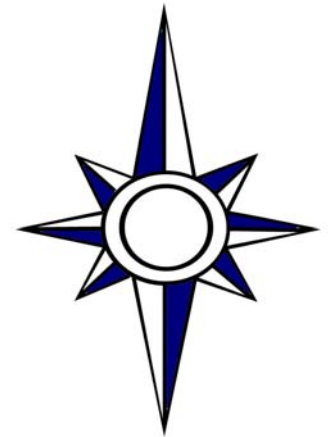




P a c i f i c F o r u m C S I S



Comparative Connections



A Quarterly **E-Journal** on
East Asian Bilateral Relations

edited by

Brad Glosserman
Carl Baker

3rd Quarter (July-September) 2009
Vol. 11, No.3
October 2009

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Pacific Forum CSIS

Based in Honolulu, Hawaii, the Pacific Forum CSIS operates as the autonomous Asia-Pacific arm of the Center for Strategic and International Studies in Washington, D.C. Founded in 1975, the thrust of the Forum's work is to help develop cooperative policies in the Asia-Pacific region through debate and analyses undertaken with the region's leaders in the academic, government, and corporate arenas. The Forum's programs encompass current and emerging political, security, economic/business, and oceans policy issues. It collaborates with a network of more than 30 research institutes around the Pacific Rim, drawing on Asian perspectives and disseminating its projects' findings and recommendations to opinion leaders, governments, and publics throughout the region.

An international Board of Governors guides the Pacific Forum's work. The Forum is funded by grants from foundations, corporations, individuals, and governments, the latter providing a small percentage of the forum's \$1.2 million annual budget. The Forum's studies are objective and nonpartisan and it does not engage in classified or proprietary work.

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A Quarterly Electronic Journal on East Asian Bilateral Relations

Bilateral relationships in East Asia have long been important to regional peace and stability, but in the post-Cold War environment, these relationships have taken on a new strategic rationale as countries pursue multiple ties, beyond those with the U.S., to realize complex political, economic, and security interests. How one set of bilateral interests affects a country's other key relations is becoming more fluid and complex, and at the same time is becoming more central to the region's overall strategic compass. *Comparative Connections*, Pacific Forum's quarterly electronic journal on East Asian bilateral relations edited by Brad Glosserman and Carl Baker, with Ralph A. Cossa serving as senior editor, was created in response to this unique environment. *Comparative Connections* provides timely and insightful analyses on key bilateral relationships in the region, including those involving the U.S.

We regularly cover 12 key bilateral relationships that are critical for the region. While we recognize the importance of other states in the region, our intention is to keep the core of the e-journal to a manageable and readable length. Because our project cannot give full attention to each of the relationships in Asia, coverage of U.S.-Southeast Asia and China-Southeast Asia countries consists of a summary of individual bilateral relationships, and may shift focus from country to country as events warrant. Other bilateral relationships may be tracked periodically (such as various bilateral relationships with India or Australia's significant relationships) as events dictate.

Our aim is to inform and interpret the significant issues driving political, economic, and security affairs of the U.S. and East Asian relations by an ongoing analysis of events in each key bilateral relationship. The reports, written by a variety of experts in Asian affairs, focus on political/security developments, but economic issues are also addressed. Each essay is accompanied by a chronology of significant events occurring between the states in question during the quarter. A regional overview section places bilateral relationships in a broader context of regional relations. By providing value-added interpretative analyses, as well as factual accounts of key events, the e-journal illuminates patterns in Asian bilateral relations that may appear as isolated events and better defines the impact bilateral relationships have upon one another and on regional security.

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by Michael J. Green, CSIS, and Nicholas Szechenyi, CSIS

Hatoyama Yukio led the Democratic Party of Japan (DPJ) to a landslide victory in the Aug. 30 Lower House election and was elected prime minister after a spirited campaign for change both in the form and substance of policymaking. Though the election centered primarily on domestic policy, Hatoyama began his tenure by outlining foreign policy priorities during visits to the UN in New York and the G20 summit in Pittsburgh less than a week after he took office. The Obama administration emphasized respect and patience as Japan experienced a transition to a non-LDP government for only the second time since 1955. Senior U.S. officials visited Tokyo for consultations soon after the election and prepared for the first meeting between President Obama and Prime Minister Hatoyama in New York on Sept. 23. The leaders reaffirmed the importance of the U.S.-Japan alliance and set the stage for a visit to Japan by Obama in November. The quarter ended with good atmospherics but also questions about the extent to which Hatoyama would try to implement several campaign pledges with the potential to strain bilateral ties.

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by Bonnie S. Glaser, CSIS/Pacific Forum CSIS

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by Victor Cha, CSIS Korea Chair/ Adjunct Senior Fellow Pacific Council

The quarter saw a good deal of U.S.-Korea activity largely the result of several trips by high-level U.S. officials to the region. While extended deterrence was a major topic of conversation between the allies, Washington and Seoul also coordinated policy on North Korea with some indication that groundwork for reengagement in nuclear negotiations may be in the offing. Former President Bill Clinton’s surprise visit to the North was successful in achieving the return of the detained U.S. journalists, Laura Ling and Euna Lee.

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by Joseph Ferguson, National Council for Eurasian and East European Research

U.S.-Russia relations began the quarter with an informal, yet cordial summit in Moscow in early July. The two presidents met again in New York and Pittsburgh in late September and agreed to push forward a number of agreements, most notably covering arms control and cooperation in Afghanistan. The two also appeared to agree that the incipient Iranian nuclear program needs urgent attention. In what some viewed as a huge concession from Washington, the Obama administration announced prior to the Pittsburgh G20 meeting that it was scrapping a controversial missile defense system that was due to break ground soon in Poland and the Czech Republic. This move, combined with vague Russian promises of support for sanctions against the newly emboldened Iranian regime, gave observers hope that relations could find a common strategic footing. Nevertheless, optimism surrounding U.S.-Russia relations is strictly cautious, as major areas of disagreement still remain, including most notably Moscow’s hostile relationship with the governments of Georgia and Ukraine.

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by Sheldon Simon, Arizona State University

Despite the renewed incarceration of Burma’s Nobel laureate Aung San Suu Kyi after a July “show trial” as well as renewed economic sanctions against the military junta, in late September Washington announced a change in its Burma policy, agreeing to reengage members of the regime. The opening to Burma is an acknowledgement that the decades-long isolation policy has failed to change Burma’s politics and that China’s influence has increased significantly. Defense Secretary Robert Gates announced an extension of the deployment of U.S. Special Forces in Mindanao to continue assisting the Philippine armed forces’ suppression of the radical Islamist Abu Sayyaf. Gates also announced an expansion of U.S. aid in Mindanao for humanitarian and disaster response, climate change, drug trafficking, and maritime security. While expressing shock and offering condolences to Indonesia in the wake of the July terrorist bombings of two hotels in Jakarta, Washington praised the Indonesian police in mid-September for tracking down and killing the perpetrator of the attacks, notorious Jemmah Islamiyah leader, Mohammad Noordin Top. USAID is organizing a new program to assist civic social organizations in the troubled Thai south to promote governance and human rights. All of these activities indicate that, as Secretary of State Clinton exclaimed in Bangkok: “The United States is back!”

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by Robert Sutter, School of Foreign Service, Georgetown University, and Chin-hao Huang, University of Southern California

Myanmar’s military offensive against armed militias of minority groups along the border with China disrupted the status quo that had prevailed along the frontier for the past two decades and complicated the extensive Chinese interests that have developed in the border region during this period. Frictions over territorial claims, fishing, and surveillance among China, Southeast Asian countries, and the U.S. over the South China Sea were less prominent than in recent quarters. China signed an investment agreement with ASEAN members marking the completion of the China-ASEAN Free Trade Area, which is to go into effect on Jan. 1, 2010. Chinese commentary joined other regional media in highlighting, with some reservations, the prominence of U.S. Secretary of State Hillary Clinton and the more activist U.S. regional agenda at the ASEAN Regional Forum Foreign Ministers’ Meeting.

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by David G. Brown, The Johns Hopkins School of Advanced International Studies

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by Aidan Foster-Carter, Leeds University, UK

Dealing with North Korea resembles the board game *Snakes & Ladders* (known in the U.S. as *Chutes & Ladders*). The first half of this year was an especially long snake/chute. Pyongyang’s missile and nuclear tests, and its general bellicosity, not only undid last year’s slight gains in the Six-Party Talks (6PT), but were a strange way to greet an incoming U.S. president avowedly committed to exploring engagement with Washington’s traditional foes. But what goes down must, eventually, come up, even if each time some may fear it is a case of – to change the spatial metaphor – one step forward, two steps back. As of autumn, things on the peninsula are looking up somewhat – at least relatively, if not in any absolute sense.

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by Scott Snyder, Asia Foundation/Pacific Forum, and See-won Byun, Asia Foundation

North Korea’s missile tests in early July marked an apparent peak in its provocative behavior as Pyongyang shifted to a “charm offensive” strategy with a series of meetings between North Korea and the international community. Kim Jong-il’s encouraging statements regarding prospects for renewed multilateral and bilateral dialogue that “the DPRK is willing to attend multilateral talks, including the Six-Party Talks, based on the progress in the DPRK-U.S. talks” has set the stage for new engagement with North Korea. It remains to be seen if this engagement will lead to tangible North Korean actions in the direction of denuclearization. Presidents Lee Myung-bak and Hu Jintao both traveled to the U.S. in September for the G20 summit and UN General Assembly, where they met on the sidelines to discuss North Korea and other issues in their strategic cooperative partnership. While Lee noted China’s recent diplomatic outreach to North Korea, it is unclear whether Beijing is on board with Lee’s “grand bargain” proposal or has its own plans for dealing with North Korea.

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by James J. Przystup, Institute for National Strategic Studies, NDU

After months of anticipation, Prime Minister Aso Taro dissolved the Diet on July 21 and scheduled elections for the Lower House. On Aug. 30, Aso’s Liberal Democratic Party suffered a crushing defeat at the hands of the Democratic Party of Japan and DPJ President Hatoyama Yukio became prime minister on Sept. 16. With Japan focused on the historic shift of power for most of the quarter, politics took primacy over diplomacy. In this environment, Japan-China relations continued to tread water, waiting for the arrival of a new government in Tokyo. Perhaps the good news is that there were no major dilemmas or disruptions and the new Japanese leadership had early opportunities to establish a relationship with their Chinese counterparts.

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Japan’s New Government: Hope and Optimism

by David C. Kang, University of Southern California, and Ji-Young Lee, Georgetown University

The highlight of the third quarter was Japan’s general election on Aug. 30 and the inauguration of the Hatoyama Cabinet on Sept. 16. Despite Prime Minister Aso’s attempt during the campaign to portray the Democratic Party of Japan (DPJ)’s foreign policy as posing national security threat to Japan, the Lower House election ended a virtual half-century of Liberal Democratic Party (LDP) rule in Japan. Considering that Japan’s North Korea policy in the past few years made a clear turn toward pressure with an emphasis on a resolution of the abduction issue, the major question in Japan-North Korea relations is whether this will change. Pyongyang expressed hopes for a breakthrough in their bilateral relations, but it does not look like we will witness any fundamental change in Japan’s North Korea policy. Japan-South Korea relations during this quarter can be summarized as guarded optimism as both sides look to elevate bilateral ties to another level of cooperation. If there is one sure sign that this shift in Japanese politics might bring positive change, it will be over the issue of the Yasukuni Shrine.

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by Yu Bin, Wittenberg University

Perhaps more than any time in the past 10 years, the third quarter highlighted both the potential and the problems of this bilateral relationship. On the one hand, the two militaries successfully conducted their joint antiterrorism exercise, *Mirnaya Missiya* (Peace Mission) 2009, in China’s Jilin Province. On the other hand, the closing of Moscow’s huge Cherkizovsky market on June 29 uprooted tens of thousands of Chinese citizens doing business in Russia, while \$2 billion in goods were confiscated as “illegal” and “contraband.” On the eve of the 60th anniversary of bilateral ties, Moscow and Beijing seemed to be stretching both the cooperative and conflictual limits of their strategic partnership.

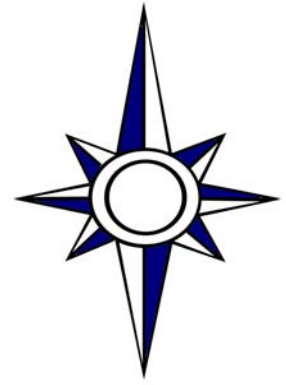
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Australia Adjusts to New Realities

by Graeme Dobell, Lowy Institute for International Policy

Australia’s government swung from the right to the left of the political spectrum in 2007. The U.S. did the same in 2008. Yet, not much changed in the fundamentals of the 57-year-old U.S.-Australia alliance. The assertion of alliance continuity, however, comes with a major caveat: the tectonic effects being exerted by China’s rise. As with the rest of the Asia-Pacific, Australia is adjusting significant aspects of its foreign and security policy to the magnetic pull of China, which was dramatized for Canberra through the middle of 2009 by an outburst of Chinese official anger directed at Australia. Other important influences to consider include the so-called “Kevin Rudd” effect, the global economic crisis, and the ongoing conflicts in the Middle East.

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Regional Overview:

Promises Kept, for Better and for Worse

Ralph A. Cossa, Pacific Forum CSIS
Brad Glosserman, Pacific Forum CSIS

U.S. Secretary of State Hillary Clinton kept her promise and showed up at the first ASEAN Regional Forum (ARF) Ministerial Meeting to take place on her watch and, also as promised, signed ASEAN's Treaty of Amity and Cooperation (TAC) on behalf of the United States. Unfortunately, North Korean "Dear Leader" Kim Jong-il also kept his promises: to ignore all UN Security Council resolutions, to shoot more missiles, and to never, ever (or at least not this past quarter) return to the Six-Party Talks. In response, Washington pledged to continue its full-court press on enforcing UN-imposed sanctions despite a few "good-will gestures" from Pyongyang. U.S. President Barack Obama also kept his promise to take significant steps toward global disarmament, chairing a UN Security Council session to underscore his commitment to this ideal. Meanwhile signs of the promised recovery of the global economy were in evidence this past quarter, with Asia leading the way.

Pyongyang reacts to UNSCR 1874

As documented last quarter, North Korea was quick to show its disdain for the "vile product of the U.S.-led offensive of international pressure aimed at undermining the DPRK's ideology and its system chosen by its people by disarming the DPRK and suffocating its economy," which others refer to more simply as UN Security Council Resolution (UNSCR) 1874. As the quarter began, Pyongyang demonstrated its rejection of the resolution by firing a number of short- and medium-range ballistic missiles into the Sea of Japan (East Sea) on America's birthday, prompting yet another UNSC statement condemning the North's provocative behavior.

Pyongyang's threatened "countermeasures" to UNSCR 1874 included a pledge that "the whole amount of the newly extracted plutonium will be weaponized" and that "the process of uranium enrichment will be commenced." It warned that any attempted blockade "will be regarded as an act of war and met with a decisive military response," while stating that "It has become an absolutely impossible option for the DPRK to even think about giving up its nuclear weapons."

To underscore these points, the DPRK's permanent representative to the UN sent a letter to the UNSC president on Sept. 4 reminding that esteemed institution that "The DPRK totally rejects the UNSC Resolution 1874 which was unfairly orchestrated in June 13 in wanton violation of the DPRK's sovereignty and dignity and that the DPRK will never be bound by this resolution."

Had the UNSC "not made an issue of the DPRK's peaceful satellite launch" (by issuing a "President's Statement" condemning the April 5, 2009 launch and calling for strict enforcement

of earlier UNSC resolutions prohibiting such ballistic missile activity), “it would not have compelled the DPRK to take strong counteraction such as its 2nd nuclear test.” Having thus established that the nuclear test was all the UNSC’s fault, the letter pointed out that the proper response would be for the UNSC to apologize for “violating the legitimate right of a member state of the UN,” rather than pursuing a sanctions resolution “which was framed up in the same way as the thief turning on the victim with a club over the DPRK’s self-defensive steps.”

Pyongyang’s letter to the UNSC president followed up on its earlier countermeasures threat by informing the UNSC that “reprocessing of spent fuel rods is at its final phase and extracted plutonium is being weaponized” and that “experimental uranium enrichment has successfully been conducted to enter into completion phase.” It is impossible to declare with any certainty just what Pyongyang has been doing at its nuclear facilities at Yongbyon (and elsewhere) or what kind or how advanced its uranium enrichment program is. The above DPRK references to uranium enrichment have been interpreted by many as an admission that Pyongyang has pursued a parallel highly enriched uranium (HEU) weapons program (in addition to the plutonium-based effort involving Yongbyon) – recall it was Pyongyang’s private “admission,” subsequently recanted and publicly denied, that it had an HEU program that caused the original 1994 Agreed Framework process to begin to crumble in October 2002 – although the statements are sufficiently vague that Pyongyang could offer some alternative interpretation if disarmament dialogue is ever resumed.

