so easily mixed up together in this kind of bargain. They each have their own logic. They each have their own complexity. And they each deserve attention on their own merits, and that's the way these issues have been approached by a number of different administrations.

Second, the One China policy really isn't up for grabs here. From China's point of view, this is the foundation of the relationship. It's not something that you sort of are willing to reopen for discussion whenever the United States wants to do it. And so if the new administration tries to play this sort of tough-minded leverage game, it may undermine the whole relationship and undermine cooperation with China where cooperation exists.

My final response on this is that when you're talking about the One China policy, you're really talking about Taiwan and the way we interact with Taiwan and the commitments we've made to Taiwan. And there are people associated with the administration who say that the way that administrations back to the Carter administration have defined the terms and conditions of the One China policy, it's been very demeaning to Taiwan and humiliating to Taiwan. Well, first of all, a number of changes have been made over the years in how we interact with Taiwan and it's much more positive than it was. Second, behind the façade of the unofficial relationship that we have with Taiwan, a lot actually happens, including the security area. And as long as it doesn't appear to

become official, the Chinese grumble about it but they don't threaten to undermine the whole U.S.-China relationship.

And so there's a risk involved in toying with this, and it's not clear what the benefits would be. It's not clear how much Taiwan would want this. Moreover, there is a danger that China chooses to inflict punishment not on the new administration as much but on Taiwan. And Taiwan has not so much to lose. So I hope that in the process of going from transition to administration that there will be some deeper thought about this and consideration of the complexities involved. For the relationship more broadly, I think that it would actually be a very good idea for President Trump and President Xi Jinping to have a meeting akin to the one that President Obama and Xi Jinping had at Sunnylands in California in 2013 that allowed for an extended discussion. It allowed each leader to lay out for the other his vision for his own country. Thanks.

MS. SOLIS: Thank you.

I wonder if there are any other reactions on One China policy from the panel. No? Richard covered it so well? Okay, great.

So then let's talk about another foreign issue because obviously the region does not elect them. There are plenty of them. And I want to shift to South China Sea. You know, Japan and the United States are countries that both support rule of law, freedom of navigation, and they both welcomed the ruling of The Hague Tribunal on the South China Sea that came out last summer. But this has been a period of rapid change because just as that ruling came out, there were important changes in the region, and I'm thinking in particular the election of the Philippines President Duterte, who has now called into question some of the aspects of the alliance with the United States and has sought closer relations with China. So there has been some discussion as to whether some of the countries in Southeast Asia -- not only Philippines, but Malaysia, Thailand, and so

forth, may be reading a situation where the United States is receding from the region and they're seeking greater accommodation towards China.

There was a piece by some of Mr. Trump's advisors where they talked about a naval buildup. So I guess my question, Richard, or others, is whether you think that that would be a good way to reassure the region of the continued U.S. presence and the willingness to lead, or should we think about in addition to that, other tools that would be perhaps as effective or needed to reassure the countries that we are there?

MR. BUSH: Thanks. This is one where I really don't know, but I do think that the election of President Duterte in an ironic sort of way is a good thing for the new administration because it means on this issue at least, China will not be tempted to engage in coercive behavior in the South China Sea because it can legitimately hold out the hope that it will get what it wants or needs from President Duterte and not have to sort of extract it through coercion. That will give the United States' new administration time to sort out its priorities. It will give the countries of the region a chance over a series of months to figure out exactly the degree of engagement that the Trump administration is going to have and how this affects their balance of interests and whether at the end of the day they have to make a choice between the United States and China.

I do think that the key indicator of the future role of the United States and Asia, and here I'm offering you a segue to the next section, is what happens on TPP? Because I think that in addition to our military presence really is seen in the region by friend and foe alike as the more fundamental manifestation of our future policy.

MS. SOLIS: Thank you. If there are no comments on the South China Sea, then I'll take the segue and move into the economic agenda. Yeah? Bruce, I don't want --

MR. KLINGNER: No, I was just going to say, you know, when you

mentioned the naval buildup, I mean, we do need to redress the shortages in our allocations for the Defense Department. You know, in the last several years we've had, because of sequestration and priorities, et cetera, you know, a very strong degradation in the U.S. military capabilities. You've got airplanes that we're flying that according to the FAA are antiques. I mean, they classify them as antiques. We've got one in three Air Force planes worldwide which are grounded because of lack of funding. We've got ships in the Pacific which can't leave port because of a lack of funding. You know, it's impacted the training, the procurement, and the operations budget. So we do need to address the Defense Department shortfalls. And so our allies and our opponents can read a balance sheet as well as any folks in Washington can, so they see the size of the Navy is decreasing, will continue to decrease because of the procurement shortfalls. So it's led to increasing questions by our allies as to the U.S. capabilities, and then also there's been growing concerns about U.S. resolve. You know, when you have fairly weak freedom of navigations operations, the Serial Red Line, et cetera, et cetera, there's questions about U.S. capabilities and resolve and whether we're a receding nation and China is rising. So it is a question that we do need to address.

