



Nuclear Weapon and Free Lunch Politics

By CK Wong 2005.09.21

<http://ck-wong.ca/China/nuclear%20weapon%20and%20free%20lunch%20politics%2020050921.pdf>

Introduction

I am very insensitive to politics. So when I choose the title “Nucleus and Free Lunch Politics”, it is just a catchy title. Please do not expect anything.

China is the hero of disarming the North Korean nuclear weapon agenda. The two years talk among the six countries (North Korea, South Korea, Japan, China, US, and Russia) published a communiqué that consensus has been reached to denuclearization of Democratic People’s Republic of Korea (DPRK) in peaceful way. As a coincidence, US Secretary of Treasury John W. Snow invites China to attend a lunch on Friday before the G7 summit starting the weekend. Is this a free lunch for the good deed?

Why Six Countries

DPRK develops the nuclear weapons to meet her national defense strategy. This is an internal affair but the consequence affecting the target of the weapon so it is a foreign affair to the neighbors. Iran also draws a lot of attention when China helping her to develop the nuclear generator plants. In both cases, there are two countries in common: US and China. But what roles are played by other four countries.

North Korea is the centre of the controversial. South Korea is her sibling that always concerns her military, political and environmental health. Japan is the odd man out. She could claim that the weapon could be used on her by North Korea. China would do that too. American is the defender of the South Korea and world police that executes the Anti Nuclear Proliferation Treaty. Russian is also a neighbor so they have some saying.

Game Theory

The game theory comes into this picture to identify what would be the probability of someone launches the first nuclear strike and what is the effectiveness of the counterstrike. For the meantime, the destruction caused by DPRK’s first strike is low. She still does not have enough stockpiles to completely devastate her neighbor but the nuclear bomb damage is always severe. The threat is severe enough to warrant the neighbors’ attention. No body wants to take the hit. This creates the negotiation upper hand for North Korea.

Balancing

To avoid the threat, counter action is called on. Japan and South Korea does not have the nuclear weapon. American talked to Russian to reduce their nuclear stockpiles. It would

not be acceptable to have Russian to deploy and counterstrike nuclear weapon arrangement. So the logical solution is let the world police to do what she wants to do most: put the nuclear weapon in South Korea. It is just like during the cold war, Turkey stations the nuclear weapon to balance the threat of CCCP (the Russian abbreviation of USSR).

Let's step aside and look at the participants around the table and the location of talk. The talk's last round was hosted at Beijing. All the countries trade with China. Yes, South Korea trades with China, e.g. Samsung, Hyundai. Trading is the key word. This is the negotiation power. This is why China succeeded to close the talk while Japan and American could not. This is a tour of power that showing American the influence China has in Asia. China is building an extended economic empire in Asia: north to Russia, east to Japan, south to Australia and west to Arabia. The only rival in this region is India which has the advantages of low cost labor and the 20 years of established business relationship with the West. Soon, this advantage will be diminished.

China has continuously repeated the message that she would share the resources. She needs a lot of people to develop the off-shore resources which Japan has aggressively built up the ability. Of course China would not mind to pay them with the US\$. Through the energy sector, China competes with Japan for the leadership in Asia. It is working but Japan does not like it. The denuclearization of North Korea forced Japan to accept the fact that she will be the second even though she may be number one now. She may be less aggressive to claim those off-shore islands.

The G-club

The original Group of Five developed industry countries was expanded to G7. The membership of G-club represents the recognized economic achievement. China has not earned her membership. The operative word is *developed*. China is not *developed*.

Her currency could control the inflation or deflation of world. Her demand on commodity drives the shortage or excess of the commodities. Her friendship and labor export made her friends of developed or underdeveloped countries. She has the biggest potential consumer market everyone in the world drawling. She has the underdeveloped venture market everyone wants to invest in. She has the cheapest labor that everyone hates and loves. She is part of our life whether you want it or not.

With all the friends and world economy in the hand of China, the membership of G-club is just gravy. When Snow invited China to attend the G7 meeting last fall, the intention was just a gesture. Now it is a really need to get China's cooperation on the monetary policies. As many experts have sited the possibility that China may back RMB with gold. The G7 would like to slow down that process as much as possible.

Lunch

I never enjoy business lunch even it is free. You cannot enjoy the food. Snow and Greeny will host the lunch, they don't have my problem. I am wondering what would be the lunch menu. May be the food is bad enough you just listen and talk. In China state dinner would be 9 courses excluding desert. In the West, I am sure this would not be the protocol. Since lunch is not that interesting, let's focus on the guests list. G7 leaders will be there. The Governor of People's of Bank of China will accompany the Chinese Minister of Finance. It may not be right time to talk about the embarrassing subject such as gold and tariff. It is just a team building exercise and photo op. The real Coliseum would be the G7 talk after the lunch.

If I were Greeny, I would definitely slip the resume to the Chinese to seek an advisor position to help China to open the capital market and state owned equities. On the second thought, after Henry Kessinger, would China need Greeny?

Resource

<http://news.morningstar.com/news/DJ/M09/D19/200509191604DOWJONESDJONLINE000571.html>