Has denuclearization been ruled out?

It is important to note that Pyongyang has been careful in its assertions not to completely rule out future prospects for denuclearization – after all, the “Great Leader” Kim Il-sung, Kim Jong-il’s father and the DPRK’s founder, had said denuclearization was the goal and his word is still gospel in North Korea. Instead, the North has tried to change the terms of reference by rejecting the venue and by talking not about Korean Peninsula disarmament – Pyongyang continues to accuse the U.S. of having nuclear weapons in the South – but about global disarmament. As its letter to the UN asserts, “We have never objected to the denuclearization of the Korean Peninsula and of the world itself. What we objected to is the structure of the six way talks which had been used to violate outrageously the DPRK’s sovereignty and its right to peaceful development.”

Through both public statements and private discussions with North Korean interlocutors it is becoming increasingly clear that what Pyongyang seems to be saying is that it is prepared to enter into global nuclear disarmament talks on an equal footing with the U.S., Russia, China, and the other recognized nuclear weapons states but will no longer discuss denuclearization only in a North Korean or Korean Peninsula context. The chance of this happening is (and should be) significantly less than zero, making any resumption of serious negotiations unlikely at this point, despite what others see as “goodwill gestures” or signals of an openness to a resumption of talks, perhaps even in the six-party format, emanating from Pyongyang.

Pyongyang’s “charm offensive”

The goodwill gestures included the highly publicized release of two American journalists, Laura Ling and Euna Lee, who had been convicted of illegally entering the North along the Yalu River

while investigating a story for *Current TV* on North Korean refugees. The North's "reward" for this magnanimous gesture – the two women had been sentenced to 12 years of hard labor for illegal entry and "hostile acts" before they were pardoned by Kim Jong-il – was a visit to Pyongyang by former U.S. President Bill Clinton who did (according to Pyongyang) or did not (according to Washington) apologize on behalf of the U.S. for the young ladies' transgressions. The Obama administration was reportedly prepared to send former Vice President (and *Current TV* co-founder) Al Gore; it was Pyongyang that insisted upon Clinton.

While some have criticized the Clinton visit as "legitimizing" Kim Jong-il, it seems a small price to pay to remove two potential pawns from the larger equation and had some residual benefits as well. Clinton was able to give a personal assessment of Kim Jong-il's health – he found the dear leader to be "unexpectedly spry" – and helped end speculation about the fate of two DPRK officials associated with nuclear negotiations, Six-Party Talks negotiator Kim Gye-gwan and First Vice Foreign Minister Kang Sok-ju, both of whom showed up for meetings with Clinton, dispelling rumors that they had fallen out of favor. While the State Department went through great pains to describe Clinton's trip as a "private humanitarian mission" and insisted he carried no message from President Obama, one hopes the former U.S. president expressed his "private view" that the U.S. would never legitimize North Korea's status as a nuclear weapon state or deal with Pyongyang on that premise.

The Clinton visit was followed by the visit of two New York-based North Korean diplomats to Sante Fe to meet with one of their favorite interlocutors, New Mexico Governor (and former UN Ambassador) Bill Richardson, who as a congressman traveled to Pyongyang in the mid-1990s to negotiate the release of Americans held there. Richardson told CNN after the meeting that the North Koreans believed they were "owed" bilateral talks with Washington as a result of the reporters' pardon: "They feel, the North Koreans, that by giving us the two American journalists, that they've made an important gesture, and now they're saying the ball's in our court." The Obama administration firmly disagreed, saying the Six-Party Talks was still the proper venue for such a dialogue, while stressing that Richardson was not negotiating on the president's behalf. A State Department spokesman noted, wisely, in our view, that it is "too early to say if the troubled relationship is beginning to thaw," while stressing further that "the goal of U.S. policy continues to be the denuclearization of the Korean peninsula, and a return by Pyongyang to the Six-Party Talks."

As documented more fully in the North-South Korea chapter, Pyongyang also made a number of "conciliatory gestures" toward Seoul. In August, Kim Jong-il met with Hyun Jung-eun, the chairwoman of Hyundai Group, the South Korean conglomerate that is the largest investor in the North, and agreed to restart several tourism ventures, which allow people from the South to visit the North. Pyongyang subsequently released a Kaesong Industrial Complex worker who had been detained (contrary to established protocols) for allegedly criticizing the dear leader and the North's political system, and subsequently lifted restrictions on ROK cross-border traffic to Kaesong and settled a wage dispute there (accepting a 5 percent pay hike after demanding 400 percent). The North also agreed to allow reunions of Korean families divided since the 1950-53 war to resume.

Excuse us if we seem insufficiently grateful for these gestures but each served Pyongyang's political and economic interest and reflected behavior that, if performed by any other state, would have been considered business as usual. One suspects that the on-again, off-again charm offensive will prove in the final analysis to be far less charming and much more offensive than depicted, given that Pyongyang's basic going-in position – that it be treated as a nuclear weapons state and enter into bilateral negotiations on this basis – does not appear to have changed. As a result, the continued U.S. emphasis on the need for Pyongyang to honor its past agreements (for which it has already been rewarded) and return to the Six-Party Talks, and for the international community to fully observe UNSCR 1874 and earlier resolutions appears to be the right approach and one that its other Six-Party Talks partners have thus far supported.

The big question is: will the current consensus hold? As we went to press, Chinese Premier Wen Jiabao was visiting Pyongyang amid reports that the North was “willing to attend multilateral talks, including the six-party talks.” Of course, this was predicated on “progress” in bilateral negotiations – a *KCNA* account of the discussion noted that the North “expressed our readiness to hold multilateral talks, *depending on the outcome of the DPRK-U.S. talks*” [emphasis added] making it clear which was to come first – indicating that there was less change than meets the eye. Stay tuned!

The ARF: different venue, same debate!

The dispute between Pyongyang and the U.S. also played itself out this quarter along the sidelines and at the annual ASEAN Regional Forum (ARF) meeting in Thailand. Regrettably (and uncharacteristically, given the Obama administration's attempts to remain on the moral high road), Secretary of State Hillary Clinton fired the first shot, when she complained about North Korea's “constant demand for attention” in an interview that aired on *Good Morning America* just before her ARF trip. Unfortunately, she embellished her observation by stating that “maybe it's the mother in me or the experience that I've had with small children and unruly teenagers and people who are demanding attention – don't give it to them, they don't deserve it, they are acting out.” This was quickly shorted into “Clinton Accuses North Korea of Acting like ‘Unruly Children,’” and the game was on.

As Clinton was arriving in Phuket for the ARF meeting, North Korea returned the broadside, describing Mrs. Clinton as “vulgar and “by no means intelligent,” and noting that “sometimes she looks like a primary schoolgirl and sometimes a pensioner going shopping.” Needless to say, there was no exchange of pleasantries or direct U.S.-DPRK dialogue at the ARF meeting.

At her press conference immediately after the ARF session, Secretary Clinton noted (considerably more diplomatically) that “unfortunately, the North Korean delegation offered only an insistent refusal to recognize that North Korea has been on the wrong course. In their presentation today, they evinced no willingness to pursue the path of denuclearization. And that was troubling not only to the U.S., but to the region and the international community.” In this regard she was “gratified by how many countries from throughout the region spoke up and expressed directly to the North Korean delegation their concerns over the provocative behavior we have seen these past few months.”

In truth, the ARF Chairman's Statement merely noted that "Ministers of several countries condemned the recent nuclear test and missile launches" and it was this (unspecified) grouping that "supported the early resumption of the Six-Party Talks." It also noted that the DPRK "did not recognize and totally rejected the UNSC Resolution 1874 which has been adopted at the instigation of the United States." To underscore this point, a spokesman for the DPRK Foreign Ministry issued an ARF follow-on statement asserting that "Any attempt to side with those who claim the resumption of the Six-Party Talks without grasping the essence of the matter will not help ease tension; on the contrary, it may lay a fifth wheel to the resolution of the problem."

ARF Vision Statement announced

Other than this sideshow, it was pretty much business as usual at the ARF, with the Chairman's Statement including its usual calls for peace and stability in the Middle East and Afghanistan, its support for nuclear disarmament and counter-proliferation efforts, support for combating terrorism/extremism – the bombings in Jakarta and Mumbai were specifically condemned – cooperation in combating poverty and disease in general and the H1N1 virus in particular, and "the continued exercise of self-restraint" by all South China Sea territorial claimants.

They welcomed the first-ever live field exercise in the ARF – the Voluntary Demonstration of Response on Disaster Relief in the Philippines on May 4-8, 2009 (discussed in last quarter's overview) – which was seen as (and actually was) a major step forward in disaster relief cooperation. The ministers adopted an ARF Work Plan on Disaster Relief and recommended a follow-on exercise. Most welcomed was its call for the Myanmar/Burmese government "to make concrete and credible progress on the path of democratization." In this connection, the ministers encouraged the junta "to hold free, fair and inclusive elections in 2010, thereby laying down a good foundation for future social and economic development."

Responding to a recommendation made last year by the track-two Council for Security Cooperation in the Asia Pacific (CSCAP), the ARF ministers considered and adopted an ARF Vision Statement, charting a vision for the ARF by 2020 and its place in the region. They tasked senior officials to develop a plan of action to realize the goals and objectives set out in the ARF Vision Statement, for consideration at the 2010 ARF.

The Vision Statement did not appear to break much new ground, committing "to move the ARF at a pace comfortable to all Participants in its evolution from the stage of confidence-building measures to the development of preventive diplomacy, while bearing in mind the ultimate stage where we can elaborate approaches to conflict resolution." They did pledge to make the ARF "an action-oriented mechanism that develops concrete and effective responses to the common challenges confronting the Asia-Pacific region" but did not lay out how they planned to accomplish this goal. Hopefully this will be laid out in next year's Action Plan.

Finally, the ministers welcomed the recent accession to the TAC by the U.S., which opens the door for Washington's participation in the annual East Asia Summit (EAS), although there was no indication that Washington planned to take this next step any time soon. Nonetheless, Secretary Clinton's signing of the TAC fulfilled a promise and demonstrated an increased commitment to improving ties with ASEAN, with the next step being the planned summit

between President Obama and ASEAN leaders along the sidelines of the November 2009 Asia Pacific Economic Cooperation (APEC) Leaders Meeting.

Dissolving the nuclear shadow

Just before we went to print, President Barack Obama was awarded the Nobel Peace Prize for his “extraordinary efforts to strengthen international diplomacy and cooperation between peoples.” The Nobel committee “attached special importance to Obama’s vision of and work for a world without nuclear weapons.” While there will be ample (and vociferous) debate over whether the president deserved the prize, there is no mistaking his administration’s commitment to shifting the terms of the global debate on nuclear weapons.

A renewed commitment to a world free of nuclear weapons has been a pillar of this administration’s foreign policy. That was evident in Obama’s April 5 speech in Prague in which he pledged that his administration would take “concrete steps toward a world without nuclear weapons.” Among those steps is progress toward a follow-on to the Strategic Arms Reduction Treaty (START) with Russia. The original START I agreement, signed in July 1991 by U.S. President George H. W. Bush and Soviet President Mikhail Gorbachev, led to the largest bilateral reductions of nuclear weapons in history. It is set to expire in December 2009 and reaching a new agreement has been high on the Obama administration’s agenda. Moscow and Washington appear to be moving toward a deal; even if one can’t be concluded by the end of this year, an agreement will be reached by 2010.

That effort has been matched by progress at the Conference on Disarmament, which agreed on a work program, and at preparatory meetings for the 2010 Nuclear Nonproliferation Treaty (NPT) Review Conference. On Sept. 24, Obama chaired the United Nations Security Council, the first U.S. president to do so. The “nuclear summit” was the first UNSC heads of state meeting to address issues of nuclear disarmament and nonproliferation, and yielded UNSCR 1887, which calls for the elimination of nuclear weapons.

Unfortunately, movement in global negotiations has not been matched by similar progress in regional discussions.

North Korea. North Korea’s response to the Obama-led UN session and resolution was very much to our earlier point. Pyongyang called UNSCR 1887 a “double-standards document,” rejecting in particular its call for North Korea to return to the NPT and give up its nuclear ambitions: “The DPRK’ dismantlement of nuclear weapons is unthinkable even in a dream as long as there exist the sources that compelled it to have access to nukes [read: the U.S. nuclear arsenal].” “The DPRK Foreign Ministry official ended his commentary by noting that the DPRK would still “make efforts to denuclearize the peninsula” but only “in the context of the building of a world free from nuclear weapons”; to expect Pyongyang to honor its previous commitments and unilaterally give up its nuclear weapons was now “unimaginable.”

Iran. Dealing with Iran has been equally irksome. There was, until quarter’s end, no progress in those discussions. Western governments are increasingly frustrated with the lack of movement and they have been pushing for bigger sticks to deploy against Iran. Unfortunately, the

governments in Moscow and Beijing strongly oppose the use of sanctions, for a variety of reasons, commercial (Russia has business deals it doesn't want to upset, and China wants oil), philosophical (China almost invariably opposes the use of coercion in such negotiations), and diplomatic (both don't mind Iran as a thorn in the U.S. side and want to exploit their leverage with Washington).

The biggest news this quarter was the announcement that Tehran was building facilities that had not been declared to the International Atomic Energy Agency (IAEA) as required by the terms of the Additional Protocol. (Tehran disputes that it is in violation of its obligations, insisting that it modified the terms of the agreement with the IAEA and therefore its failure to inform the agency of the facilities wasn't a problem; the IAEA counters – and most observers agree – that no country can unilaterally modify the terms of its agreement.) At the end of the quarter, there were signs of a breakthrough at multilateral talks that included for the first time the U.S. in a prominent role (maybe the Nobel Committee was on to something). Tehran agreed to let international inspectors see the suspect facilities and agreed “in principle” to allow its uranium to be sent to Russia for further processing. U.S. officials were cautious about characterizing the developments. It is a good sign, but they continue to demand concrete steps from Iran and significant progress.

Missile defense. Some see the Iranian negotiations as payoff for another U.S. move. In September, Obama announced that he was scrapping the Bush administration decision to deploy missile a defense system in Eastern Europe, which would consist of a sophisticated radar system in the Czech Republic and 10 ground-based interceptors in Poland. Instead, he would use smaller missiles, first on ships, and then later on land, to counter the Iranian missile threat.

The Bush administration decision infuriated Russia, which insisted the deployment threatened to neutralize its nuclear deterrent, a charge consistently denied by the U.S. (Moscow was probably most concerned by the prospect of the integration of the two countries more deeply into the U.S. defense system, which would undercut Russian influence over them.) Obama insisted that the new plans had nothing to do with Russian opposition. Rather, the new deployments were intended to counter a newly reassessed Iranian threat. “This new approach will provide capabilities sooner, build on proven systems and offer greater defenses against the threat of missile attack than the 2007 European missile defense program.”

Most observers weren't buying. The chief question now isn't whether the Iranian “breakthrough” is proof that the cynics were right, but whether the gamble paid off. Time will tell. The missile defense decision also demonstrated the need for the U.S. to think globally about strategic issues. Russia isn't the only big power worried about missile defense; Beijing is equally discomfited by the program. China may see the U.S. redeployment in Europe as proof that its own complaints might yield a similar shift in Asia. That would be a mistake. America's Asian allies need to know that U.S. decisions will reflect both partners' perspectives, and that their missile defense program is not a bargaining chip in some other relationship.

This anxiety reflects a broader range of concerns. Despite its longstanding commitment to disarmament, Tokyo fears that a U.S. commitment to reducing its nuclear stockpile might undermine Japan's own security. Strategists worry about China's growing nuclear weapons

capability and the impact that deep reductions in the U.S. arsenal would have on its extended deterrent. They fear a drastic reduction in the U.S. nuclear arsenal (to 1,000 or fewer warheads) could tempt Beijing to start growing its nuclear arsenal in an attempt to achieve nuclear parity and the condition of “mutually assured destruction” enjoyed by the Soviet Union during the height of the Cold War. This could have a chilling effect on America’s extended deterrent capability, and cause Tokyo to question the reliability of the U.S. nuclear umbrella. It is imperative therefore that the U.S. move on such questions carefully, fully engaging allies, soliciting their views and hearing their concerns. To its credit, the administration appears to be doing that. Talks at the assistant secretary-level are taking place and the drafters of the Nuclear Posture Review, which is due at the end of the year, are aware of the need for allied input.