MR. BUSH: I agree with all of that.

MS. SMITH: Just one thought, too, that we don't know, and it's another of our long list of "don't knows," but we tend to think that the incoming Trump administration is going to be very bilaterally oriented, not supportive of multilateral engagement and things like that. But when it comes to the U.N. Law of the Sea, when it comes to The Hague Tribunal, for example, I don't know that we know yet the attack that this new administration is going to take. So I agree with Bruce, if there is this unilateral focus on restoring our naval capabilities long-supported in Congress, but there is also among our navies and other advocates inside our governments, a very strong push for us

to move forward with the U.N. Law of the Sea, to try to think about ratification, to be a player in that space. And I'll be very curious to see what, if anything, the Trump administration thinks about that, especially in the light of The Hague arbitration.

MS. SOLIS: Great. Thank you very much.

So I want to shift to the economic issues, and Matt has been very patient, and this is our cup of tea, so very eager to engage in that discussion even though it is a complicated picture ahead of us. And I want to touch on two broad issues. One is U.S.-China trade relations, and then the future of the TPP and what that would mean for U.S.-Japan relations.

But first let's start, Matt, if you will, on U.S.-China trade, because Matt, I completely agree with you that, you know, when people talk about what Mr. Trump might do in foreign policy, I share the view that he can be persuaded to do something different but I doubt that he can be persuaded to change his basic underlying approach to trade. This is an idea that he has had for a long time and everything that we see from the group of advisors he has and the nominations that he has put forward would suggest that this is going to be a different approach, a very different approach from what we had with the Obama administration. There's going to be more focus on bilateral deals, results-oriented trade policy, enforcement, and not so much governance or rulemaking. At least at this juncture that's the picture I get. But vis-à-vis, China, you know, China figured prominently -- trade with China figured prominently in the campaign, and he took a harsh line, if you will, saying that he will very soon in his administration identify China as a currency manipulator. He talked in the campaign not so much now but about imposing hefty, punitive tariffs on Chinese imports. And we know, of course, that trade war with China is a serious risk factor for the American economy, because if you upend the global supply chain, it's not going to be contained to these two countries. Japan also has huge

stakes here.

We also know, and this is something that has been said already on the panel, is that what is said in the campaign does not necessarily translate into policy, and we need to see what happens after January 20th. But given all these uncertainties, Matt, how do you see the U.S.-China trade relationship evolving in the next administration? Huge question for you.

MR. GOODMAN: Thanks. And always happy to wait for the "life and liberty" guys to go first so we "pursuit of happiness" people can bring up the rear.

So look, I think U.S.-China economic relations were going to be scratchier whoever won the presidency, largely because of not trade but investment. I mean, the trade dynamic has been there for a long time. It's getting maybe a little more sort of amplified, but I think it's investment that's the real problem. On the one hand you have this wave of Chinese investment coming into the United States that, you know, the first half of this year, I think it was about twice as big a flow as the previous flow total, something like that, and I think this was going to raise -- already it was raising a number of concerns about narrowly defined national security and broader concerns about state-owned enterprises buying assets and then just purely political backlash as we saw -- as you and I saw with Japan in the late '80s. So I think it was going to be bad on that side.

