

# Taiwan Asian Round Table

WLFD Japan Chapter Executive Committee

IGS The Institute for Global Strategy / Asia Senior Researcher

Hisashi Hanibuchi

At first I want to mention that right now there is a heated dispute going on between Japan and South Korea. It has been announced that Japan will remove South Korea from its white list of countries to whose exports it gives preferential treatment, and downgrade it to the same level as other countries. This decision will mean that procedures for South Korean exports to Japan will become more complicated, but it certainly does not mean that those exports will be banned or further controlled. But President Moon is enraged, seeing this move as revenge for the recent decisions in South Korea regarding compensation by Japanese companies for wartime labourers, and demands that South Korea should remain on the white list as heretofore. Furthermore as you know from television and other media sources, popular movements in South Korea to boycott Japanese goods are escalating, the Japanese consulate in Pusan has been surrounded and demonstrations are getting larger.

Of course especially since the Moon administration assumed power there have been various unreasonable things occurring which have gone against the grain of Japanese popular sentiment, but the decision to remove South Korea from the white list is of a quite different nature. The control procedures to be strengthened (tightened up) are as follows: Japan has 70-80% of the world's raw materials (hydrogen fluoride, fluorinated polyimide and resist) required to make DRAM and NAND flash memories etc. It is of course no problem if these are used in the production of standard semiconductors, but particularly since the Moon

administration assumed power in the last three years it has become unclear where they have been used, and where they have been reexported to from South Korea etc. Japan has requested this information but has not received it. If it was a matter of ordinary items there would no doubt be no problem, but since these three items can be used in the manufacture of VX gas, sarin, and even in nuclear warheads contained in weapons of mass destruction, it was judged that in view of the security issues this could no longer be overlooked. There is a clear record of goods being shipped on illegally from South Korea to countries such as Iran, Syria, Malaysia, the UAE etc.

As for the issue of compensation of the wartime labourers, there was a basic treaty agreed in 1965 between Japan and the administration of former President Pak Chon-hi of South Korea that all compensation claims, including claims by individuals, were to be settled by a payment of the equivalent of 1.6 times the annual budget of South Korea at the time. Of course this treaty was later recognized by former presidents Kim Dae-jun and No Mu-hyon, the close associate of President Moon. It is impossible to accept as a matter of international common sense that at this late stage and under the present administration, treaties agreed by past administrations can be torn up by a decision of the South Korean Supreme Court. Regarding the comfort women issue there was an agreement with former president Pak Kun'e which was thought to be irreversible, but President Moon annulled that because the individual victims did not recognize it. One cannot help thinking that a government which cancels all previous treaties is a revolutionary government. Shining radar on unarmed Japanese patrol planes etc., they have continually committed unpardonable acts, making public their anti-Japanese emotion. The boycott of Uniqlo which employs 5,000 people in South Korea with a turnover of 100 billion yen is inflicting

damage on their own country. One is tempted to think that if they hate Japanese goods so much they should extend the boycott to hydrogen fluoride! The deployment of the THAAD missile defense system which the previous government agreed to has not advanced at all, which has caused irritation to President Trump.

As revenge for being excluded from the white list South Korea is even threatening to cancel the GSOMIA (General Security of Military Information Agreement). This would give great succour to North Korea and China which are analyzing the US-Japan-South Korea axis, and of course bring the South Korean government closer to North Korea. Can Japan and the US continue to trust such a country as a friendly one? America is demanding more money for its standing army in South Korea, but if the latter does not accede to these demands it is even possible that the 28,000 US personnel now stationed in South Korea may be withdrawn. Then the line of defence may fall back on Okinawa, Tsushima and even Taiwan. For China which publicly proclaims a policy of 'one country, two systems', this may be a heaven-sent opportunity for her core benefit. The First World War was concluded 100 years ago. In the following year of 1919 Korea was annexed to Japan, but Korea began an independence movement, establishing a provisional government at Shanghai. At that time the Paris Peace Conference was under way, attempting to follow the lead of former US president Wilson in establishing a new world order. Korea made a petition to the conference, seeking to be recognized as an independent country. Of course it was not recognized but South Korea's constitution states that March 1, 1919 was the date on which independence was gained.

For my work I go to South Korea every month, and I have some very close friends there. A president of a trading company calls me more frequently than my siblings. He's a very close friend who says exactly

what he thinks to me with deep emotion. I also have another friend who is a professor of Seoul University with a deep knowledge of the history of relations between the two countries who courageously asserts that unless the anti-Japanese sentiment is swept away and cooperative relations are restored with Japan the South Korean state's continued existence will be threatened. But as long as the administration remains close to North Korea, it may be very difficult to restore relations.