Amano at the IAEA

A key player as these situations unfold will be Amano Yukiya, who was selected in September to succeed Mohamed ElBaradai as director general of the International Atomic Energy Agency. It took two elections for Amano, a career diplomat, to claim the post. In March, he squared off against South African Abdul Minty, but neither won the support of two-thirds of the IAEA board, which is needed to claim the directorship. In a subsequent vote in July, Amano prevailed. During his four-year term, he will be deeply involved in the efforts to cap Iranian and North Korean nuclear programs, as well as update the global nonproliferation regime to better respond to new proliferation threats and challenges.

His predecessor ElBaradei had a stormy 12-year tenure at the IAEA, crossing swords with the U.S. and other governments on a host of issues. But the director general’s job is a tough one at the best of times: like the UN secretary general, his authority is strictly limited and his mandate tightly controlled by the members of the Board of Governors for whom he works. Making all the members happy is virtually impossible. Amano will require all of his substantial diplomatic skills in the years ahead.

Green shoots put down roots?

The “green shoots” of economic recovery that emerged last spring appear to be turning into saplings. This quarter, the International Monetary Fund (IMF) upgraded its forecast for the global economy, anticipating a 3.1 percent expansion next year, up from the 2.5 percent forecast in April. More immediately, the IMF estimates the global economy will shrink 1.1 percent this year. Troubling though that is, it is a slight improvement over the 1.4 percent decline expected in April. Asia is leading the way: The latest IMF World Economic Outlook, released in early October, projected Asian growth at 2.8 percent this year and 5.8 percent in 2010: the rest of the world lags considerably behind.

Those forecasts reinforced optimism among G20 officials who convened a couple of times last quarter – finance officials gathered in London and heads of state later caucused in Pittsburgh. Signs of recovery are shifting the terms of the G20 debate. There is growing focus on the need to sop up the trillions of dollars that were injected into national economies to compensate for evaporating demand. Now, there is concern that those funds could spark inflation; at a minimum,

policymakers fret over deteriorating national account balances. But the priority remains ensuring that the recovery is solid and enduring.

Other issues figured on the G20 agenda: climate change, restarting the stalled round of global trade talks, controlling executive pay, and better regulation of financial institutions. Hanging over all the talks is the need for renovation of the architecture for international economic decisionmaking. It seems clear that the eclipse of the G8 is complete; this year's summit was held in Italy in July and the most notable development was the decision of Chinese President Hu Jintao – an invited guest – to cancel at the last minute as a result of unrest in Xinjiang.

Accordingly, the September G20 summit spent a good deal of its time discussing institutional modernization. After concluding that their “forceful response helped stop the dangerous, sharp decline in global activity and stabilize financial markets,” the leaders claimed the G20 would become the “premier forum” for economic cooperation. This reflects recognition of the vital role played by developing economies in regulating and stabilizing the global economy and of Asia's role in that process. Six Asian nations are in the G20; only Japan is a member of the G8. A key component of the modernization effort is changing voting rights in the IMF and other international financial institutions. China, in particular, wants more say. In Pittsburgh, the G20 committed to a shift of at least 5 percent in the IMF quota share to dynamic emerging market and developing countries.

Even more important to the long-term stabilization of the global economy is a rebalancing of global accounts. The postwar model, in which the West, and the U.S., provided markets of final demand for goods produced elsewhere – Asia, in particular – is dangerously unstable. A world in which some countries run huge and enduring deficits and others maintain equally large surpluses is unsustainable. Asia, and (once again) China, must stimulate domestic demand to ease the burden on the U.S. to keep the global economy humming. For its part, the U.S. has to improve its savings rate. The G20 recognized that basic fact and called for adjustment. The G20's survival – at least as a credible forum for international leadership – depends on delivering.

Other elements of institutional rebalancing will be harder to accomplish than the reapportioning of voting shares. One of the most important enablers of the persistent U.S. imbalances is the dollar's status as the international reserve currency. Increasing numbers of countries – do we have to say China again? – are pushing for new settlement options. Unfortunately for them, creation of a viable alternative requires intermediate steps that they are not willing to take – most significantly, increasing the convertibility and availability of those currencies. That means relinquishing national control, and governments like Beijing are uncomfortable with that idea. So, the dollar remains the currency of choice, and hopes of diminishing U.S. influence remain just that – hopes.

Regional Chronology

July-September 2009

July 2, 2009: North Korea test-fires four short-range *KN-01* surface-to-ship missiles, with a range of 120-160 km, from a base at Sinsang-ri north of Wonsan.

July 2, 2009: Japanese diplomat Amano Yukiya is elected to replace Mohamed ElBaradei as director general of the International Atomic Energy Agency.

July 2-14, 2009: Chinese nuclear envoy Wu Dawei visits Russia, U.S., Japan, and South Korea to discuss DPRK denuclearization.

July 3, 2009: Japanese Cabinet extends the Maritime Self-Defense Force's (MSDF) refueling mission in the Indian Ocean to Jan. 15, 2010. The extension is made under the special measures law that allows Japanese vessels to refuel ships of countries involved in anti-terrorism efforts.

July 3-4, 2009: UN Secretary General Ban Ki-moon visits Burma (Myanmar) and meets Senior Gen. Than Shwe, but is not allowed to meet Aung San Suu Kyi.

July 4, 2009: North Korea fires seven ballistic missiles into the East Sea/Sea of Japan. South Korea puts its military on high alert and calls this a "provocative act" that violates UN Security Council resolutions banning all DPRK ballistic missile activity.

July 5, 2009: Violent clashes between Uighur and Han Chinese in Urumqi, Xinjiang.

July 6, 2009: Chinese Deputy Foreign Minister Wu Dawei meets U.S. Deputy Secretary of State James Steinberg to discuss the North Korean nuclear issue and the recent riots in Xinjiang, among other issues. Secretary of State Hillary Clinton drops by during the meeting.

July 6, 2009: North Korean ship, *Kang Nam I*, which the U.S. Navy had been tracking because it was suspected of carrying illicit cargo, returns to Nampo without delivering any cargo.

July 6, 2009: Lee Chan-ho, chief analyst of cross-border ties at the ROK Ministry of Unification, reports that as of June 22 DPRK media have denigrated President Lee Myung-bak 1,705 times so far this year: an average of 9.9 times each day, up from 7.6 last year.

July 6-8, 2009: U.S. President Barack Obama visits Moscow. He meets President Dmitry Medvedev, Prime Minister Vladimir Putin, opposition leaders, business students, and journalists.

July 7-9, 2009: Several major public and private U.S. and South Korean websites are overloaded by distributed denial of service attacks.

July 8, 2009: Chinese President Hu Jintao cancels plans to attend a G8 summit in Italy and flies home after reports that chaos and panic in Urumqi, Xinjiang.

July 12, 2009: President Obama, in letters to the chairman and ranking member of the Senate Armed Services Committee, vows to veto any defense spending bill that includes additional funding for the *F-22* aircraft.

July 13, 2009: Liu Zhenmin, China's deputy permanent representative to the UN, states that the China is opposed to putting the Myanmar question on the UN Security Council agenda and would not support sanctions as a result of the military junta's sentencing of Aung San Suu Kyi.

July 16-18, 2009: Assistant Secretary of State for East Asia and Pacific Affairs Kurt Campbell travels to Tokyo, Seoul, and Beijing for consultations.

July 17, 2009: Terrorists attack two hotels in Jakarta leaving 8 dead and over 50 injured.

July 18, 2009: ASEAN foreign ministers denounce the Jakarta bomb attacks and express solidarity with Indonesia in its "fight against terrorism."

July 18-23, 2009: The 42nd ASEAN Ministerial Meeting, Post Ministerial Conferences, and 16th ASEAN Regional Forum are held in Phuket, Thailand.

July 19, 2009: The Japanese Diet passes an antipiracy law that provides a basis for ongoing antipiracy operations by the Maritime Self-Defense Forces off the coast of Somalia.

July 21, 2009: Japan's Prime Minister Aso Taro dissolves the Lower House of the Diet and officially calls an election for Aug. 30 with campaigning set to begin on Aug. 18.

July 22, 2009: A fourth round of U.S.-Russian consultations on a new strategic offensive arms reduction treaty (START) begins in Geneva.

July 22-23, 2009: Secretary of State Clinton at the ASEAN Ministerial Meeting in Phuket, Thailand, signs the Association's Treaty of Amity and Cooperation, a nonaggression pact, while declaring "The United States is back in Southeast Asia."

July 22-26, 2009: China and Russia conduct joint antiterrorism military exercise *Peace Mission 2009* in Khabarovsk.

July 23, 2009: Heads of the central banks of China, South Korea, and Japan hold their first regular meeting in Shenzhen, China.

July 23, 2009: Secretary Clinton meets representatives of the four riparian Lower Mekong basin countries (Cambodia, Laos, Thailand, and Vietnam) to discuss water management policy – the first time the U.S. has been involved in Mekong River issues.

July 24, 2009: The Philippine government suspends its military offensives against secessionists in Mindanao in an effort to restart negotiations with the Moro Islamic Liberation Front.

July 24, 2009: Final results from Indonesia's presidential election held on July 8 are announced and confirm that President Susilo Bambang Yudhoyono won a landslide victory over his two opponents, capturing 61 percent of the votes and a majority in 28 of Indonesia's 33 provinces.

July 26, 2009: Taiwan President Ma Ying-jeou is elected leader of the Kuomintang Party (KMT) and receives a congratulatory telephone call from China's President Hu Jintao.

July 27-28, 2009: First U.S.-China Strategic and Economic Dialogue is held in Washington.

July 28, 2009: Chinese Customs authorities seize North Korea-bound vanadium, a strategic metal used to strengthen steel.

July 29, 2009: *Japan Times* reports that China has pulled out of scheduled U.S.-Japan-China trilateral policy planning talks.

July 30, 2009: A Chinese investment company developing a copper mine in North Korea with a DPRK company sanctioned under UNSC resolutions pulls out of the joint project.

July 30, 2009: A South Korean fishing boat that reportedly had a problem with its navigation system is towed away by a North Korean patrol boat after it strayed north of the maritime border.

Aug. 1, 2009: Former Philippine President Corazon Aquino dies in Manila from complications associated with colon cancer.

Aug. 4, 2009: Former President Bill Clinton visits Pyongyang and meets Chairman Kim Jong-il. Following the meeting, North Korea announces the release of two U.S. journalists who had been detained since being arrested in March for illegally entering the country.

Aug. 8, 2009: Typhoon *Morakot* causes extensive damage and hundreds of death in Taiwan leading to harsh criticism of President Ma and the resignation of several government officials.

Aug. 11, 2009: Burma's junta extends Aung San Suu Kyi's house arrest by 18 months.

Aug. 11, 2009: Bangkok's Criminal Court says it does not have the authority to extradite Victor Bout, a Russian arms dealer, from Thailand to the U.S. on charges of offering to supply weapons to Colombian rebels. The Thai government and the U.S. appeal the ruling.

Aug. 11, 2009: China launches *Stride 2009*, a two-month long exercise involving 50,000 soldiers, focused on deploying forces long distances.

Aug. 12, 2009: China rejects a requested port call in Hong Kong by a Japan MSDF ship because of "sensitive issues" and "technical details," which are believed to be related to trips to Japan by the Dalai Lama and Uighur activist Rebiya Kadeer.

Aug. 12, 2009: Philippine military and police overrun two jungle camps on Basilan Island believed to be under the control of Abu Sayyaf militants.

Aug. 13, 2009: India and ASEAN sign a free trade agreement after more than six years of talks.

Aug. 14, 2009: North Korea releases Yu Seong-Jin, a South Korean engineer employed by the Hyundai manufacturing group, after chairwoman of the Hyundai group, Hyun Jung-Eun, intercedes on his behalf.

Aug. 14-16, 2009: Sen. James Webb visits Burma and meets both Gen. Than Shwe and opposition leader Aung San Suu Kyi, and wins the release of John Yettaw.

Aug. 15, 2009: Japanese Prime Minister Aso Taro expresses deep regret in a ceremony marking the 64th anniversary of Tokyo's surrender saying "Our country inflicted tremendous damage and suffering on many countries, particularly people in Asia. As a representative of the Japanese people, I humbly express my remorse for the victims, along with deep regret."

Aug. 15, 2009: Chinese Commerce Minister Chen Deming attends the 41st ASEAN Economic Ministers Meeting and signs the ASEAN-China Investment Agreement in preparation for the ASEAN-China Free Trade Area, which will come into effect in January 2010.

Aug. 16, 2009: Hyundai Group chairwoman Hyun Jung-eun meets North Korean leader Kim Jong-il in Pyongyang and they agree to resume tours to Kungang Mountain and Kaesong.

Aug. 16, 2009: U.S. Sen. James Webb meets Burma's junta leader Gen. Than Shwe and obtains the release of convicted American John Yettaw.

Aug. 16-21, 2009: China's Vice Foreign Minister Wu Dawei, who chairs the Six-Party Talks, visits Pyongyang and meets North Korean counterpart Kim Kye-gwan and other officials.

Aug. 17, 2009: John Roos is sworn in as U.S. ambassador to Japan.

Aug. 17, 2009: Thousands of supporters in Bangkok present a petition to the Royal Palace seeking a pardon for former Prime Minister Thaksin Shinawatra.

Aug. 17-27, 2009: The U.S. and South Korea conduct *Ulchi Freedom Guardian*, an annual joint military exercise involving about 56,000 ROK troops and 10,000 U.S. troops.

Aug. 18, 2009: Former South Korean President Kim Dae-jung dies.

Aug. 19-20, 2009: New Mexico Gov. Bill Richardson meets DPRK diplomats from the UN.

Aug. 20, 2009: DPRK notifies ROK Unification Ministry that border crossings and cargo train service would be "restored to the way they were before the December 1 measure," which restricted the number of times ROK workers could travel to the Kaesong Industrial Complex.

Aug. 20, 2009: China's Defense Ministry launches its first official web site in what it describes as an effort to be more transparent. The English version can be found at <http://eng.mod.gov.cn/>.

Aug. 22, 2009: U.S. Ambassador to China Jon Huntsman arrives in Beijing.

Aug. 24, 2009: South Korea launches the first space rocket launch from its soil after repeatedly postponing it due to technical reasons. While the launch is successful, the satellite fails to deploy to its intended orbit and falls back into the earth's atmosphere.

Aug. 26-27, 2009: A special session of the U.S.-China Military Maritime Consultative Agreement talks are held in Beijing.

Aug. 28, 2009: The UN releases a statement saying that more than 30,000 refugees from the northeast region of Myanmar have fled into China as a result of recent fighting between Myanmar's military and rebel ethnic armies.

Aug. 29, 2009: North Korea releases a South Korean crew and its 29-ton fishing vessel that had been detained since July 30, 2009.

Aug. 30, 2009: The Democratic Party of Japan wins control of government in the Lower House election for the first time in its history, driving the Liberal Democratic Party out of power for only the second time since it was formed in 1955.

Aug. 30-Sept. 4, 2009: The Dalai Lama visits Taiwan.

Sept. 1, 2009: The British Commonwealth suspends Fiji for failing to make progress in holding elections by October 1, 2010.

Sept. 2, 2009: Cross-border traffic between North and South Korea returns to normal, ending eight months of restrictions imposed by the North.

Sept. 3-8, 2009: U.S. Envoy on North Korea Stephen Bosworth visits China, South Korea, and Japan to coordinate with counterparts on prospects for resuming Six-Party Talks.

Sept. 4, 2009: Taiwan announces that it will not attempt to seek UN membership this year.

Sept. 4, 2009: The finance ministers and central bank governors of Brazil, Russia, India, and China (BRIC) gather in London to discuss the current situation of the world economy and their fiscal and monetary policy responses. They call for enhancing and consolidating the role of the Group of 20 major developed and developing countries (G20) in managing world economy.

Sept. 6, 2009: North Korea releases about 40 million tons of water from the dam on the Imjin River located 40 km north of the demilitarized zone (DMZ), which results in flooding south of the DMZ, killing six South Korean campers.

Sept. 7, 2009: North Korea says that it released water from the dam on the Imjin River because of a sudden high water level at the dam. It also promises to provide timely warnings to South Korea in the future, but does not mention the campers or apologize for the incident.

Sept. 7, 2009: Taiwan Premier Liu Chao-shiuan resigns after severe public criticism of the way the government responded to Typhoon *Morakot*.