And then on the other side, U.S. companies in China are feeling increasingly uncomfortable in that investment climate, and part of that is sort of natural economic forces, that growth is slowing and labor is getting more expensive. But part of it is policy. I mean, China is clearly making it less comfortable for American companies, foreign companies to be in China, by whether it's use of existing laws like the antimonopoly law to crack down in a sort of apparently discriminatory way against foreign firms or through new laws like the cybersecurity law or the foreign NGO law which affects

American businesses indirectly, or just the policies of championing pillar industries, domestic industries and state-owned champions in particular, and of course, indigenous innovation policies and IP theft. It's just becoming a much less friendly market. And the worry is for Japan, people like us, when we were starting out focusing on the bad old days of trade friction, you know, you had the alliances of ballast in the relationship. In China it's always been the reverse. We've didn't have strategic trust or an alliance but we did have strong business support for the relationship because of our investment position over there. If this erodes it could really lead to broader problems in the relationship. So I think there's a reason to be quite concerned. I'm not sure which of these policies he's going to follow through on although the currency manipulator one he's already done. I mean he's tweeted at least twice that they're a currency manipulator in those words, I mean, since he was elected. And so, I mean, you know, I used to work at Treasury and have to write that report about determining currency manipulator. I know it's a very drawn-out process of determination and all of that, but the reality is the president of the United States to-be has already declared them a manipulator, so to me it's sort of a mute-point what Treasury says.

And, but this leads to just one final point about this, which is that I think what's going to really shape his policy going forward is reality, economic reality, because on the one hand he seems to want to be -- he seems to favor a weaker dollar. Okay, that's the implication of saying that China is manipulating its currency to suppress it. He also wants to reduce the trade deficit to zero. Okay, that implies a weaker dollar. You know, I can elaborate on that, but basically, bottom line is that means a weak dollar sort of instinct. On the other hand, he wants to goose up growth domestically, three and a half, four percent growth has been talked about. Infrastructure, spending, lots of tax cuts and various other things that would be stimulative, and that suggests rising interest rates

and a stronger dollar. And at some point those two things are going to come into conflict and he's going to have to choose, you know, which of these directions does he want to go? So I think that's going to -- I don't think he's had to face that choice yet or maybe even understands it, but I think that's going to shape this.

And then on top of all that is the Taiwan factor. If China uses it as it has in the past, economic tools to respond to things it doesn't like about Taiwan, that could add further fuel to the fire in our relations. So I wish I could be sort of more hopeful but I actually think it's going to be quite a rocky period ahead.

MS. SOLIS: Thank you, Matt. No, I share that assessment, and I completely agree on the importance of investment. I also want to point out that there is a major disagreement on China's status as a nonmarket economy for WTO antidumping determinations in U.S. and then a challenge at the WTO, and I think that already had started -- obviously with the Obama administration. It's also only going to pick up steam as we go forward. And again, if there is a drop in cooperation because of frictions over the One China policy and so forth, the chances of reaching any compromise solutions seem very dim. So I do think that we're heading towards a period where there could be more friction than before. And how we handle that when we don't have that close security bond that we had with Japan in the 1980s is going to be a major challenge for this administration going forward.

Then let me talk a little bit, Matt, about the Trans-Pacific Partnership, because this is one area where there is, I think, as you said, he has already stated some things and he has already stated repeatedly that on day one of his administration he intends to send a letter of intent withdrawing the United States from the TPP.

You know, I think that this year has been a year of firsts, right? Nobody -
- I didn't expect Brexit. I didn't expect the electoral outcome. And I never expected the

United States withdrawing from an agreement that it led in negotiating. I cannot tell you how many panels I attended when we always were reassured by knowing that the United States had never failed to ratify a negotiated trade agreement. This might be a first on that front as well, and it's a major trade agreement because it comprises 40 percent of world GDP. It's very much seen as part of the U.S. policy towards the region. It has broader geopolitical implications, and because we know that the TPP countries, they all had to go through difficult domestic conversations to make that kind of commitment. They spent a significant amount of political capital, and Japan is one case, to make sure that they could get to the finish line and there will be no benefit if the agreement does not come alive.

So, Matt, this is a question I get all the time. I would like to get your take. Is the TPP dead? Or how can we rescue it? What kinds of the agenda could still be salvaged? What do you think should be the path forward? And more generally, how does the U.S. the Trump administration, January 20th withdrawing from TPP, how does that reverberate in Tokyo and in the other TPP countries?

MR. GOODMAN: Okay. Another small question.

So first of all, I like Mike Froman's answer to that question, the first question, which is I prefer to think of it as in purgatory -- TPP being in purgatory, not actually dead. And so, you know, that's the way I like to look at it because I think, you know, you can change a leader, you can change a policy, but you can't change interest. And the United States' interest is in participating and leading initiatives like TPP. It may not be called TPP. It may not have all those elements, but the bottom line is that's in the U.S. national interest in my view. And, you know, by saying that we're going to withdraw, and I'm not even sure what that means since we haven't ratified it yet, but you know, I think we're losing three big things. We're losing some upside economic benefit. You

know, even though people belittle that, you know, as an economist or a policymaker on economic issues, if you tell me that you could through one initiative add a quarter of a percent to U.S. GDP, it doesn't sound like much, but on an \$18 trillion economy, that's a lot of money and that's a big deal for one initiative. So economically we're losing those gains.

