



# **CIGS Paul Goldstein Seminar**

## **The Geopolitical Shift: Challenges and Opportunities for Northeast Asia**

**(Summary of speech)**

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**Paul Goldstein, President and Chief Executive Officer, Pacific Tech Bridge (PTB):**

A couple of weeks ago, I gave a presentation to Keidanren USA. Most of the attendees asked very particular questions about the nature of the shift that's happening in Northeast Asia. Most professors of international relations, experts in the field, and academics who are specialists on Korea, Japan, and China do not understand the present situation as it's unfolding. Many people would see the faults instead of the larger picture.

In Washington, we are in the moment of historic changes. President Donald Trump is non-traditional and politically unorthodox. He is determined to keep everybody off balance including his own trade negotiations. Why are these historic changes taking place? We are in the middle of one of the largest changes in history. The global system will be reordered. There was a period between 1945 and 2008-2009 with the United States attempting to build an international liberal order based on multinational institutions such as the United Nations, the UNEP, the Asian Development Bank, and NATO. We established a crisis management relationship with the Soviet Union during the Cold War. The Soviet Union and the United States did not lie to each other about their missile programs. We generally cooperated when and where we could. The United States never had any trading relationship with the Soviet Union, which created a very uncomplicated relationship. The situation is completely different with China. China and the United States, China and Japan, and China and the global economy are completely integrated.

The unconventional actions of President Trump are to bring about these historic changes in this new era of geopolitics. Geopolitics comes out of a long tradition of British strategic thinking. Setting the strategic context, the British Empire saw the control of the Eurasian landmass in the hands of Cyprus–Russia, and Cyprus–Russia was weakened by Russia - Japanese war. Japan surprised the world and created a completely different strategic world.

Before Japan defeated the Russian Empire, Japan defeated the Qing dynasty. Japan transformed the world. The United States recognized that and began planning war. The United States planned three wars plans in between 1910 and 1921. There was War Plan Orange, which was the war against Japan; War Plan Black, the war against Germany; and War Plan Red, the war against Great Britain. The transformation of the world began with Japan's defeat of the Chinese and Russian empires.

Now, we are entering a period where we're going to need, what I call, creative diplomacy, in this unorthodox administration. The media, experts, and all the people who are commenting about the nature of these changes missed the point about creative diplomacy. So, was President Trump's meeting with Kim Jong-un a success? It's a beginning of a creative diplomatic process. There has been significant progress in the U.S.-DPRK negotiations, despite the public communiqué which had almost nothing. In the private talks between President Trump and Kim Jong-un, there were assurances that President Trump gave Kim, and that Kim accepted. One of those assurances was the United States is committed to putting American troops on the North Korean side of the demilitarized zone. In addition, a special intelligence unit would be assigned to make sure China did not destabilize North Korea. Americans are still trying to figure out what role China will play in any creative diplomatic solution to the denuclearization of North Korea.

America has been involved in serious strategic disasters from Vietnam to Iraq. We were fighting impossible wars in cultures that we didn't understand. There was an international communist conspiracy that we were defeated in Vietnam. South Vietnam was controlled by the Viet Cong. The Viet Cong was controlled by Hanoi. Hanoi was controlled by Peking, and Peking was in an alliance with the Soviet Union. Vietnam changed America; the two political parties became disassociated and unaccountable to the Americans. The Republican and Democratic Parties only cared about having leaders who served the interests of entities other than the American people; Wall Street, corporate America, or financial institutions outside of America. Now, we have a shot at recapturing who we really are.

The CIA put together a secret intelligence program to make contact with Kim Jong-un when he was a student in Switzerland in order to evaluate if he was going to become the leader of North Korea. When the Olympics were held in South Korea, all of the channels were in place to set up the meeting between President Trump and Kim Jong-un. A normal international critic of American policy would ask about the human rights issue. North Korea and the Kim dynasty is a brutal dictatorship and a socialist monarchy.

So, now, we have the surfacing of a secret problem. Mike Pompeo, the then director of the CIA, put together the platform for the diplomacy that led to the summit between President Trump and Kim Jong-un. This was set up through side channels, which are a communication method to set up policy channels and policy arrangements between two

states. One anecdote which helped set up this meeting comes from Dennis Rodman. The CIA was responsible for sending Dennis Rodman, possibly to set up a good relationship with Kim, because Kim loved basketball and the NBA.