Sept. 9-10, 2009: Wu Bangguo meets President Obama, Senate Majority Leader Harry Reid, and Senate Minority Leader Mitch McConnell in Washington.

Sept. 11, 2009: President Obama announces plans to impose a 35 percent tariff on automobile and light-truck tires imported from China.

Sept. 11, 2009: Taiwan's former President Chen Shui-bian is sentenced to life in prison after being found guilty of corruption.

Sept. 14-18, 2009: The International Atomic Energy Agency's 53rd Annual General Conference is held in Vienna. Amano Yukiya is formally appointed as the agency's fifth director general.

Sept. 15, 2009: U.S. National Intelligence Director Dennis Blair releases the 2009 U.S. National Intelligence Strategy, which groups China with Iran, North Korea and Russia as nations with the ability to "challenge U.S. interests in traditional and emerging ways."

Sept. 16, 2009: Japan's Diet elects Hatoyama Yukio as prime minister.

Sept. 16, 2009: Chinese Foreign Ministry spokeswoman urges the U.S. "to discard its Cold War mindset and prejudice, correct the mistakes in the NIS [2009 National Intelligence Strategy] report and stop publishing wrong opinions about China which may mislead the American people and undermine the mutual trust between China and the United States."

Sept. 16-18, 2009: Dai Bingguo, envoy of President Hu Jintao, accompanied by Vice Foreign Minister Wu Dawei, visits North Korea and meets Chairman Kim Jong-il. According to *Xinhua*, Kim tells him that "North Korea will continue adhering towards the goal of denuclearization ... and is willing to resolve the relevant problems through bilateral and multilateral talks."

Sept. 17, 2009: Noordin Mohamed Top, a Malaysian who headed a violent splinter faction of the Jemaah Islamiyah terrorist network, is killed along with three of his militants during raid on a house outside Solo City, Indonesia.

Sept. 17, 2009: The U.S. government announces that it will not be pursuing a missile defense platform in Poland and the Czech Republic.

Sept. 18, 2009: The Chinese and Russian naval escort taskforces carry out a joint exercise named *Peace Blue Shield 2009* in the west sea area of the Gulf of Aden.

Sept. 21, 2009: Speaking in New York, South Korean President Lee Myung-bak offers North Korea a "grand bargain" to give up its nuclear program in return for aid and security guarantees, warning the communist state the offer may be its last chance to "ensure its own survival."

Sept. 21, 2009: The UN hosts a one-day climate summit in New York, which is attended by 86 presidents and 36 prime ministers.

Sept. 22, 2009: Presidents Obama and Hu meet on the sidelines of the UN General Assembly.

Sept. 23, 2009: Prime Minister Hatoyama meets President Obama on the sidelines of the UN General Assembly.

Sept. 23, 2009: Speaking on the sidelines of the UN, Secretary Clinton announces a change in the Obama administration's Burma policy to engage the military junta while still maintaining economic sanctions.

Sept. 23, 2009: President Obama says that Iran and the DPRK "must be held accountable" if they continue to put their pursuit of nuclear weapons ahead of international security.

Sept. 23-26 & 28-30, 2009: The General Debate of the 64th session of the UN General Assembly is held in New York.

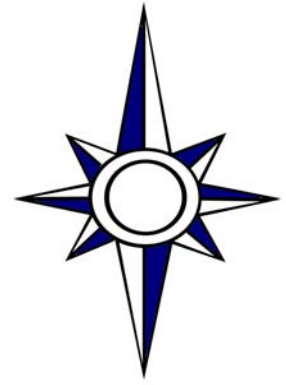
Sept. 24-25, 2009: The Group of 20 (G20) economic summit is held in Pittsburgh.

Sept. 25-Oct. 1, 2009: A U.S. interagency delegation led by Deputy Secretary James Steinberg visits Vietnam, Malaysia, China, South Korea, and Japan for consultations on bilateral, regional, and global issues.

Sept. 26, 2009: Detained Burmese opposition leader Aung San Suu Kyi announces through her attorney that she is ready to help the military junta get the West to lift economic sanctions.

Sept. 28, 2009: Foreign ministers from China (Yang Jiechi), Japan (Okada Katsuya), and South Korea (Yu Myung-hwan) meet in Shanghai to prepare for an Oct. 10 leaders' summit in Beijing.

Oct. 9, 2009: President Obama is awarded the Nobel Peace Prize.



**U.S.-Japan Relations:
Interpreting Change**

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Hatoyama Yukio led the Democratic Party of Japan (DPJ) to a landslide victory in the Aug. 30 Lower House election and was elected prime minister after a spirited campaign for change both in the form and substance of policymaking. Exit polls showed that the public had grown weary of the Liberal Democratic Party (LDP) but had not necessarily embraced the agenda of the coalition government Hatoyama would subsequently form with an eye toward consolidating power in an Upper House election next summer. Though the election centered primarily on domestic policy, Hatoyama began his tenure by outlining foreign policy priorities during visits to the UN in New York and the G20 summit in Pittsburgh less than a week after he took office.

The Obama administration emphasized respect and patience as Japan experienced a transition to a non-LDP government for only the second time since 1955. Senior U.S. officials visited Tokyo for consultations soon after the election and prepared for the first meeting between President Obama and Prime Minister Hatoyama in New York on Sept. 23. The leaders reaffirmed the importance of the U.S.-Japan alliance and set the stage for a visit to Japan by Obama in November. The quarter ended with good atmospherics but also questions about the extent to which Hatoyama would try to implement several campaign pledges – such as renegotiating the realignment plan for U.S. forces on Okinawa – with the potential to strain bilateral ties.

Change they might believe in

An average approval rating of 20 percent and embarrassing defeats in local elections led Prime Minister Aso Taro to dissolve the Diet on July 21 and schedule a Lower House election for Aug. 30, only a month before the Constitution would have required an election. DPJ President Hatoyama, with the support of former president and master strategist Ozawa Ichiro, unveiled a campaign strategy designed to blame the LDP for a lack of transparency and accountability in government and a failure to revive the Japanese economy. The DPJ vowed in its election manifesto to wrest power from the bureaucracy and expand the role of political leaders in government by assigning 100 parliamentarians to ministerial posts and centralizing budgetary authority in the Cabinet Office to prevent wasteful spending. The economic portfolio derided the LDP's export-oriented growth model and promoted a boost in consumption that would flow from handouts such as payments to households with children and subsidies to farmers. Other proposals, including plans to eliminate highway tolls and gasoline taxes, also proved popular in an economic downturn and the public mood was captured in one simple campaign slogan: "Change in Government." The voters clearly endorsed this message as the DPJ won 308 of the 480 seats in the Lower House and ousted the LDP from power. But exit polls suggested the

election was more a referendum on LDP leadership than a firm embrace of DPJ policies. A *Yomiuri Shimbun* poll published Sept. 1 showed that 46 percent of respondents cited disaffection with the Aso Cabinet as the main reason for the outcome, followed by 37 percent who favored a general change in government, 10 percent with hopes for the DPJ election platform, and 3 percent with expectations of Hatoyama as prime minister. *Asahi Shimbun* exit polls released the same day found that only 32 percent of respondents believed the DPJ could change Japanese politics. Despite widespread enthusiasm about the prospects for change, the Hatoyama administration would have to deliver results to satisfy a skeptical public.

A new coalition

Though the Lower House was now firmly under DPJ control, Hatoyama formed a coalition government with two other parties, the leftist Social Democratic Party (SDP) and the anti-reform People's New Party (PNP), whose help he will need to secure a majority in the Upper House election next summer. A comfortable cushion in both houses would pave the way for an extended period of DPJ rule and Hatoyama had this in mind when he was elected prime minister during a special Diet session on Sept. 16 and awarded Cabinet posts to SDP leader Fukushima Mizuho (minister for Consumer Affairs) and PNP leader Kamei Shizuka (minister for Financial Services and Postal Reform). Other key appointments included Okada Katsuya (who finished second behind Hatoyama in the race to succeed Ozawa as DPJ president last May) as foreign minister; Fujii Hirohisa, a former Finance Ministry bureaucrat, as finance minister; and Kitazawa Toshimi, a low-profile member of the Upper House, as defense minister. Managing this coalition will prove challenging for Hatoyama as the DPJ itself has yet to achieve consensus on central policy objectives and will then have to reconcile differences with the SDP and PNP. This dilemma is most evident with respect to the U.S.-Japan relationship in that the SDP and PNP have argued vociferously in favor of renegotiating the realignment plan for U.S. Marines on Okinawa and revising the Status of Forces Agreement (SOFA) for U.S. forces in Japan. Okada Katsuya managed to soften language on those issues in a coalition agreement between the three parties but the matter appeared unresolved. Kamei also demonstrated the potential for internal strife over economic issues when he declared on Sept. 17 that the Hatoyama administration would consider a three-year moratorium on loan payments by small- and medium-sized businesses, a position Finance Minister Fujii implied was not endorsed by the full Cabinet.

Prime Minister Hatoyama attempted to realize his vision for transparency and accountability by establishing a National Strategy Bureau (*kokka senryaku kyoku*) in the Cabinet Office, to be run by former DPJ leader Kan Naoto, which would centralize the policymaking process and check the power of bureaucrats (an objective supported by 87.5 percent of respondents to a *Fujisankei* poll published Sept. 7). This experiment would be tested early on as the Cabinet was tasked with redrafting a government budget for fiscal year 2010 by mid-October in preparation for a special Diet session later this fall. Hatoyama also sent a signal to the bureaucracy by eliminating the administrative vice minister coordination meetings (*jimujikan kaigi*) where bureaucrats from each ministry would discuss interagency issues without involving political leaders. (This initiative is reminiscent of recent LDP efforts, such as the creation of a U.S.-style National Security Council, but is focused on economic rather than security issues.)

Hatoyama entered office with an approval rating above 70 percent but will likely face intense scrutiny during the budget debate in the Diet and could be questioned about a funding scandal that surfaced back in June. The last three LDP prime ministers also started off with support over 70 percent before crashing in the polls and resigning a year later. The opposition LDP elected Tanigaki Sadakazu to lead the charge as president and he called on veteran Diet Whip Oshima Tadamori to serve as secretary general. This was a blow to younger LDP politicians who had hoped for generational change and to hawks and economic reformers who wanted to revive Koizumi's agenda. Tanigaki's most distinguishing weapon is his expertise on fiscal matters, which he will use to pressure the DPJ on their ambitious spending plans. Meanwhile, Oshima will go head-to-head against Ozawa Ichiro, whom Hatoyama tapped to engineer another victory in next summer's Upper House election.

Foreign and defense policy

Only five of the 55 policy initiatives outlined in the DPJ election platform focused on foreign affairs but two of them generated headlines in a bilateral context. The first was promotion of an "East Asian Community" – not a new idea in Japanese foreign policy, but one that Hatoyama appeared to present in an article in the *New York Times* as a way to counterbalance U.S. influence on Japan. The article cited the decline of U.S. power, lamented the ills of U.S.-style capitalism, and spoke of the need for Japan to strengthen bonds in Asia as a means of securing its political and economic independence as a nation positioned between the U.S. and China. There was one reference to the importance of the U.S.-Japan relationship but it seemed parenthetical in what the Western media likely concluded was an explanation of the DPJ's diplomatic agenda. Hatoyama was pressed by the media and forced to state that his essay was not anti-American, and what began as a benign statement about outreach in Asia ended up as a confusing signal about Hatoyama's views on the U.S.-Japan alliance. (Japanese media reports suggested there was confusion about a request from a U.S. syndication company to publish excerpts of the essay and that the broad dissemination of the summary came as a surprise.)

The second initiative dealt directly with the bilateral relationship and included the phrase "close and equal alliance" to describe the DPJ's approach to relations with Washington. The term "equal" is undefined but widely interpreted as a greater willingness to express grievances and play a less "subservient" role in the alliance. Several campaign pledges captured this dynamic including: ending the Maritime Self-Defense Force (MSDF) refueling mission in the Indian Ocean; renegotiating bilateral agreements on the realignment of Marines on Okinawa; revising the SOFA governing U.S. forces in Japan; and declassifying secret documents related to U.S. nuclear weapons policy in Japan from the 1950s and 1960s. The language in the election platform said only that the party would work toward realizing these goals but a separately published "Index" describing these policies in greater detail promised to deliver on these demands, implying a lack of internal consensus on bilateral security issues.

Foreign Minister Okada took the lead in implementing this agenda upon taking office. He immediately called for an investigation into the classified documents and also expressed his intention to address the relocation of U.S. bases in Okinawa and settle the government's approach to Afghanistan during the first 100 days of the administration. Okada stated that Japan would not "simply" withdraw from the refueling mission in the Indian Ocean, which invited

media speculation as to whether the mission might be continued in a different form or if the government was contemplating other alternatives. Defense Minister Kitazawa also chimed in on Afghanistan and Okinawa, declaring during his first press conference that the government would not extend the special measures law authorizing the refueling mission and noting that the government would discuss Okinawa “based on a realistic view of the situation.” On Sept. 26 Kitazawa told the media during a trip to Okinawa that relocating U.S. bases would be difficult and could take a long time, again hinting at a softening of the government’s position. The transition to forming a government did little to encourage a consensus on how best to characterize an equal alliance in policy terms.

Prime Minister Hatoyama made his diplomatic debut at the United Nations in New York in late September and delivered three addresses articulating central foreign policy themes. On Sept. 22 he addressed the UN Summit on Climate Change and shared his government’s pledge to reduce greenhouse gas emissions 25 percent below 1990 levels by 2020 and also proposed a “Hatoyama Initiative” to bridge the gap between the developed and developing worlds on climate change issues. Hatoyama also made a statement during the UN Security Council summit on nuclear nonproliferation and disarmament and reiterated Japan’s commitment to the Nuclear Non-Proliferation Treaty. Finally, in a speech to the UN General Assembly, Hatoyama summarized five pillars of his foreign policy agenda: global economic recovery; climate change; nuclear disarmament and nonproliferation; peace building, development, and poverty alleviation; and building an East Asian Community.

Bilateral consultations

President Obama made a congratulatory phone call to Prime Minister Hatoyama on Sept. 2 and set a positive tone for their first encounter three weeks later. Senior U.S. officials including Assistant Secretary of State for East Asian and Pacific Affairs Kurt Campbell stressed patience during the transition and expressed a willingness to listen to the concerns of the new government. Campbell visited Tokyo just after Hatoyama took office to prepare for senior-level meetings at the UN. Secretary of State Clinton and Foreign Minister Okada met on Sept. 21 and discussed the importance of the U.S.-Japan alliance, Japan’s support for Afghanistan, the realignment of U.S. forces in Japan, and North Korea. (The two also joined Australian Foreign Minister Stephen Smith for the fourth trilateral strategic dialogue.) President Obama covered a similar agenda with Prime Minister Hatoyama on Sept. 23 and agreed to visit Japan in November.

Hatoyama is counting on a good personal relationship with Obama to jump-start the relationship and came away satisfied with this first set of meetings. The positive atmospherics are attributable to the fact that the two governments have yet to get into detail on the issues that could complicate the relationship. Statements in September by the State Department and Pentagon spokespersons regarding Okinawa and Afghanistan, respectively – declining to renegotiate the Okinawa agreement and encouraging Japan to extend the Indian Ocean refueling mission – suggest that private consultations in advance of Obama’s trip to Japan could prove contentious. Deputy Secretary of State James Steinberg led an interagency delegation to Japan at the end of the quarter.

A busy fourth quarter

The DPJ-LDP rivalry could heat up with by-elections in Kanagawa and Shizuoka Prefectures scheduled for Oct. 25. Political fireworks will also be on display during a special session of the Diet to pass the government's first budget. On the bilateral front, U.S. Defense Secretary Robert Gates could visit Japan in October, followed by the Obama-Hatoyama summit. Multilateral summitry will also feature prominently next quarter with the Asia-Pacific Economic Cooperation (APEC) forum in Singapore in mid-November and the 15th Conference of Parties to the United Nations Framework Convention on Climate Change in Copenhagen in mid-December. Japan's leadership role in global nonproliferation efforts will be further amplified when Amano Yukiya takes office as director general of the International Atomic Energy Agency (IAEA) on Dec 1.

Chronology of U.S.-Japan Relations July-September 2009

July 1, 2009: Prime Minister Aso Taro appoints Hayashi Yoshimasa as fiscal policy and economy minister, enabling Yosano Kaoru to focus solely on his duties as finance minister.

July 1, 2009: The Bank of Japan's quarterly *tankan* survey reveals a slight uptick in business confidence after an all-time low recorded in the previous quarter.