In terms of the rulemaking dimensions of TPP, we're losing an opportunity to update and uphold the rules-based system in Asia and in the world, and number three -- and I'm going to come back to that second point in a second -- but number three, it's obviously a strategic hit, you know, to our position in the Asia-Pacific. We've basically, you know, use whatever metaphor you want, had an own goal. By undermining our credibility and pulling out of an agreement that we not only led but, I mean, we twisted a lot of arms and pushed people to do this and now we're pulling back from it and it's created a vacuum and created an opening for China who may or may not be able to fully exploit it. I think some of the talk about them leading RCEP. First of all, RCEP was a Japanese initiative, not a Chinese initially, but also, you know, I'm not really worried about that but I do think China is going to step into some of these other roles and use it as leverage for other things they want to do. So I think it's a real problem on all those fronts.

Now, in terms of the rulemaking piece that I alluded to, I think, and your question about sort of how we carry on, look, I think we've reached that point in The Lord of the Rings where Sam and Frodo are in Mordor, and Frodo has been incapacitated by a spider and Sam has to pick up the sword and the one ring and carry on. Okay, this is what I think the U.S. and Japan, the position we're in right now. The U.S. is incapacitated in terms of global economic rulemaking, and I think Japan has to pick up the ring and the sword and carry forward. And I think that can be done through -- it's great that Japan

ratified TPP. I hope it can find a way to keep TPP alive, or in purgatory at least for the next few years. I think there are opportunities for Japan through its infrastructure initiative, for example, to maintain, keep the heat on China to maintain high standards of governance and implementation of infrastructure investment in the region. I think in the digital economy there are things that Japan can do to advance high, free open Internet and high standards for new technologies and so forth. I think climate change, women and youth, there are a number of things that Japan shares our values almost side by side in our interests, and I think Japan should find every way it can to try to advance those things through APEC, through the G20, the G7 -- by the way, where I think we could potentially work with others to advance some of those issues. And you know, hope the U.S. comes along on some of those things. You know, we'll see.

MS. SOLIS: Great. So the audience has been very patient, and I have just one last question for all of you and then I want to turn it over so that you have -- I'm sure there's going to be so many questions. But one that goes I think to something that's essential and it's a question of trust. Trust is an essential component of any alliance, and we here are all just emerging from a bruising presidential election where not only us but I think the entire world was shocked by the divisiveness of American politics. So my question for the panelists is do you think that this experience that has shown the underbelly, if you will, of the American body politic, and it's not a pretty picture, has damaged the trust that the other countries have placed on the United States, who for, you know, decades now has played a leading role in upholding literal order? Has that trust been undermined by what they've seen? And if so, how do we go about repairing that trust? That, you know, we're committed to enduring alliances, that we're committed to upholding an open literal order? How do we go about picking up the pieces from what has been, I think, quite a remarkable, to use a euphemism, election?

I hope I didn't leave you all speechless.

MR. KLINGNER: You know, I was going to say with Matt's Lord of the Rings analogy, I was going to accuse him of being a geek and still living in his mother's basement, but I remember that scene so I'm right there with him.

Now, on the trust, as I mentioned, there are growing questions about U.S. capabilities and resolve, and you couple that with the growing North Korean threat and they've had breakthroughs in 2016 with their SLBM and their Musudan missile and they're continuing to work towards the ICBM. And that has led to more discussion in Seoul about whether they should have a nuclear weapons program, reintroduce U.S. TAC nukes. You know, more discussion about preemption, and even more calls of, you know, will you trade Los Angeles for Seoul? And I take a little bit of umbrage and respond that we were willing to, in essence, trade New York and Washington for Bonn, London, and Paris, so why should our commitment to an Asian ally be seen as anything less than those to the European allies?