We come to a situation where diplomacy is being coordinated to ensure and guarantee that North Korea doesn't go back on their commitment to denuclearize. The United States and Japan want comprehensive, verifiable, and irreversible dismantlement or denuclearization. So, how do we get there? First, we had to test if Kim was sincere or not. We went about that by the release of the three American hostages. Second, we determined that Kim was willing to negotiate nuclear weapons and missile technology. What were our guarantees? President Trump agreed to putting American troops on the north side of the DMZ border, which upset China especially because China was not involved in the U.S.-DPRK negotiations. Suddenly, the United States gets in a better position than China. China feels threatened by this, so they invited Kim to China to rekindle their relationship and trust. When Kim traveled to China for a second time, he backed out of what he said in the side channels with the United States, which caused President Trump to cancel the summit. I believe that President Trump's approach is sustainable because North Korea is prepared to demonstrate more confidence-building to the United States by sending back the remains of the Americans who died fighting in the Korean War.

The United States and North Korea don't want to be dependent on China for economic growth. So, the next point to discuss is foreign direct investment into North Korea. Japan, Europe, and the United States need to build a joint effort to help rebuild the North Korean economy. The leverage that the United States has is the fact that North Korea needs investment. It might be a good idea to break up the command economy that is in North Korea. To do that, credit needs to be issued and money needs to be circulated instead of having a black, underground economy.

The mistake the United States made after the collapse of the communist party in the Soviet Union was that the state never collapsed, just the party did. An oligarchy was created with Putin as the CEO. Russia needs a lot of investment and possibly the meeting between President Trump and Putin had the purpose of lifting the sanctions. The justifiable criticism of President Trump is mostly domestic. He is transforming the Republican Party because the leadership has basically been abandoned trying to fight him on immigration, tax breaks, and deregulation of the EPA, just to name a few. Even though most of President Trump's criticism is domestic, the international community is

supporting his efforts. For example, he brought up the Japanese abduction issue with Kim Jong-un. This wasn't a strategic event for the United States, but it represented his special relationship with Prime Minister Abe.

Japan and the United States have a security alliance but we must go beyond that and build a deeper trusting relationship. What unites the United States and Japan is the principle of being a liberal democracy, having rights, and human value. Next, Japan has to step up as a global player and taking on equal partnership with the United States and the UK.

In South Korea, President Moon has a 70% - 80% approval rating. He consulted with Pope Francis, a Jesuit pope, for advice on how to conduct negotiations with a communist state, China. We have come a long way since the Tokugawa period when Japan martyred 3000 Jesuits. In the 17th century, a Jesuit priest successfully converted an emperor of China, and now the Jesuit pope believes in reestablishing ties with China which is a very important move. These are very historic times.

What is in store for the future? The United States helped build China and create the China we know today. The United States wants to do the same thing to North Korea. North Korea has been a Chinese buffer state since the Korean War. We still want this situation. The Chinese called the summit a success because they will have a seat at the table when a peace treaty is signed. Eventually, we hope to have talks between the United States, the DPRK, the ROK, China, Russia, and Japan. We need a different relationship with Russia and China. We need engagement with China on trade and investment. Like with the Soviet Union, we could build a crisis management system with China. China is building up their military capabilities by using their cyber capabilities to clean all of the secrets of the United States and Japan. Xi Jinping gave a speech claiming that China is the defender of the international liberal world of free trade. However, China doesn't believe in free trade. They are selfish and protectionist, with no open economy, run by the communist party. It has been said that China is a part of the WTO in which they steal intellectual property and try to use it to take over the west.

We need a rules-based international border as Prime Minister Abe said, but that rules-based international border benefitted China when they joined the WTO. President Trump's approach is to go back to the nation state and negotiating bilaterally and eventually multilaterally. There may be divisions in the Trump administration between those who wish to take a different approach, but President Trump is not going to do that.

Our situation with China now is not a trade war; it is negotiation. Xi Jinping will not get on the telephone with President Trump, because he doesn't want to have to directly negotiate with him. In fact, the commerce secretary would like to get rid of all tariffs and have a real free trade system with Germany. America wants a very different system, and this is the historic change that this administration could bring.

We want to bring about a different geopolitical, geo-economic order on earth. That is what the North Korean plan is about. The old Cold War era structures cannot survive in my opinion. What he is trying to do is to restore the Westphalian system, based on national aspiration for fair and reciprocal trade. That's the objective. I think we can do this for Japan, the UK, and the EU.