July 2, 2009: Amano Yukiya is appointed as the next director general of the International Atomic Energy Agency (IAEA), beginning in December 2009.

July 3-4, 2009: Japanese media public opinion polls show Aso administration's approval rating averages close to 20 percent with a disapproval rating close to 70 percent.

July 6, 2009: Two Maritime Self-Defense Force (MSDF) destroyers, *Harusame* and *Aragiri*, depart Japan as the second unit in an antipiracy mission in the Gulf of Aden.

July 6, 2009: The U.S. and Japanese governments release the results of the U.S.-Japan Regulatory Reform and Competition Policy Initiative.

July 8, 2009: President Barack Obama and Prime Minister Aso meet on the sidelines of the G8 summit in Italy to discuss the global economic crisis, North Korea, and climate change.

July 11, 2009: Chargé d'Affaires ad interim of the U.S. James Zumwalt and Japanese Foreign Minister Nakasone Hirofumi exchange notes pertaining to the transfer of funds provided by Japan to the U.S. in accordance with the Agreement on the Relocation of United States Marine Corps Personnel from Okinawa to Guam.

July 12, 2009: President Obama, in letters to the chairman and ranking member of the Senate Armed Services Committee, vows to veto any defense spending bill that includes additional funding for the *F-22* aircraft.

July 12, 2009: The DPJ scores a victory in the Tokyo Metropolitan Assembly election, becoming the largest party in that chamber by securing 54 of 127 seats.

July 13, 2009: The DPJ and three other opposition parties submit a no confidence motion against the Aso Cabinet to the Lower House of the Diet. The motion is defeated the next day.

July 15, 2009: Deputy Policy Chief Fukuyama Tetsuro outlines DPJ policies on climate change including a 25 percent reduction in greenhouse gas reductions below 1990 levels by 2020, a carbon tax, and a domestic emissions trading system with compulsory emission caps.

July 16, 2009: A *Jiji Press* poll shows a 16.3 percent approval rating for the Aso administration.

July 16, 2009: The House Appropriations Defense Subcommittee votes to fund \$369 million for parts to build 12 *F-22* fighters.

July 17, 2009: LDP leaders decide against a party meeting to sack Aso Taro and pick a new leader for the next Lower House election.

July 17, 2009: Japan's Ministry of Defense releases its annual White Paper.

July 17, 2009: Kurt Campbell, assistant secretary of state for East Asian and Pacific affairs, meets Foreign Minister Nakasone Hirofumi and other officials in Tokyo. He also meets DPJ Secretary General Okada Katsuya.

July 18, 2009: Campbell and Wallace Gregson, assistant secretary of defense, Asian and Pacific security affairs, lead a delegation to the bilateral Security Subcommittee Meeting in Tokyo.

July 19, 2009: The Japanese Diet passes an antipiracy law that provides a basis for ongoing antipiracy operations by the Maritime Self-Defense Forces off the coast of Somalia.

July 20, 2009: A *Mainichi Shimbun* poll shows 56 percent favors the DPJ in the next general election with just 23 percent backing the LDP. An *Asahi Shimbun* poll shows 42 percent supporting the DPJ and 19 percent the LDP.

July 21, 2009: Prime Minister Aso dissolves the Lower House of the Diet and officially calls an election for Aug. 30 with campaigning set to begin on Aug. 18.

July 21, 2009: The Senate votes against additional funding for the *F-22* fighter.

July 22, 2009: Secretary of State Hillary Clinton and Foreign Minister Nakasone confer on the sidelines of the ASEAN Regional Forum (ARF) in Thailand.

July 23, 2009: Lt. Gen. Edward Rice, commander of U.S. forces in Japan, states that U.S.-Japan security ties will remain strong regardless of which party prevails in the Aug. 30 election.

July 23, 2009: U.S. Ambassador to Japan-designate John Roos testifies before the Senate Foreign Relations Committee during a confirmation hearing.

July 27, 2009: The DPJ unveils its policy platform for the Aug. 30 election.

July 29, 2009: DPJ President Hatoyama Yukio states that the MSDF refueling mission in the Indian Ocean will not be extended if the DPJ wins the Aug. 30 election.

July 31, 2009: The LDP unveils its policy platform for the Aug. 30 election.

July 31, 2009: Japan's unemployment rate reaches a six-year high of 5.5 percent.

July 31, 2009: Eight agricultural organizations issue a statement opposing a section in the DPJ election platform regarding the promotion of a U.S.-Japan free trade agreement (FTA).

Aug. 3, 2009: The Labor Ministry reports wages in Japan fell 7.1 per cent from a year earlier in June, the 13th consecutive decline and the largest since 1990 when the data was first reported.

Aug. 4, 2009: The Council on Security and Defense Capabilities, publishes a report with several recommendations including the reinterpretation of the constitution to exercise the right of collective self defense.

Aug. 6, 2009: DPJ President Hatoyama states that a DPJ government would work closely with the Obama administration on the goal of a nuclear weapon-free world.

Aug. 9, 2009: DPJ President Hatoyama suggests that a DPJ government would codify Japan's three non-nuclear principles into law.

Aug. 10, 2009: DPJ Secretary General Okada declares the party's intention to conclude a Free Trade Agreement (FTA) with the U.S. in four years.

Aug. 10, 2009: John Roos is confirmed by the U.S. Senate as U.S. ambassador to Japan.

Aug. 11, 2009: The DPJ revises sections of its policy platform referring to a U.S.-Japan FTA and economic partnership agreements (EPA) with Asian countries, adding that duties on rice and other products would not be abolished and that any negotiations would not jeopardize Japan's agricultural industries and rural communities.

Aug. 17, 2009: John Roos is sworn in as U.S. ambassador to Japan.

Aug. 17, 2009: The Cabinet Office announces that the economy grew at an annualized rate of 3.7 percent in the second quarter.

Aug. 17, 2009: A *Kyodo News* poll shows 32 percent favoring the DPJ on the proportional representation ballot for the Lower House election, with 16 percent supporting the LDP.

Aug. 17, 2009: DPJ President Hatoyama says if elected he will establish an investigative team in the Ministry of Foreign Affairs and dispatch members to the U.S. in an attempt to declassify documents regarding U.S. nuclear weapons policy in the 1950s and 1960s.

Aug. 18, 2009: Official campaigning for the Aug. 30 election begins.

Aug. 19, 2009: U.S. Ambassador to Japan John Roos arrives in Japan.

Aug. 21, 2009: A *Nikkei Shimbun* poll reveals a 20 percent approval rating for the Aso administration. Regarding public interest in Aug. 30 election, a combined 95 percent of respondents either would “definitely” or “probably” vote.

Aug. 25, 2009: Ambassador Roos meets Prime Minister Aso and Minister of Economy, Trade and Industry Nikai Toshihiro.

Aug. 26, 2009: Ambassador Phillip Goldberg meets Saiki Akitaka, director general, Asian and Oceanian Affairs Bureau, Ministry of Foreign Affairs, to discuss the implementation of United Nations Security Council Resolution 1874.

Aug. 26, 2009: Ambassador Roos meets Foreign Minister Nakasone.

Aug. 27, 2009: A translated summary of a journal article by DPJ President Hatoyama appears in the online edition of the *New York Times*.

Aug. 28, 2009: A *Kyodo News* poll finds the public inclined to support the DPJ over the LDP on the proportional representation ballot by a margin of 35.9 percent to 17.9 percent. The poll also finds 36 percent of respondents favoring the DPJ in single-seat constituencies compared to 22 percent for the LDP.

Aug. 30, 2009: The DPJ records a landslide victory in the Lower House election, securing 308 of 480 seats.

Aug. 31, 2009: DPJ President Hatoyama states that an article outlining his political philosophy is not anti-American.

Sept. 1, 2009: *Asahi Shimbun* exit polls find that 30 percent of voters who identified themselves as LDP supporters voted for the DPJ instead.

Sept. 1, 2009: Exit polls by *Yomiuri Shimbun* suggest disenchantment with the Aso government as a main driver in the election. Forty-six percent of respondents cite disaffection with the Aso Cabinet as the reason for the DPJ victory, followed by 37 percent citing expectations from a change in government, 10 percent with hopes for the DPJ election platform, and 3 percent with expectations of Hatoyama as prime minister.

Sept. 2, 2009: President Obama makes a congratulatory call to DPJ President Hatoyama, who stresses the importance of the U.S.-Japan alliance.

Sept. 2, 2009: State Department spokesman Ian Kelly states that the U.S. has no intention of renegotiating the Futenma replacement facility plan or Guam relocation plan with the new Japanese government.

Sept. 3, 2009: Ambassador Roos calls on DPJ President Hatoyama.

Sept. 3, 2009: DPJ member Maehara Seiji states in an appearance on *NHK* television that a decision by the new government not to extend the MSDF refueling mission in the Indian Ocean would have little impact on the U.S.-Japan relationship.

Sept. 6-8, 2009: Special Representative for North Korea Policy Stephen Bosworth visits Tokyo and reconfirms U.S. commitment to sanctions on North Korea in line with UNSC resolutions.

Sept. 7, 2009: DPJ President Hatoyama delivers an address on climate change and announces a midterm emissions reduction target of 25 percent below 1990 levels by 2020.

Sept. 9, 2009: The DPJ, the Social Democratic Party (SDP) and the People's New Party (PNP) sign an agreement to form a coalition government which states that it would propose a revision of the Status of Forces Agreement for U.S. forces in Japan and move towards reexamining the realignment of U.S. forces in Japan to reduce the burden on the residents of Okinawa.

Sept. 9, 2009: Pentagon Press Secretary Geoff Morrell says the U.S. would “very much encourage” Japan’s new government to extend the MSDF refueling mission in the Indian Ocean.

Sept. 11, 2009: Ambassador Roos meets DPJ Secretary General Okada.

Sept. 15, 2009: The DPJ elects former party president Ozawa as secretary general.

Sept. 15, 2009: Japan’s Ministry of Land, Infrastructure Transport and Tourism (MLIT) reports that the elimination of highway tolls would result in a 57.5 percent annual increase in automobile passengers and a 33 percent increase in carbon dioxide emissions.

Sept. 16, 2009: Hatoyama Yukio is elected prime minister in a special session of the Diet and later introduces his Cabinet.

Sept. 16, 2009: Finance Minister Fujii Hirohisa states that the Hatoyama administration will move to abolish the gasoline tax in fiscal year 2010.

Sept. 16, 2009: In his first press conference, Foreign Minister Okada Katsuya states several foreign policy priorities including U.S.-Japan relations, North Korea, and climate change.

Sept. 16, 2009: Defense Minister Kitazawa Toshimi says at his first press conference the Hatoyama government would not extend the MSDF Indian Ocean refueling mission and would discuss the realignment of U.S. forces on Okinawa “based on a realistic view of the situation.”

Sept. 17, 2009: *Mainichi Shimbun* reports a 77 percent approval rating for the Hatoyama administration.

Sept. 17, 2009: Foreign Minister Okada orders an investigation of the classified agreements in the 1950s and 1960s between the U.S. and Japan regarding U.S. nuclear policy.

Sept. 17, 2009: MLIT Minister Maehara Seiji states that Japan Airlines cannot be allowed to collapse, signaling government consideration of financial support for the troubled carrier.

Sept. 17-19, 2009: U.S. Assistant Secretary Campbell meets senior members of the government including counterparts in the Ministry of Foreign Affairs and the Ministry of Defense.

Sept. 18, 2009: Prime Minister Hatoyama orders a reexamination of the supplementary budget passed by the previous government and formally calls for the establishment of a National Strategy Bureau in the Cabinet Office.

Sept. 21, 2009: Finance Minister Fujii announces a decision to abandon a ceiling for budget requests adopted by the Aso administration and focus instead on reducing wasteful spending.

Sept. 21, 2009: Secretary of State Clinton and Foreign Minister Okada meet in New York and discuss the U.S.-Japan alliance, Japan's support for Afghanistan, the realignment of U.S. forces in Japan, and North Korea. The two also participate in a trilateral strategic dialogue with Australian Foreign Minister Stephen Smith.

Sept. 22, 2009: Prime Minister Hatoyama addresses a UN conference on climate change and announces the "Hatoyama Initiative" for Japan to assume a leadership role in bridging the divide between the developed and the developing world.

Sept. 23, 2009: President Obama and Prime Minister Hatoyama meet in New York and discuss the U.S.-Japan relationship, North Korea, Afghanistan, and nuclear nonproliferation.

Sept. 23, 2009: Foreign Minister Okada states during a G8 foreign ministers' meeting in New York that there are limits on Japan's ability to dispatch Self-Defense Forces to Afghanistan.

Sept. 24, 2009: MLIT Minister Maehara tells Japan Airlines its revitalization plan is insufficient.

Sept. 24, 2009: Prime Minister Hatoyama addresses the UN General Assembly and cites global economic recovery, climate change, nonproliferation, development, and his vision for an East Asian Community as foreign policy priorities.

Sept. 24, 2009: Chief Cabinet Secretary Hirano Hirofumi states that the members of the ruling coalition will study closely the issue of a moratorium on loan repayments for small- and medium-sized businesses.

Sept. 24-25, 2009: Prime Minister Hatoyama attends the G20 summit in Pittsburgh.

Sept. 25, 2009: Okinawa Gov. Nakaima Hirokazu meets Defense Minister Kitazawa and suggests that altering the realignment plan for U.S. forces on Okinawa would be difficult.

Sept. 25, 2009: MLIT Minister Maehara announces the formation of a special task force to produce a revitalization plan for Japan Airlines.

Sept. 26, 2009: Defense Minister Kitazawa says during a visit to Okinawa that relocating Futenma Air Station outside of Okinawa will be difficult and would take a long time.

Sept. 28, 2009: Tanigaki Sadakazu is elected LDP president and opposition leader.

Sept. 29, 2009: Prime Minister Hatoyama directs his Cabinet to submit fresh budget proposals for fiscal year 2010 by Oct. 15.

Sept. 29, 2009: LDP President Tanigaki appoints Oshima Tadamori as secretary general.

Sept. 30, 2009: A U.S. interagency delegation led by Deputy Secretary of State James Steinberg arrives in Japan for consultations on bilateral, regional, and global issues.



U.S.-China Relations:

Strategic & Economic Dialogue Sets Agenda Cooperation

Bonnie Glaser
CSIS/Pacific Forum CSIS

The inaugural session of the Strategic and Economic Dialogue was held in Washington in July, combining pomp with substantive discussions on issues of great consequence for the two countries and the world. High-level exchanges continued with the visit to the U.S. by Wu Bangguo, the head of the National People's Congress – the first visit by China's top legislator in two decades. A special meeting of the Military Maritime Consultative Agreement was held in Beijing to discuss the confrontations inside China's exclusive economic zone between U.S. Navy surveillance ships and Chinese vessels that took place earlier this year. The U.S. imposed tariffs on tire imports from China, prompting Beijing to file a formal complaint against the U.S. at the WTO and launch an investigation into U.S. exports of chicken meat and auto parts. Presidents Barack Obama and Hu Jintao met in New York and both attended the G20 in Pittsburgh. They will meet again in November when Hu hosts Obama for his first visit to China.

The inaugural Strategic and Economic Dialogue

The new mechanism for Sino-American cooperation that was officially announced at the first meeting between Presidents Obama and Hu on the margins of the G20 summit in London on April 1 had its debut in Washington in the last week in July. The Strategic and Economic Dialogue (S&ED), an amalgamation of the Senior Dialogue and the Strategic Economic Dialogue that were established by the Bush administration, is intended to provide a “unique forum to promote understanding, expand common ground, reduce differences, enhance mutual trust, and step up cooperation,” according to the joint press release. Secretary of State Hillary Clinton and State Councilor Dai Bingguo co-chaired the strategic track, and Secretary of the Treasury Timothy Geithner and Vice Premier Wang Qishan co-chaired the economic track.

Through the employment of a whole-of-government approach, the S&ED is designed to enable discussions between U.S. and Chinese officials on issues that cut across agencies, such as climate change. The inaugural session was intended to set the agenda for future engagement rather than a meeting to announce agreements.