But you know, I think another issue is we've talked about uncertainty. Another issue is unpredictability, and Mr. Trump has said he likes to be unpredictable, and maybe that works in business negotiations but I think it's terrible for alliance management, and I think the record would be mixed on how good it is for diplomacy. You know, presidents have every word, every nuance dissected and analyzed and overanalyzed for indications of U.S. policy shift, and I think we can't surprise our allies by having them read about something publicly before there's a discussion. You can't leave an ally out in the cold or in the dark. So I mean, one thing I would urge is I hope some advisor to Mr. Trump will be saying, Mr. Trump, put the BlackBerry down and slowly step away. You know, stop tweeting. You know, we just need to kind of get away from policy by Twitter.

And I think even as we move along and the U.S. policy becomes apparent, the world gets a vote. North Korea doesn't like to be ignored. And so even once we get all our ducks in a row, and probably before we get our ducks in a row, China or North Korea or some other nation will do some action which may throw everything into unpredictable uncertainty.

MS. SOLIS: Thank you. That was great.

Richard, you had --

MR. BUSH: No, I'll take a pass.

MS. SOLIS: Okay. All right. The audience, please, there's a mic. Wait for the mic to arrive. Identify yourself very briefly and a very brief question because we have limited time and I'm sure lots of questions. So, Chris?

MR. NELSON: Thanks. Chris Nelson, Nelson Report.

Fabulous discussion. Thank you so much. How about three brief questions, separate ones?

First, quickly on TPP, all these cabinet appointees, aside from being white guys and rich guys, most of them are in favor of TPP. You know, is there going to be a trickle-down effect there? I'd like to hear some discussion on that.

On the North Korea stuff, need to have a little bit of discussion about the crisis that will occur -- it was going to occur under Hillary, and now under Trump -- if the Norks get a workable or plausibly workable ICBM and the sanctions haven't kicked in enough to change the regime behavior, there's going to be a crisis. Because the new South Korean government may be less interested in an American preemptive strike than the current one. What the hell do we do? And I think that's a crisis that will be here if the Norks get a workable ICBM, the preemptive discussion.

Third, and we were talking about it before the meeting, there's been

some awful loose talk from veteran Asia policy people associated with Trump or associated with the conservative wing. Just yesterday our friend Joe Bosco says the U.S. should recognize Taiwan. Okay? Now, probably the missiles would be in the air before the speech was finished, but maybe not. I think we need to talk about what the implications are of a truly radical change in One China, not just unsettling things because there is this specific rising sense that people like Bolton, God help us, thinks that's what we need to do.

So three separate but each possible policy crises that we will be hit with under the Trump administration. So thanks for your patience, and fabulous discussion.

MS. SOLIS: Thank you.

Go ahead, Matt.

MR. GOODMAN: Just very quickly, I'm not optimistic that his cabinet is going to be able to control him, and just for the reason I stated, he has a strong view on this and even his cabinet nominees or designees, Mr. Ross, who was one of the supporters of TPP, he said it was a great or something several months ago, he now is dismissive of it. He says it's a dumb deal or something. And yet he doesn't know what's in it because he was asked on the CNPC interview about doesn't it cut tariffs? And he said no. Okay, so he doesn't know. So apart from the 18,000 tariffs that it does cut, he's right; it doesn't cut tariffs. Okay. And so hopefully, if these folks actually learn what TPP is all about, there may be some eventual kind of drifting back towards something like that. And so I, you know, keep hope alive.

Just quickly on Taiwan, and these guys will answer the Taiwan question, but just on one dimension of that, you know, I could see some improvement in our economic relations with Taiwan that isn't at odds with the other things, but that's not, you know, that's only in -- I mean, I'm isolating the economic and saying I think we could do

things with Taiwan that are a little more interesting than we've done to date. And so that's one thing that maybe would blow off some of the steam.

MS. SOLIS: Before we go to Taiwan and other questions, just on TPP, going along with the issue of the things of TPP that the Trump administration is unaware of, you know, there is this emphasis on bilaterals. Well, they should realize that the TPP on market access is a set of bilateral negotiation, and when they ask for perhaps in the future negotiating a bilateral trade agreement with Japan, my answer is, well, we just negotiated one. And on top of that you have the overlay of multilateral rules and cumulative rules of origin. So you actually have a very unique design and hopefully once they see that there's a strain of bilateralism, maybe they could find a way back. But like Matt, you know, these cabinet nominees have flip-flopped on TPP, so I don't see it as them exerting strong pressure in that direction.