Together with the problems of the Korean peninsula, trade friction is escalating more and more between the US and China, if this shifts from a trade war to a financial war it will become even more serious. Last year the Hudson Research Institute interpreted a speech of Vice-President Pence as in essence a declaration of war. It was not only a matter of being in the red, but also intellectual property rights, human rights of Uigurs and Tibetans, missile bases on Hainan island and elsewhere, problems of the maritime Silk Road and the 100 year mortgage taken out with the intention of making a military port - all these issues were clear. After the Second World War America provided huge amount of capital was invested without interests through the Marshall Plan. In 1990 Japan was overly generous with its ODA, investing in developing countries, but after the bubble burst there was a lost 25 years in which the amount invested decreased greatly. During this time China built infrastructure in Africa, and offered educational support through development of communications technology, and Huawei established 2,000 salesmen throughout the world. At the G20 America has ended the ban on Huawei, but it remains a great threat. The other day Shu Kin-pei (General Secretary of the Communist Party of China) visited Russia and concluded an agreement for cooperation in development of communications and aircraft technologies. However, China's financial situation is getting worse with banks having 3,000

trillion dollars of debts and large real estate companies going bankrupt one after the other. The bubble has already burst and a Minsky Moment (a collapse of asset values) is looming, but private companies are not supported by the government, and peer-to-peer lending by shadow banks is restricted so that they are on the verge of death.

Furthermore there is a risk that China with its labour-intensive industries and known as the world's factory, may fall into a middle income trap, foreign investment will disappear and large foreign companies will shift their production bases to Bangladesh, Myanmar, Indonesia etc. Domestic demand is not increasing to the extent expected. Ten years from now the situation will be even more serious, the productive population will dramatically decline in numbers, and the costs of care for the elderly will be a huge burden thanks to the one child policy, and far exceed those of Japan. A Chinese scholar has created a simulation which suggests that by 2050 payments of pensions for the elderly will require 80% of GDP. Even if GDP declines defence spending will continue to increase, and costs of policing terrorism and workers' riots are surpassing defence costs. The economy is getting worse, and increasing unemployment will increase the risk of riots, and as domestic problems worsen history shows that the government will attempt to divert the eyes of the people outside China and may commit some rash act overseas. The most high-risk targets of such a strategy are the Senkaku islands and Taiwan. Fortunately the largest allied country Japan has 50,000 soldiers in a standing army and as a matter of strategic balance President Trump regards protecting Taiwan as hugely important. The so-called Taiwan Travel Act which permits high-level bureaucrats of the US and Taiwan to visit each other's country was established in March 2018. And the US is promoting the sale of surface-to-air missiles and large numbers of tanks, while also urging

Japan's participation in an alliance of those countries willing to protect the Straits of Hormuz. The US scolds the Japanese people that they need to awaken from their pacifist slumbers and asks if Japan does not protect the sea route by which tankers come and go with 80% of Japan's oil, who else is supposed to? This is what an independent sovereign state is expected to do.

If Japan, Taiwan, India and Australia do not have a Pacific plan, they cannot compete with a China suddenly drawing close to Russia. In contrast with the Cold War era between America and the Soviet Union, there are people who believe that since China is the largest trading partner of the US, Japan, Taiwan, India and Australia, war is impossible in this day and age. However in the past Britain, France and Germany maintained mutually beneficial relations through trade, but nevertheless war between them could not be avoided. China is a country which is proud of its 4,000 years of history, and in the past together with India was responsible for 35% of the world's GDP. Long before Columbus discovered the American continent, Admiral Zheng He defeated the invincible Spanish armada and led a giant fleet on huge sea voyages no less than seven times as far as West Africa. At that time Zhu Di, the third emperor of the Ming dynasty intended peaceful maritime advances through trade and the Korean tribute system of diplomacy. But now Shu Kin-pei's intention is quite different. From the great age of navigation in the 15th - 17th centuries until today it seems that Europeans and Americans have always been at the centre of the world, but Adam Smith in the 18th century said that the Chinese administrative structures were superior to those of any Western country.

It was Napoleon who said that if China were to wake up it would probably shake the whole world, so it was best to leave her alone. That

country has now woken up and is shaking the world. The humiliation of the Opium Wars and Sino-Japanese Wars must be avenged, and China has announced a plan to control all of cyberspace by 2049, the centenary of the founding of the People's Republic in 1949. This long-term plan is unlikely to be derailed by pressure from Trump. In the next 30 years will America or China decline faster, and how far will India rise, and how far will the combined power of Japan, the US, Taiwan, India and Australia be strengthened? All these variables seem likely to decide the fate of humanity. The greatest risk of collision of the two megastates China and the US will occur if a weakened China attempts to sell US national bonds. China is the greatest owner of US bonds but this does not mean that it is the guarantor of these bonds. Computer data is controlled in America. After the 9.11 attack America made a new law allowing the government to freeze the financial assets of states which threaten its national security. Even if China desires to sell US government bonds it will be refused. But if they are frozen, China, Russia and other anti-American states may embark on war with America. Falling into the Thucydides trap means that unease and paranoia about the rise of another power leads to the suspension of normal and rational judgment. In the past history war was avoided in such a case only four times out of twelve, and so data control becomes extremely important not only for China and the US, but for neighbouring and allied countries. The reason that Spain and Portugal managed to avoid a collision (war) was that the Pope agreed to be mediator and he proposed that the earth be divided along the North-South meridian according to the Treaty of Tordesillas (1494) which was accepted by both countries.