President Obama kicked off the S&ED with a speech that emphasized the need for the U.S. and China to cooperate to meet common challenges. He identified four areas where the two countries share mutual interests and can advance those interests through cooperation: 1) achieving a lasting economic recovery; 2) creating a clean, secure, and prosperous energy future; 3) stopping the spread of nuclear weapons; and 4) confronting transnational threats. To cope with the threats of the 21st century, Obama maintained, relations among nations must no longer

be seen as a zero-sum game. Instead, security must be shared. Obama presented a vision of the future in which the U.S. and China are “partners out of necessity, but also out of opportunity.” He was careful, however, to not endorse the concept of a G2, favored by Zbigniew Brzezinski and Fred Bergsten, which has unnerved U.S. allies in both Europe and Asia. “The relationship between the United States and China will shape the 21st century,” the president stated, “which makes it as important as any bilateral relationship in the world” – not the most important bilateral relationship in the world.

The only concrete accord reached was a Memorandum of Understanding (MOU) on climate change, energy and the environment that identifies potential areas of bilateral cooperation and establishes a Climate Change Policy Dialogue and Cooperation as a platform for future discussions and to promote coordination in support of implementation of the United Nations Framework Convention on Climate Change.

Discussions in the economic track of the S&ED centered both on the near-term goal of promoting recovery from the global economic crisis and the long-term goal of charting a course for sustainable and balanced global growth. Secretary Geithner presented the U.S. plan to sustain recent gains in private saving rates and bring the fiscal deficit down to a manageable level by 2013. He clearly articulated U.S. expectations for China to rely less on export-driven growth and more on consumption-led growth through measures such as strengthening and extending the social safety net, reform of the health care system, strengthening public and private pensions, and increasing minimum subsistence grants for the poor. Both countries also recognized that reforming their financial systems is essential to global financial resilience and rebalancing. They affirmed their commitment to work for a more open global trade and investment system and jointly fight protectionism. In addition, they pledged to work together to promote reform of the international financial architecture to ensure that they have the resources and the effectiveness necessary to perform their task.

The Strategic Track of the S&ED consists of four pillars: 1) bilateral relations (people-to-people exchanges); 2) international security issues (nonproliferation, counterterrorism); 3) global issues (health, development, energy, global institutions); and 4) regional security and stability issues (Afghanistan/Pakistan, Iran, North Korea). Clinton and Dai held in-depth discussions on all these topics. The joint press release highlighted the affirmation by both countries of the importance of the Six-Party Talks and continuing efforts to achieve denuclearization of the Korean Peninsula, their commitment to increase coordination to jointly promote stability and development in Afghanistan and Pakistan and consult on Iran and Middle East issues, and their willingness to enhance coordination and consultation on the issue of Sudan to jointly seek a political settlement of the Darfur issue and promote the peace process between the north and south of Sudan. In addition, the two sides noted their shared opposition to terrorism and agreed to work collaboratively to strengthen global nonproliferation and arms control regimes. They agreed to enhance the bilateral sub-dialogues on policy planning, Asia, the Middle East, Africa, Central Asia, Latin America, and counterterrorism within the Strategic Dialogue framework, with a view to broadening and deepening cooperation on issues of mutual concern.

Many Chinese commentators viewed the S&ED as proof that the China-U.S. relationship is more balanced now than in the past. For example, a writer in the *China Youth Daily* noted that in the

first four rounds of the prior Strategic Economic Dialogue U.S. concerns about the *renminbi* exchange rate was the main theme, but now attention has shifted to Chinese concerns about the safety of U.S. Treasury bonds. Wu Xinbo, vice dean of Fudan University's School of International Relations and Public Affairs, told *Huanqiu Shibao* that "China has the upper hand" at the current round of the S&ED and urged his government to "seize this opportunity to . . . set our demands." Chinese netizens applauded their officials' tough talk to their U.S. counterparts. Wang Qishan admonished the U.S. to "ensure the security" of Chinese assets in the U.S. and "balance the impact" of dollar issuance on the U.S. and international economies. Wang also asked the U.S. to "relax its high-tech exports" to China and to recognize China's "market economy status" as early as possible.

Head of the National People's Congress Wu Bangguo visits the U.S.

In the first visit by China's top legislator to the U.S. in two decades, Wu Bangguo traveled to Arizona, Washington D.C., and Alaska in early September. Wu began his visit with a three-day stay in Phoenix, Arizona where he attended the U.S.-China Economic and Trade Cooperation Forum. He also made stops at leading U.S. companies, including First Solar where he presided at the signing of an MOU between that company and the Chinese government to build a 2GW solar power plant in Ordos City, Inner Mongolia. The two sides also signed 41 agreements and contracts on investment, economic, and technological cooperation worth more than \$12 billion, involving new energy and materials, communications, electronics, machinery, and tourism.

Upon arriving in Washington, Wu met U.S. Speaker of the House Nancy Pelosi, who focused on the importance of the U.S. and China reaching an understanding on climate change. Wu then met President Obama, to whom he conveyed Hu Jintao's regards and expressed China's willingness to work with the U.S. to develop a positive, cooperative, and comprehensive relationship. *Xinhua* described their conversation as cordial and friendly, and quoted Obama as referring to the bilateral relationship as a "strategic partnership" that "has brought benefits not only to both countries, but also to the whole world."

At a dinner hosted by Secretary of State Clinton, Wu delivered a speech in which he put forward a three-point proposal to promote the bilateral relationship: 1) expand the scope of cooperation on the basis of mutual benefit and win-win progress; 2) build support for cooperation through increased exchanges; and 3) handle differences under the principle of mutual respect. He also called for removal of trade and investment barriers and urged the U.S. to properly handle bilateral trade disputes. In her remarks, Clinton said that China and the U.S. bear a heavy responsibility to cooperate in solving the world's toughest problems, including climate change, nonproliferation, nuclear weapons programs in North Korea and Iran, pandemic diseases, and poverty reduction.

In an interview with a TV news station in Phoenix, Wu asserted that the "U.S.-China relationship is now seen as the most important in the world. It is headed into a new historic stage." According to *Xinhua*, Vice President Joseph Biden echoed this assessment in his meeting with Wu, saying that he considers ties between the U.S. and China to be "the most important bilateral relationship in the world." Biden reportedly added that the relationship is "not zero-sum and that the United States hopes that China can succeed."

The second Obama-Hu bilateral

In the third week in September, Hu Jintao attended and delivered speeches at four major international gatherings in four days in the United States: the UN Climate Change Summit, the General Debate of the 64th UN General Assembly, the UN Security Council meeting on nuclear nonproliferation and nuclear disarmament, and the Third Financial Summit of G20 Leaders.

While in New York, Hu held a bilateral meeting with President Obama, their second one-on-one meeting since Obama took office. Both sides provided a positive assessment of their discussions. In contrast to the first meeting between the two presidents on April 1 on the sidelines of the G20 summit in London, which was then described by a senior administration official as “business-like,” this meeting was portrayed as “friendly” and “warm.” The emphasis in the discussion was on “common interests,” the official noted, “how far we’ve come in building the relationship” and “opportunities that we have to build the relationship further.” As the meeting opened, Obama told Hu that he is “committed to pursuing a genuinely cooperative and comprehensive relationship with China” and underscored the need to make bilateral relations more “dynamic and effective” in the face of numerous global and regional challenges.

The principal topics in the hour and a half discussion were North Korea, Iran, climate change, the global economic recovery, and bilateral economic and trade relations. The danger posed by Iran’s nuclear program received a great deal of attention. President Obama underscored the critical importance of the Iran nuclear issue to U.S. national security interests and expressed the hope that the U.S. and China can have the kind of cooperation on Iran that they have had on the North Korea nuclear issue.

According to *Xinhua*, President Hu observed that China and the U.S. share broader common interests in the face of the “complicated and ever changing” international situation. He also expressed Beijing’s willingness to work with the U.S. to seize opportunities to deepen cooperation and further promote the bilateral relationship “in a sound and healthy way.” Additionally, Hu noted that he hoped both sides would “properly handle problems” in bilateral ties and stressed that each country should respect and take care of the other’s interests and concerns. In this regard, Hu asserted that issues related to Taiwan, Tibet, and Xinjiang concern China’s sovereignty and territorial integrity and affect the national sentiment of the 1.3 billion Chinese people. He called on Obama to prevent U.S. territory from being used to conduct separatist activities against China.

On the tire dispute, Hu expressed concern and stated that the U.S. decision to impose special safeguard measures runs counter to the interests of both countries, adding that such incidents “should not happen again.” President Obama maintained that the tire case should not be interpreted as a weakening of his commitment to free trade and resisting protectionism. In the area of climate change, Hu reiterated China’s position that the developed countries should take the lead in reducing emissions and providing assistance to developing countries to help them transition to low-carbon economies. Obama highlighted the potential for bilateral cooperation in the area of clean energy.

Hu put forward four suggestions to strengthen the bilateral relationship. First, the two countries should maintain close top-level exchanges. Second, the two sides should effectively implement and follow up on the work of the first S&ED. Third, the two countries should deepen coordination and cooperation on major regional and international issues. He cited the Korean Peninsula, Iran, and South Asia as key regional issues and climate change, food security, global nuclear security, and epidemic diseases as important global issues. Fourth, Hu called for both sides to enhance cultural and people-to-people exchanges to consolidate the social basis of the bilateral relationship.

Cooperation on North Korea makes tentative progress

Joint U.S. and Chinese efforts to persuade Pyongyang to return to the Six-Party Talks and reaffirm its commitment to denuclearization made headway this quarter after many hours of consultation and coordination. In the first few days of July, U.S. Ambassador Philip Goldberg, coordinator for implementation of UNSC Resolution 1874 aimed at countering North Korea's nuclear program, led an interagency delegation to Beijing. On the eve of his visit, the Chinese created an interagency task force to coordinate implementation of the resolution. Representatives from government, military, and intelligence units comprising the task force, including China's Ministry of Foreign Affairs, the Central Bank, and customs officials, met with Goldberg to discuss cooperation and implementation of the resolution.

Also in early July, Beijing's negotiator for the Six-Party Talks Wu Dawei visited Washington. Less than two weeks later, Assistant Secretary of State Kurt Campbell met Wu and other Chinese officials in Beijing. In early September, U.S. Special Representative for North Korea Policy Stephen Bosworth visited China to discuss how to advance the process of denuclearization of the Korean Peninsula.

An important test of U.S.-Chinese cooperation on the North Korea nuclear issue arose when a North Korean freighter, the *Kang Nam I*, was cited by the U.S. as likely to be carrying cargo banned under UN Security Council resolutions. The freighter drifted across the South China Sea for several weeks in June and appeared to be steaming toward Myanmar, but turned around and returned to a port in North Korea, apparently after Beijing urged Myanmar to refuse to allow the ship to dock. Speaking at a press conference in Phuket, Thailand, where she attended the 16th ASEAN Regional Forum, Secretary Clinton singled out China in describing the successful conclusion of the incident, calling China's pressure a "proximate cause."

In an interview with CNN on Sept. 20, President Obama expressed satisfaction with the cooperation from both China and Russia in sanctioning North Korea for its nuclear and missile tests. "We have been able to hold together a coalition that includes the Chinese and the Russians to really apply some of the toughest sanctions we've seen, and it's having an impact," he said.

Coordination between the U.S. and China, in addition to cooperation among the other members of the Six-Party Talks and supportive nations of the international community, may have yielded some progress toward the end of the quarter. After Chinese State Councilor Dai Bingguo visited Pyongyang as Hu Jintao's special envoy, Kim Jong-il declared that the DPRK would continue to

maintain its goal of denuclearization and expressed his hope to resolve relevant issues through bilateral or multilateral dialogue.

Maritime safety meeting held; military exchanges continue

During the S&ED, discussions on military issues were held between Commander of the U.S. Pacific Command Adm. Timothy Keating and Guan Youfei, deputy director for China's Defense Ministry's Foreign Affairs Office. Keating told the press that the two sides agreed on the resumption of bilateral military exchanges, which had already been discussed and announced in June after the Defense Consultative Talks in Beijing. He also expressed his hope that the U.S. and Chinese militaries can strengthen cooperation in the fields of military exercise, personnel exchange, and humanitarian rescue.

In early September on a visit to Australia, Keating and the Chief of the Australian Defense Force Angus Houston proposed that three-way military exercises be conducted, beginning with small-scale naval and land activities. Keating expressed the shared desire of the U.S. and Australia to better understand China's intentions. He called China's public statements on its defense plans as "less than fulfilling" and urged China to not "stand in isolation in the Asia Pacific."

A special meeting of the Military Maritime Consultative Agreement was held in Beijing Aug. 26-27 to discuss the confrontations inside China's exclusive economic zone between U.S. Navy surveillance ships and Chinese vessels that took place earlier this year. The Chinese and U.S. delegations were headed, respectively, by Guan Youfei and Randolph Alles, director for Strategic Planning and Policy at U.S. Pacific Command. The Chinese, in a Defense Ministry statement, charged that frequent U.S. military air and sea surveillance and survey operations in China's EEZ are the cause of the confrontations and called on the U.S. to reduce and eventually cease its operations. The U.S. called on China to conduct its maritime maneuvers safely and in accordance with international norms. Behind closed doors both sides apparently acknowledged the need to avoid an unwanted collision, although no specifics were agreed upon regarding whether and how they would respectively modify their maritime practices.

China's media sent contrary signals, however, suggesting a possible Chinese willingness to continue to challenge U.S. military presence near its coast and even use military force against U.S. surveillance platforms operating in China's EEZ. Dai Xu, a PLA Air Force colonel and frequent media pundit, warned in the foreign affairs weekly *Guoji Xianqu Daobao* that China might react to future U.S. surveillance activities in its EEZ by pursuing three levels of escalation: "warning," "driving out," and "surrounding and sinking the intruding vessel." An article by *China Radio International Online* that was carried on the website of the official party newspaper *Renmin Ribao* maintained that the *EP-8* – a new surveillance aircraft that the U.S. Navy plans to acquire – "could easily become a target of attack by China's air defense systems and fighter planes." It called on the U.S. "to reduce and gradually bring to an end its military reconnaissance directed against China, and thus provide a good atmosphere for mutual trust between the armed forces of China and the United States."

Also in August, U.S. Chief of Staff of the Army Gen. George Casey traveled to China to visit the Shenyang Military Region Command, attend a seminar at the Academy of Military Sciences in

Beijing, and meet Chinese counterparts. According to an account published by the PLA's newspaper *Jiefangjun Bao*, Casey underscored the importance of strong ties between the militaries to the bilateral relationship and to regional and global peace and security in a meeting with Chen Bingde, member of the Central Military Commission and chief of the PLA General Staff. Chen emphasized the need for the U.S. to respect China's "core interests" and "properly handle differences and sensitive issues" to create conditions for deepening military cooperation. He criticized U.S. arms sales to Taiwan as having harmed China's core interests and negatively affected the healthy development of U.S.-Chinese military ties.

In an unusually harsh public exchange, Chen told the press that the U.S. fails to consider whether its actions hurt the feelings of the Chinese people. "We can't cooperate in this way," he asserted. "We have to cooperate in a candid and friendly manner in a way that will continue our cooperation from generation to generation."

After departing China, Gen. Casey visited Japan to attend multilateral meetings that brought together military leaders and senior officials from Asia-Pacific nations. Casey told the Japanese media that he hoped to expand cooperation with China by conducting a joint disaster relief exercise at the suggestion of the PLA. China sent participants to the programs in Tokyo for senior officials, but did not send representatives to the event for regional army chiefs.

Blowout over tires

On Sept. 11, President Obama announced his decision to impose tariffs of up to 35 percent on the import of low-cost Chinese tires for light trucks. The decision was made after a finding by the U.S. International Trade Commission (ITC) that Chinese imports of tires had "surged," thereby posing a threat to the U.S. domestic market. Under WTO rules, the finding allowed the U.S. to invoke special safeguard measures, outlined in the 1974 Trade Act, designed to protect against a "harmful surge of imports into the U.S." This was not the first time the issue had been raised; the Bush administration declined four requests to enact similar sanctions.

In his statement to the press, Obama remarked that the decision was simply an effort to enforce existing trade rules and was not meant to signal a shift to a protectionist policy. This position was reiterated by U.S. Trade Representative Ron Kirk, who added, "Enforcing trade laws is key to maintaining an open and free trading system." The White House was not legally obligated to enact the tariffs; rather the decision was made after attempts to negotiate concessions from Beijing failed. The tariff rate imposed was considerably less than the 55 percent tariffs recommended by the ITC.