MR. BUSH: On Taiwan, I think we should understand that the other shoe has not dropped. And by that I mean, sure, you have people like Joe Bosco out there saying we can do this, it's in our interests, it's good for Taiwan. But I would think that you also have the republican economic establishment and the republican foreign policy establishment who understand why the current set of arrangements between the United States and China, including the One China policy and the unofficial relationship, are good for us and good for Taiwan. And can they get access to Donald Trump? I hope so. Can they make the case? I hope so. Can they make it stick? I certainly hope so. But the battle is not yet joined.

MR. KLINGNER: On North Korea, you know, I think preemption has been tossed around a little too loosely lately, not only in Seoul but in Washington. People in the '90s used to say if North Korea ever tests a nuke, well, we'd go after them. We'd attack them. They've slip-slid across a lot of red lines. I think when we assess that they

have an ICBM and you have four U.S. four-star commanders say they already have that or you have to assume that they have it, I don't think you use that as the justification for a preemptive attack. I think you reserve that for when the poor Intel analyst runs into the president's office and says we have really good Intel, you know, we see mobile missiles erect and fueled. We think they are nuclear tipped. We think we know the leadership intentions are to attack as opposed to a signal or training exercise. It's up to you sir or ma'am, you know, you decide whether to do a preemptive attack. I think you reserve preemption for that, not when they develop, achieve some technological development.

I mean, it's kind of like the scene in Star Wars where --

MS. SOLIS: So we've gone from Lord of the Rings to Star Wars.

MR. GOODMAN: At least do Star Trek if you're going to do that.

MS. SOLIS: All right.

MS. SMITH: Can I just -- one quick comment. And it gets back to the original point I was trying to make at the beginning, which is we could see this administration begin as a result of various pressures and then have to develop and correct from there, and I hope we don't see that. But I think the North Korean one, whether it's preemption or not, that's the use of force question, right, when President-elect Trump or President Trump will have to make a decision about use of force by the United States with or without allies. And therein lies the crux of our dilemma in Northeast Asia with North Korea, right, is the people who are going to feel the brunt of North Korean aggression are not necessarily American except for our forces on the peninsula. They are going to be South Koreans and maybe Japanese. So there's a lot that weighs on this. It's not just what's the nifty new idea or how close are we to this threshold of a deliverable ICBM but how do we actually work with our allies to make sure that our response speaks to their desires for a safe and secure Northeast Asia.

MR. BUSH: There's another institutional premise to this scenario that Bruce laid out and that is that the president of the United States actually listens to the CIA analyst who presents him with this information.

MS. SOLIS: All right. Chris got a pass asking three questions. From now on it's one question per person. And I see a hand in the back. That gentleman. Can you stand up? Yes, you.

MR. LUFER: Jeffrey Lufer (phonetic) on China CNC TV.

We've seen that Mr. Trump -- so far Mr. Trump appears to hinder the foreign relations in a quite transactional way. By given the complication of the politicoscape in the Asia-Pacific region, do you think transactional way is a good choice and what could be the risks? Thanks.

MS. SOLIS: Very good question.

MR. BUSH: I think on certain issues or within a certain issue transactional approach is good. I think when you do it across issues it's not, and on this I think it's way too early to say and there's a lot that will either be put in place or not be put in place that will -- should shape how much that approach is going to be used.

MS. SOLIS: All right. Thank you.

There was another -- this gentleman here?

SPEAKER: Hi, my name is Chris. I'd like to hear a little bit more, Bruce. You mentioned in passing the possibility of a reversal of the South Korean position on THAAD. I will unrealistically ask you to frame that in a percentage likelihood but maybe more realistically ask if that sort of reversal would have any impact on Japanese thinking on THAAD. And again, my understanding is that this has been a much bigger factor in the Chinese thinking on Korea and U.S.- China relations generally. So how that might interact with any of the other dynamics you guys have been talking about.

MR. KLINGNER: Well, it all depends on who succeeds President Park, and I think the Saenuri party is likely to split and whether Ban Ki-moon aligns with an anti-Park faction of the Saenuri. You know, he's polling lower than Moon Jae-in, and really right now he seems to be the only one on the right side to be a candidate. You've got Moon Jae-in and then a number of other progressives, so I think the likelihood is greater now after the political crisis that a progressive will be the next president. Either Moon Jae-in specifically or the Seoul Mayor Park or others in the progressive side have all talked about wanting to reverse or undo or not implement the THAAD deployment. You know, put a hold on the "comfort women agreement, you know, undo or reverse the Gesomia (phonetic). You know, reaching out to North Korea in a less conditional way. Restart Kaesong and Kungonson (phonetic). You know, basically undo everything Park Geun-hye has done on foreign policy. I think that would put severe strains on the alliance with the U.S. You know, kind of imagine someone coming in to President Trump's office and saying, "Sir, our South Korean ally won't allow us to deploy a system to better protect our 28,500 sons and daughters against the growing North Korean nuclear biological and chemical threat." You know, I think the response might start with, "Oh, really?" I think it could put quite a damper on the alliance.