During the Cold War between the US and Russia, the countries allied with the US played a very important role. But which countries could

possibly act as mediator between the US and China in the current confrontation? When the British Empire and the United States fought over hegemony they were both Anglo-Saxon and Christian countries with English as their common language, so culturally they were close. However, the US and China have quite different cultures: America is a country of freedom, democracy and Christianity whereas China has 4,000 years of history and it is quite inconceivable that the Emperor could be chosen by a democratic procedure. Changes of government in China have occurred only through invasions of the different races of the Mongols and Jurchen peoples, or through the Yixing Revolution. Although Shu Kin-pei speaks of eliminating flies, foxes and tigers, meaning the eradication of corruption and pollution, and thus appeals to the people that he is a clean politician, there are threats of reaction against this from his political enemies.

China has a huge territory with a population of 1.3 billion and 56 different ethnic groups. It is still under the dictatorship of a one-party state, but with the anomalous structure of state capitalism unchanged it joined the WTO and in less than 30 years grew to become the second largest economy in the world. America expected that as China's economic power grew, it would gradually become a democratic state. Even though China did not obey all of the international rules, since former US president Nixon and Kissinger all presidents have preserved harmonious relations with the country. The sharp-eyed former [President?] Prime Minister of Singapore Lee Kwan Yu and some China watchers have for some decades seen through to Chinese ambition and sounded alarm bells, but they were in essence pro-Chinese 'panda huggers'.

Michael Pillsbury in his book *Hundred Year Marathon: China's Secret Strategy to Replace America as the Global Superpower* (2015) describes

how China by 2049 seeks to control cyberspace and dreams of humanity under Chinese domination paying tribute to the country. Ironically this book has become a bestseller in China. Until now as Wall Street and American liberals have not expressed any strong attitude about finance, the market and rights, President Trump is the first US President to do battle resolutely with the Rising Dragon. The public media still refers to him as the Insane Clown President and ridicules his frequent use of twitter politics, but 20 years before he became President he published a book which shows that he is carrying out his logically consistent ideas and strategy. Trump is trying to bundle many problems together and solve them all at a stroke: the Middle East, the Korean peninsula, China and the US domestic problem of the Deep State. Is he not the Great King of the World sent from Heaven at the time of the apocalypse?

Modern society allows the benefits of communications technology and life science to be received in the remote areas of the globe. New technology and life science will change the world into a ‘flat’ democracy. Until now ordinary people had almost no involvement with the world situation and international politics, but the remotest person in Africa can now gain the benefits of geopolitics, geoeconomics, geotechnologies and connectivity in the modern era. It is a ‘flat’ era in which technology can spread real democracy throughout the globe thanks to the wisdom of mankind.

According to *Sapiens: A Brief History of Humankind* written by Professor Yuval Noah Harari of the Hebrew University of Jerusalem, a bestseller which has sold more than 10 million copies worldwide, this century will see the greatest revolution in humanity in the history of the Homo Sapiens species. Medicine, Politics and Education all have many defects due to the limitations of mankind’s experience and

knowledge gained from individual study, and rather than irrational emotion and acts which humans cannot control, bound up with past interruptions etc etc with complex human judgments, it is much better to rely on the algorithms of infotech and biotech to give by far the best answers. The young genius entrepreneur Elon Musk, one of the world's top 30 richest people who has surpassed GM and is pursuing Toyota, is saying that capitalism will bring the apocalypse and the end of mankind if it is allowed to continue as it has until now.

Now the hottest topic in Silicon Valley is not cars controlled by AI, but research into producing human beings with happiness, divinity and immortality. Indeed the financial technology of hedge funds which buy and sell shares and currency in one hundredth of a second provides no benefit whatever to the broader society.

Japan is lagging far behind in the world of 5G, but in the field of super computers in so-called Green500, energy-saving computation, it holds top, second, third and fifth rank. If you put a computer coated with oxygen fluoride in cooled water and operate it, energy consumption reduces dramatically to about one per cent of what it was. It is compact and saves space, and electricity can be saved. Private companies can use it for medical, weather forecasting, food development etc. So it is expected to be used in various fields.

In the 21st century we should not seek to weaponize technology. I pray that we can use it more and more in fields such as global warming policy, water and foodstuffs etc. Thank you for your kind attention to my speech.