Despite President Obama's insistence that the decision was simply a question of following the rules, many observers in both the U.S. and China saw politics at play. The original demand for tariffs came from the United Steel Workers Association, members of which make the steel belts found in radial tires. The Union's support is thought to be critical to the successful passage of health care reforms. While acknowledging the critical importance of the healthcare issue for the Obama White House, many commentators, notably Cornell University economics professor Eswar Prasad, feared the move would negatively affect the G20 meeting in Pittsburgh and could incite a trade war, with potentially dire consequences for both U.S.-China trade relations and the

world economy. An editorial in *The Economist* noted that the decision might also spur other special interest groups in the U.S. to demand similar measures. On the other hand, several commentators argued that the decision, although bad economic policy, was good foreign policy. Writing in *Newsweek*, Robert Samuelson asserted that the tariffs sent a strong message to Beijing that the U.S. would not stand for predatory trade practices. The U.S. tire industry, for its part, opposed the tariffs, a fact that was quickly seized upon by the Chinese media. A report in *Xinhua* claimed that the decision had “caused wide disappointment from American industries” and would harm the U.S. economy.

Obama’s decision was immediately denounced in a strong statement by the Chinese Ministry of Commerce (MOFCOM), which by Sunday evening had announced it would open an investigation into U.S. exports of chicken meat and auto parts. Although the move followed closely behind the U.S. decision to impose tariffs, Chinese officials asserted that the two events were not connected, stating that the decision was “based on the laws of our country and on World Trade Organization rules.” An article in the *New York Times*, however, suggested the move was a response to an unanticipated outpouring of public anger over the issue, particularly by Chinese netizens. The decision to investigate chicken meat and auto parts was quickly followed by a formal complaint from Beijing to the WTO and a request to discuss the issue with Washington. If a compromise cannot be reached within 60 days, China has the option of asking the WTO to investigate the matter. In the meantime, MOFCOM announced that Chinese tire companies would raise the price of their U.S. exports to offset the loss in business. Chinese rubber industry officials expect the tariffs to cost China approximately \$1 billion dollars in exports a year and affect 100,000 jobs.

Xinjiang riots

Early July saw the outbreak of widespread rioting in Urumqi, the capitol of China’s western province of Xinjiang. The precipitating incident took place on June 26, when a brawl between Uighur and Han workers at a factory in Shaoguang in southern China left two Uighurs dead. On July 5, Uighurs in Urumqi organized a demonstration to call for an investigation into the incident. A confrontation between protestors and police quickly spiraled into violence, leading to the deaths of several Han bystanders. Rioting, marked by Han-Uighur interethnic violence, continued for almost a week, with riot police attempting to control unruly crowds with batons and tear gas. Speculation about the severity of the problem increased when President Hu cut short his attendance at the G8 summit in Italy, missing a scheduled meeting with President Obama, to head back to Beijing to chair a meeting of the Standing Committee of the Politburo on the instability in Xinjiang.

A second wave of riots swept the city in early September, following a series of needle attacks that began on Aug. 17 and were purportedly carried out by Uighur separatists. Police were called in to deal with the rioters, who demanded justice for the deaths of the Shaoguang Uighurs and the resignation of Wang Lequan, Xinjiang’s party secretary, for his failure to quell the violence. Peace was restored to the region in mid-September, but only after 197 were killed and as many as 1,080 were injured. Arrests topped 1,400. Charges related to the violence have just begun to enter the courts. Eleven participants in the June 26 brawl in southern China that started the incident have been indicted on related charges. Twenty-one rioters have also been indicted in

Xinjiang on charges of homicide, arson, property damage, and robbery. Two Uighurs are to be tried in connection with the needle attacks.

The riots reveal underlying tensions between the local Uighurs and the majority Han Chinese, a fact Beijing downplayed in the release of a Sept. 21 White Paper highlighting the positive state of ethnic relations. Nevertheless, comments by Hu Jintao at the Fourth Plenary Session of Chinese Communist Party's (CCP) 17th Central Committee on Sept. 16 acknowledged the serious challenge that the situation in Xinjiang presents to the party's rule. Chinese leaders have blamed the unrest not on ethnic tension, but rather on separatist activities, purportedly led by the World Uyghur Council, which is headed by activist Rebiya Kadeer.

U.S. reactions to the events have been muted. The White House issued an official statement on July 6 calling for all parties "to exercise restraint," and State Department commentary on the riots was limited to a press briefing, in which Press Secretary Ian Kelly said that the U.S. was "monitoring the situation in Xinjiang very closely." Secretary Clinton has remained relatively quiet on the matter. In advance of her July trip to Asia, Clinton called on all sides to remain calm. "We are trying to sort out, as best we can the facts and circumstances from the region," she stated cautiously. During a July 28 joint press briefing with Treasury Secretary Geithner after the S&ED, Clinton noted only that "we [have] expressed our concerns" to the Chinese. Chinese Vice Foreign Minister Wang Guangya expressed praise for Clinton's "moderate" stance on the issue, noting that, "The United States unequivocally said that this incident is entirely a domestic affair of China." Speaker of the House Pelosi also released a statement denouncing the violence. She called on the Chinese government to protect Uighur rights and to allow reports on the events as they unfolded.

Next quarter

The U.S.-China relationship is very active and the two sides have agreed on a comprehensive agenda. The atmosphere and tone of the bilateral relationship are quite positive and both countries appear eager to cooperate where there is sufficient overlap in their interests. Presidents Obama and Hu have met twice, interacted at multilateral gatherings, and spoken on the phone several times. Both leaders emphasize their desire to strengthen the relationship and work together to address regional and global problems. *Wen Wei Po* reported that a leading expert on international affairs characterized the relationship between the two countries as having moved to a new stage.

In November, the two presidents will have another opportunity to exchange views and promote cooperation when Obama makes his first visit to China. The military relationship will also get a boost with the visit to Washington by Lt. Gen. Xu Caihou, vice chairman of the Central Military Commission. In the final quarter of 2009, the issues likely to receive the most attention are climate change, Iran, and North Korea.

Chronology of U.S.-China Relations July-September 2009*

July 1, 2009: Thousands in Hong Kong participate in a pro-democracy march on the twelfth anniversary of China's rule demanding more autonomy in their government.

July 2-3, 2009: Ambassador Philip Goldberg, the U.S. coordinator for implementing UNSC Resolution 1874 leads an interagency delegation to Beijing to discuss its implementation with representatives from the Ministry of Foreign Affairs, Central Bank, and Customs.

July 5, 2009: 197 people die and over 1,700 are injured as Uighur rioters clash with police and Han Chinese in Urumqi, Xinjiang after days of rising tensions.

July 6, 2009: Chinese Deputy Foreign Minister Wu Dawei meets U.S. Deputy Secretary of State James Steinberg to discuss the North Korean nuclear issue and the recent riots in Xinjiang, among other issues. Secretary of State Hillary Clinton drops by during the meeting.

July 8, 2009: Chinese President Hu Jintao cuts short his stay at the G8 summit in Italy and returns to China to deal with the aftermath of deadly riots in Urumqi, Xinjiang.

July 9, 2009: In place of President Hu, Chinese State Councilor Dai Bingguo meets President Obama on the sidelines of the G8 summit to discuss climate change, global economic stability, terrorism, and the DPRK denuclearization issue.

July 14-17, 2009: U.S. Commerce Secretary Gary Locke and Energy Secretary Steven Chu visit Beijing to meet Chinese officials, including Premier Wen Jiabao, to discuss renewable energy industry protectionism, and greenhouse gas emission reductions.

July 15, 2009: The U.S. Senate Committee on Foreign Relations holds a hearing entitled "Maritime Disputes and Sovereignty Issues in East Asia," during which Sen. James Webb reaffirms U.S. recognition of Japanese claims over the Senkaku Islands in the East China Sea. Chinese Foreign Ministry spokesman Qin Gang responds angrily to the claim, saying that China holds indisputable sovereignty over the islands.

July 16, 2009: A U.S. federal judge convicts Chinese-born Dongfan "Greg" Chung of stealing trade secrets critical to the U.S. space program.

July 16-18, 2009: Assistant Secretary of State for East Asia and Pacific Affairs Kurt Campbell travels to Tokyo, Seoul, and Beijing for consultations.

July 20, 2009: A photo exhibition opens in Hong Kong to mark the 30th anniversary of the establishment of China-U.S. diplomatic relations.

* Chronology by CSIS interns Lyle Morris and Ben Dooley. Ben Dooley also provided research assistance.

July 22, 2009: Chinese Foreign Minister Yang Jiechi and U.S. Secretary of State Hillary Clinton meet during the 42nd ASEAN Forum in Phuket, Thailand.

July 23, 2009: Nominee for U.S. Ambassador to China, Utah Gov. Jon Huntsman testifies before the U.S. Senate Foreign Relations Committee.

July 27-28, 2009: The first meeting of the U.S.-China Strategic and Economic Dialogue convenes in Washington. China's delegation is composed of 150 members, led by Vice Premier Wang Qishan and State Councilor Dai Bingguo. The U.S. delegation is headed by Secretary of State Clinton and Treasury Secretary Timothy Geithner.

July 28, 2009: U.S. Special Envoy for Climate Change Todd Stern and Chinese Vice Chairman Xie Zhenhua sign the U.S-China Memorandum of Understanding to Enhance Cooperation in Climate Change, Energy, and the Environment.

Aug. 2, 2009: Chinese security officials detain 319 people, most of them Uighurs, suspected of taking part in the July 5 riots in Xinjiang Province, bringing the estimated total number of people detained following the riots to over 2,000.

Aug. 5, 2009: The U.S. Trade Representative (USTR) announces it will hold a public hearing on a proposal to impose duties on tire imports from China

Aug. 7, 2009: The Senate confirms Utah Gov. Huntsman as U.S. Ambassador to China.

Aug. 12, 2009: A WTO panel rules that China violated international free trade rules by limiting imports of books and movies.

Aug. 17, 2009: China announces it will formally appeal the WTO ruling against its restrictions on imported films, books and audio-visual products.

Aug. 20, 2009: China's Ministry of Defense launches a website to increase transparency.

Aug. 20, 2009: Chief of Staff of the U.S. Army Gen. George Casey meets Chen Bingde, member of the Central Military Commission and chief of general staff of the PLA.

Aug. 22, 2009: U.S. Ambassador to China Jon Huntsman arrives in Beijing.

Aug. 25, 2009: President Hu Jintao concludes a four-day visit to Xinjiang.

Aug. 26-27, 2009: A special session of the U.S.-China Military Maritime Consultative Agreement talks are held in Beijing.

Sept. 3, 2009: U.S. Special Representative for North Korea Policy Stephen Bosworth arrives in Beijing, the first stop of a three-nation tour, to discuss issues related to denuclearization of North Korea. He meets Chinese Foreign Minister Yang Jiechi.

Sept. 4, 2009: At least 5 people are killed and 14 wounded in Xinjiang as a result of protests by ethnic Han demanding a government clampdown on Uighurs for failing to prevent what they believe to be needle-stabbing attacks against Han Chinese.

Sept. 5, 2009: The top Communist official in Urumqi, Li Zhi, is dismissed from his post.

Sept. 8, 2009: Top Chinese legislator Wu Bangguo visits Arizona and signs a memorandum of understanding with First Solar Inc. to build a 2,000-megawatt solar photovoltaic power plant in the Inner Mongolian desert.

Sept. 9-10, 2009: Wu Bangguo meets President Obama, Senate Majority Leader Harry Reid, and Senate Minority Leader Mitch McConnell in Washington.

Sept. 11, 2009: President Obama announces plans to impose a 35 percent tariff on automobile and light-truck tires imported from China.

Sept. 14, 2009: White House Adviser Valerie Jarrett, accompanied by State Department Undersecretary Maria Otero, the designated new Special Coordinator for Tibetan Issues, visits Daramasala and meets the Dalai Lama.

Sept. 14, 2009: China files a formal request with the WTO for consultations with the U.S. to settle the dispute over tariffs on Chinese tire imports.

Sept. 15, 2009: Coca-Cola Inc. announces that a second manager working for the company's Shanghai bottling plant was detained by police on suspicion of accepting bribes.

Sept. 15, 2009: U.S. National Intelligence Director Dennis Blair releases the 2009 U.S. National Intelligence Strategy, which groups China with Iran, North Korea and a resurgent Russia as nations with the ability to "challenge U.S. interests in traditional and emerging ways."

Sept. 15-18, 2009: The fourth plenary session of CCP's 17th Central Committee is held. The session focuses managing threats to the party's political standing, including the recent riots in Xinjiang and corruption among cadres.

Sept. 16, 2009: Chinese security forces reportedly uncover a bomb-making operation in Aksu, about 430 miles southwest of Urumqi, Xinjiang, arresting six suspects.

Sept. 16, 2009: Chinese Foreign Ministry spokeswoman urges the U.S. "to discard its Cold War mindset and prejudice, correct the mistakes in the NIS [2009 National Intelligence Strategy] report and stop publishing wrong opinions about China which may mislead the American people and undermine the mutual trust between China and the United States."

Sept. 16, 2009: Treasury International Capital releases figures showing that China increased its investments in U.S. Treasury bonds by \$15.26 billion dollars in July 2009.

Sept. 17, 2009: China sentences four people to 8-15 years in jail for carrying out attacks with syringes in the Urumqi, Xinjiang.

Sept. 21, 2009: Hu Jintao arrives in the U.S. to attend the UN Summit on Climate Change, the 64th annual UN General Assembly Debate, the UN Security Council's nuclear nonproliferation and disarmament summit, and the G20 summit.

Sept. 22, 2009: Presidents Obama and Hu meet on the sidelines of the UN Summit on Climate Change in New York, where both deliver a speech.

Sept. 22, 2009 China appeals a WTO ruling regarding its regulation of the import of books and audio/visual materials. The ruling was made in April 2007 after the U.S. filed claims stating that China was not allowing US imports sufficient access to Chinese markets.

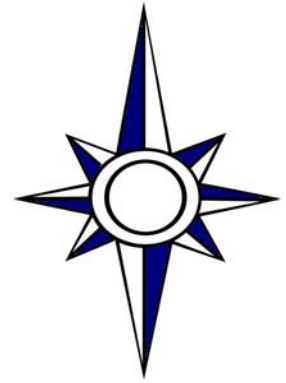
Sept. 24, 2009: Deputy Secretary of State Steinberg gives a speech at the Center for a New American Security titled "The Administration's Vision of the U.S.-China Relationship."

Sept. 24-25, 2009: Presidents Obama and Hu Jintao join other leaders from the G20 in Pittsburgh to coordinate positions on global economic recovery, financial regulatory reform, and world trade issues.

Sept. 25, 2009 Ford Motor Corporation announces that it will build a new factory in China to produce Ford Focuses for sale in China.

Sept. 27, 2009 The fourth Sino-U.S. Energy Policy Dialogue opens in Qingdao, China.

Sept. 29, 2009: Deputy Secretary Steinberg meets Chinese officials in Beijing.



**U.S.-Korea Relations:
Bill's Excellent Adventure**

**Victor Cha
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The quarter saw a good deal of U.S.-Korea activity, largely the result of several trips by high-level U.S. officials to the region. While extended deterrence was a major topic of conversation between the allies, Washington and Seoul also coordinated policy on North Korea with some indication that groundwork for reengagement in nuclear negotiations may be in the offing. Former President Bill Clinton's surprise visit to the North was successful in achieving the return of detained U.S. journalists Laura Ling and Euna Lee.

Present and accounted for

No one could claim that the U.S. was not present in Asia this past quarter. A train of U.S. officials traveled to the region including newly appointed Assistant Secretary of State for Asian and Pacific Affairs Kurt Campbell, Coordinator for UN Security Council Resolution (UNSCR) 1874 sanctions Ambassador Phillip Goldberg, Deputy Secretary of State Jim Steinberg, and Secretary of State Hillary Clinton. Campbell's visit drew praise from both pundit and policy circles in Asia for what many perceived as presentations of positive pro-alliance visions and a principled and strong U.S. stance on North Korea. Clinton's visit came on the occasion of the ASEAN Regional Forum meeting in Thailand, which she was determined not to miss given complaints from the region about past absences by U.S. officials. Deputy Secretary Steinberg's trip in late September was already the second in his tenure – highly unusual for such a senior-level official – a manifestation of his interest in managing Asia issues. If part of the challenge for U.S. policy in Asia is simply being “present,” it certainly met this mark.