So what I hope South Korea does is stands up to the Chinese political, military, and economic threats. China's arguments against that are disingenuous and they know it. So it's there. The system does not in any way impede their missiles. They can still attack us and our allies, thank you very much, so it is just against the North Korean threat. So I hope our ally continues the process to deploy THAAD.

MS. SOLIS: Sheila, do you have --

MS. SMITH: Just quick on the Japanese piece. I think the Japanese thinking right now is a little bit one step back, which is a more comprehensive thinking

process about ballistic missile defense and a conventional strike. So I wouldn't focus specifically on the THAAD, although it propels that conversation forward a little bit, but I think the larger picture is many Japanese feel there is a capability gap and I think you're likely to see that emerge again I think regardless of which way it goes in South Korea.

MS. SOLIS: Okay. We have time for one more question. I'll ask two questions super briefly if you don't mind because he was so patient.

MR. CLIFF: Roger Cliff of CNA. My question has to do with what the impact of the transition is going to be on what the Obama administration was trying to accomplish with the three-balanced Asia. The rationale behind it was that Asia is a long-term permanent interest of the U.S. and we are there to stay and we are not fair-weather friends and that sort of thing. Now, if you're sitting in Asia you're getting a lot of mixed signals at this point and I'm just -- on the one hand the U.S. is talking about plusing-up (phonetic) its naval capabilities. On the other hand it's talking about maybe the alliances aren't so binding and that sort of thing. So I'm just wondering, if we see a significant change in direction with regard to U.S. policy towards Asia, what's the likely impact of that going to be on perceptions of U.S. commitment to the region?

MS. SOLIS: Thank you. I have this gentleman very patiently waiting, so we're going to get his question as well. And very short answers, please.

MR. RUBBLE: I'm Malcolm Rubble (phonetic). I'm a retired guest scholar here at Brookings.

I spent two years in China after -- during World War II, and our enemies then were the communists, with the communists now in control as far as I know. But it seems to me that our interest is clearly getting China on our side, irrespective of who controls China. What is the status of that?

MS. SOLIS: Thank you very much.

So brief answers from whoever --

MR. GOODMAN: Mine is easy. I mean, blowing up TPP is a huge blow to the rebalance and to Asians' perceptions of our commitment to the region, so it's a big problem.

MS. SMITH: Very quickly on the rebalance question. The ASEAN-based multilateralism has been a focal point for the Obama administration. I don't hear anything about institution-building or any of that language coming out of incoming Trump folks. I think that will be a loss for us, especially in the maritime area.

MR. BUSH: I agree with all that. I would also say that the rebalance reflects fairly fundamental and constant national interests concerning the region and, you know, each administration will have a different name for what it does, but it ends up doing basically the same thing. In this case, sort of doing something the same as or like TPP with a different name, that's a really important indicator of whether there's going to be continuity in policy or not.

MR. GOODMAN: I'd just say the Asia pivot was a good idea. It was a comprehensive integrated strategy toward an area that's of critical importance to the United States. I think the Obama administration just sort of claimed political credit for something that, as Richard said, has been bipartisan U.S. policy for decades. So the U.S. is not back in Asia because of the Obama administration; we never left.

The thing is though there was underperformance, you know, on the security side. You know, we need to address that. And also, I mean, superpowers don't pivot. We need to be playing five or six games simultaneously, so to be in the game you have to be on the field so you need to maintain your forward-deployed forces not only in Asia but also in Europe.

MS. SOLIS: Thank you so much.

First, I just want to say that this conversation is actually going to continue. We have another program on North Korea by my colleagues, Jonathan Pollack and Richard Bush this coming Friday morning, so please join us if you can. But we had a terrific conversation today. Thank you so much to all the panelists for sharing your insights. Thank you.

(Applause)

* * * * *

CERTIFICATE OF NOTARY PUBLIC

I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

Carleton J. Anderson, III

(Signature and Seal on File)

Notary Public in and for the Commonwealth of Virginia

Commission No. 351998

Expires: November 30, 2020