An important development for the U.S.-ROK alliance during the quarter was substantive discussions on extended deterrence. Meetings in July as part of the Security Policy Initiative talks (SPI) held in Seoul followed up on an agreement struck between Presidents Lee Myung-bak and Barack Obama at the June 2009 summit reaffirming the U.S. nuclear umbrella. The key portion of the presidential joint communiqué read: “The Alliance is adapting to changes in the 21st Century security environment. We will maintain a robust defense posture, backed by allied capabilities which support both nations' security interests. The continuing commitment of extended deterrence, including the U.S. nuclear umbrella, reinforces this assurance.” Press reports stated that the two sides had agreed to devise detailed plans for reinforcing extended deterrence by 2012. This emphasis on credible deterrence speaks more to latent concerns in Seoul than it does to the strength of the guarantee. This extended nuclear deterrent commitment rarely needed to be explicitly restated during the Cold War when everyone knew it was solid and credible – in this regard, its restatement may reflect greater uncertainty rather than certainty in the light of North Korea's deliberate steps at becoming a nuclear weapons state. To put it

bluntly, these concerns stem from the calculation that the U.S. in fulfilling its nuclear umbrella commitment to its ally would simply not be willing to trade Honolulu for Seoul if a crisis evolved to the point of a nuclear exchange. Such fears are both natural and structural. They are structural in the sense that the end of the Cold War removed the broader imperative of embedding every regional conflict in the context of a larger superpower competition.

The U.S. has tried consistently to address any concerns about extended deterrence. Immediately after the North Korean nuclear test in 2006 and again in 2009, the Bush and Obama administrations dispatched high-level envoys to South Korea and Japan to make a strong show of alliance solidarity in the face of North Korean provocations. But the visits and the statements of assurance about the strength of the U.S. nuclear umbrella were intended more for a South Korea audience than they were for a North Korean one.

Such statements are undeniably important for extended deterrence. But the next question that planners and policymakers must deal with is what measures are necessary within the alliance to bolster or reinforce the extended deterrent commitment. As one former U.S. defense official once said at a public forum in Washington, how can we take an alliance, which was built for a Cold War-era conventional threat, and revise it to deal with a nuclear weapons state on the other side of the DMZ? Implementation of the presidential commitment to strengthen deterrence requires answers to some very difficult questions for both the ROK and the United States. Many of these questions are politically explosive and therefore not easily broached. For example, is deterrence made stronger through the reintroduction of nuclear weapons on the Korean Peninsula? By increasing ROK capabilities? By an explicit agreement regarding the range of contingencies under which Seoul would consent to the use of nuclear weapons by the U.S. on North Korea (i.e., the Korean Peninsula)? Do such contingencies include nuclear use in response to biological or chemical attacks by the North or only in the event of nuclear attacks? Would such contingencies also include Seoul's consent to U.S. nuclear use on the peninsula in response to a North Korean nuclear, biological, or chemical attack on Japan?

Family reunions in August between the North and South and talk of a "grand bargain" on offer by the ROK administration raised some rumblings in Washington about U.S.-ROK policy coordination. Was Seoul starting to get ahead of its ally in relations with Pyongyang? What else was the Lee government considering in boosting inter-Korean relations? Was Lee becoming susceptible, as past ROK presidents had, to using the inter-Korean reconciliation to help boost domestic popularity? Many of these concerns were put aside in September when the Lee government made it clear to American interlocutors that the agreements reached by Chairwoman Hyun Jung-eun of Hyundai in her meetings with Kim Jong-il were not made on behalf of the government and did not represent the government's position. Moreover, the Lee government clarified that while it supports inter-Korean cooperation, there are clear principles by which it will enter into such cooperation. First, the ROK would not cooperate in big-ticket inter-Korean projects without true progress by the North in terms of denuclearization. Second, the ROK would continue inter-Korean tourism projects (Kumgang Mountain, Kaesong, and other future projects) on the condition that the DPRK addressed ROK human rights issues – i.e., family reunions and the return of prisoners of war. In addition, such projects would not recommence without agreements that ensured the safety of ROK and other citizens (stemming from the shooting of a South Korean woman by DPRK soldiers at Kumgang Mountain). Third, the ROK

government would provide unconditional humanitarian assistance to the North only in the form of food and medicine for children. This was arguably one of the clearest statements of principles for inter-Korean cooperation in recent memory, and one that helped to clear up any potential misunderstandings between Washington and Seoul.

A small relatively unnoticed event during the quarter was the resettlement of nine more DPRK refugees in the U.S. (they reportedly arrived in June, but the information was reported in July). This brings the total number of DPRK refugees in the U.S. to 91 since passage of the North Korean Human Rights Act in 2004. This resettlement program – started during the Bush administration – has quietly become one of the most significant and lasting developments in U.S. policy toward the DPRK since the end of the Korean War that has contributed tangibly to the improvement of the North Korean human condition.

Another interesting development related to changing views in the ROK of U.S. standing. A survey by Pew Research Center, a Washington-based think tank, indicated an improvement in America's image among Koreans: 78 percent of Koreans now regard the U.S. favorably. This compares sharply to 58 percent in 2007 and 70 percent last year. The natural inclination is to associate this shift with the "Obama effect." But some of this shift in Korean public opinion predates the new administration. Would it be heresy to suggest that part of the shift has to do with a quiet reassessment among Koreans about President Bush's legacy in Korea? The assessment of the man who was known widely and almost solely for his "axis of evil" designation of North Korea has undergone a change among many in the business community and policy experts in Seoul. These opinion makers understand that the KORUS free trade agreement (FTA), visa waiver program, Work, English, study program, NATO-plus-three status for Korea, and Yongsan base relocation were all achieved under Bush's watch. Indeed, the former president has already been invited twice to Seoul in 2009 to very receptive audiences.

Bill's excellent adventure

The media highlight of the quarter was the surprise visit of former President Bill Clinton to Pyongyang. Clinton was successful in securing the return of the two detained U.S. journalists, Laura Ling and Euna Lee, who had been held in North Korea since March. The U.S. initially offered to send former Vice President Al Gore, who was also co-founder of *Current TV* where the two women worked, but Pyongyang reportedly rejected the offer and demanded Clinton visit. U.S. officials also justified sending Clinton on the grounds that this was the personal request of the family members of Ling and Lee. Clinton's mission was humanitarian, but he reportedly stated his views and his interpretation of Obama's views of how to improve U.S.-DPRK relations, which apparently led to a statement by the North Koreans through their official news agency that he had brought a personal message from Obama. White House spokesman Robert Gibbs quickly issued a statement saying that the North Korean claim was incorrect. Clinton looked uncharacteristically somber-faced in pictures shown around the world of him with Kim Jong-il. The North Korean leader, on the other hand, looked downright giddy to be hosting the former president. He also looked to be in better physical health than earlier photos of him at the April meeting of the Supreme People's Assembly.

A return to Six-Party Talks?

While Kim hosted Bill Clinton, the North launched personal attacks on Secretary Clinton after she likened the leadership in Pyongyang to “small children and unruly teenagers and people who are demanding attention.” A DPRK Foreign Ministry statement called Clinton “by no means intelligent” and a “funny lady.” The North also claimed it had no interest in Six-Party Talks and that the process was effectively dead. As the DPRK Ambassador to the United Nations Sin Sonho said in July, “the Six-Party Talks are gone forever.”

In September, the DPRK stated to the UN that it had entered the final phases of uranium enrichment and was building more nuclear weapons with spent fuel rods extracted from its only operating plutonium-producing reactor. North Korea’s statements to the UN constitute an extraordinary admission of guilt after years of having denied such a program in violation of the 1994 Agreed Framework. The fact that Pyongyang chose to put such an admission of guilt in writing to the UNSC constitutes another step in its effort to be recognized as a nuclear weapon state. Few can continue to regard North Korean behavior as a bargaining ploy. Those who continue to do so are being ideological rather than empirical. The Obama administration takes such statements quite seriously and has not simply written them off as tactics.

The North’s claim during this quarter that Six-Party Talks are dead, on the other hand, does appear to be tactical. In the history of these multilateral talks, the North (and the media) has claimed the Six-Party Talks to have been dead at least two other times – in June 2005 after the talks had not convened for one year after the June 2004 round and again in December 2006, when the round after the North’s first nuclear test ended inconclusively. In both cases, the talks eventually did resume. The primary factor that is likely to bring the North back is the efficacy of the UNSCR 1874 sanctions. One early accomplishment the Obama administration can claim is that it has created the first UN-sanctioned counterproliferation regime against the DPRK. As one U.S. official recently noted, this sanctions regime has taken on a life of its own as UN member states are now routinely scrutinizing North Korean shipping and financial transactions for violations of Resolution 1874. The Bush administration had sanctions against the North, but the difference for Obama is that the current set is fully mandated by the UN. This makes the work of Stuart Levey and Phil Goldberg easier as they go to foreign capitals and bank regulators not with U.S.-only requests, but in the spirit of implementing the UN resolution. The other aspect of the sanctions regime that is new is the designation of North Korean individuals. Travel bans and a freeze on financial assets were placed on five North Koreans in July. This measure will not, of course, lead to a shutdown of DPRK proliferation activities. But the designation of individuals is certain to create concern among North Korean elite inside and outside Pyongyang that they may be next. So, it is these sanctions that are likely to bring the North back to talks.

The North’s claim that it is only interested in bilateral talks with the U.S. and not Six-Party Talks is also tactical. Pyongyang knows full well that a reconvening of Six-Party Talks in Beijing would be accompanied by lengthy bilateral negotiations between the U.S. and DPRK. Bilateral meetings – whether U.S.-DPRK, Russia-China, Japan-ROK – actually occupy the largest part of the schedule at Six-Party Talks after the opening plenary session. Indeed, it is in these coordinated sessions that much of the negotiation business gets done. Thus, North Korea demand for bilateral talks in lieu of Six-Party Talks is merely an expression of their own

disinterest in returning. In addition, it is an effort to try to shift the burden to the U.S. to extract concessions. A return to negotiations appears unclear at the end of this quarter, but there were reportedly scheduled track two discussions in the U.S. in October that North Koreans might attend. This has been the traditional means by which reengagement has come about. Whether anything materializes from such meetings is unclear. What is clear is that Obama administration has undertaken an intensive study of the negotiating record and history, and therefore is fully aware of these tactics by the North.

Chronology of U.S.-Korea Relations **July-September***

July 2, 2009: North Korea test-fires four short-range *KN-01* surface-to-ship missiles, with a range of 120-160 km, from a base at Sinsang-ri north of Wonsan.

July 3, 2009: President Barack Obama says the U.S. is trying to “keep a door open” for North Korea to return to international nuclear disarmament talks, even as Washington pursues sanctions against the DPRK.

July 3, 2009: A CNN/Opinion Research Corporation poll released says that Americans now consider the DPRK its biggest threat, above Iran, China, and Russia.

July 4, 2009: The DPRK test-fires seven missiles. Vice President Joseph Biden dismisses the latest series of missile launches as, “Some of it seems like almost attention-seeking behavior.”

July 6, 2009: U.S. State Department spokesman Ian Kelly states that the U.S. will not resume food aid to the DPRK unless there is a guarantee that the food will be distributed properly among North Koreans who need it.

July 6, 2009: Foreign Minister Yu Myung-hwan says his ministry will be in charge of persuading the U.S. to allow the ROK to pursue a broader commercial nuclear program including the “recycling” of spent fuel.

July 6, 2009: North Korean ship, *Kang Nam I*, which the U.S. Navy had been tracking because it was suspected of carrying illicit cargo, returns to Nampo without delivering any cargo.

July 7, 2009: President Obama says he doesn’t think a war “is imminent” with the DPRK. He also says, “I think they understand that they would be overwhelmed in a serious military conflict with the United States.”

July 7, 2009: ROK Defense Ministry official says the U.S. is open to talks on the possibility of South Korea developing ballistic missiles capable of striking all of North Korea.

* Prepared with assistance from David Shin Park

July 8, 2009: Grand National Party (GNP) lawmaker Choi Ku-sik who is spearheading the campaign for the ROK to obtain “programmatically consent” for reprocessing spent nuclear fuel, emphasizes that his motive has nothing to do with proliferation.

July 9, 2009: U.S. senators introduce a bill to impose new economic sanctions on the DPRK, re-designate the DPRK as a state sponsor of terrorism, and expand U.S. military cooperation with ROK and Japan.

July 10, 2009: Secretary of State Hillary Clinton says she hopes the DPRK will free two jailed U.S. reporters. She said the two reporters had expressed “great remorse for the incident,” adding that “everyone is very sorry that it happened.”

July 11, 2009: *Voice of America* reports that nine more DPRK refugees arrived in the U.S. in June, bringing the total to 91 since passage of the North Korean Human Rights Act in 2004.

July 13, 2009: U.S. Ambassador to South Korea Kathleen Stephens says the nuclear agreement between the U.S. and South Korea should be changed based on the understanding that peaceful nuclear development is important to South Korea.

July 14, 2009: U.S. Assistant Secretary of State for East Asian and the Pacific Affairs Kurt Campbell says North Korea is strengthening ties with Burma and that Washington will watch all external support for Burma’s nuclear development, including those by Russia and the DPRK.

July 14, 2009: Commander of U.S. forces in Korea Gen. Walter Sharp says the U.S. has no immediate plans to allow South Korea to develop longer-range missiles to counter North Korea’s nuclear and ballistic missile capabilities.

July 14, 2009: The DPRK, at a meeting of the Non-Aligned Movement (NAM), harshly criticizes the U.S. nuclear threat on the Korean Peninsula, and defends its recent nuclear test.

July 15, 2009: Ah Ho-young, ROK deputy trade minister, reaffirms that ROK has no plan to renegotiate its free trade agreement (FTA) signed with the U.S.

July 16, 2009: U.N. Security Council panel imposes new sanctions on North Korea, naming five people and five companies subject to travel bans and a freeze on financial assets. U.S. officials express satisfaction with the list and China agrees to most recommendations.

July 18, 2009: Assistant Secretary Campbell says, “If North Korea is prepared to take serious and irreversible steps, the U.S., South Korea, Japan, China, and others will be able to put together a comprehensive package that would be attractive to North Korea.”

July 20, 2009: Assistant Secretary Campbell outlines a two-track strategy involving tougher sanctions but also negotiations if the DPRK is willing to give up its nuclear ambitions.

July 20, 2009: Secretary Clinton likens Pyongyang’s behavior to that of unruly children.

July 21, 2009: Secretary Clinton says “there is obviously a list of incentives and offers that could be made if the DPRK representatives evidence any willingness to take a different path than the one they are currently pursuing.”

July 22, 2009: Sen. John Kerry sponsors an amendment to the 2010 defense-authorization bill expressing a sense of the Senate that the Obama administration should conduct a review to determine whether the DPRK should be re-listed as a state sponsor of terrorism.

July 22, 2009: Secretary Clinton says the DPRK must obey a UN resolution on its international shipments or its vessels will “find no port” for commerce.

July 23, 2009: Ri Hung-sik, director general of the DPRK Foreign Ministry’s International Organization Bureau, dismisses a U.S.-proposed “comprehensive package” of political and economic incentives for Pyongyang as “nonsense.”

July 23, 2009: Secretary Clinton urges ASEAN Regional Forum members to keep pressure and enforce UN sanctions on the DPRK to end its nuclear program.

July 23, 2009: A DPRK Foreign Ministry official calls Secretary Clinton “by no means intelligent” and a “funny lady.” He says, “Sometimes she looks like a primary schoolgirl and sometimes a pensioner going shopping.”

July 25, 2009: DPRK Ambassador to the UN Sin Son-ho says that Pyongyang is “not against dialogue” with Washington. He also says “the Six-Party Talks are gone forever.”

July 26, 2009: DPRK media criticize annual joint U.S.-ROK *Ulchi Freedom Guardian* military exercises as “a military plan aimed at invading the North.”

July 27, 2009: A survey by Pew Research Center indicates that 78 percent of Koreans now regard the U.S. favorably. This compares sharply to 58 percent in 2007.

Aug. 3, 2009: The North Korea Sanctions Act of 2009 is submitted to the Congress. It calls on the Obama administration to “impose certain sanctions on North Korea as a result of the detonation by that country of a nuclear explosive device on May 25, 2009” under the Arms Export Control Act.

Aug. 4, 2009: Ex-U.S. President Bill Clinton visits Pyongyang. After talks and dinner with Kim Jong-il, he departs with two U.S. journalists, who had been arrested and sentenced for illicitly entering North Korea from China.

Aug. 5, 2009: President Obama reiterates that Bill Clinton’s trip to free the two female reporters was a private initiative and not a sign of easing international diplomatic pressure on the DPRK.

Aug. 9, 2009: National Security Adviser James Jones says that the U.S. will deal with the DPRK through Six-Party Talks despite Pyongyang’s hope to improve ties with Washington through bilateral negotiations.

Aug. 17-27, 2009: The U.S. and South Korea conduct *Ulchi Freedom Guardian*, an annual joint military exercise involving about 56,000 ROK troops and 10,000 U.S. troops.

Aug. 24, 2009: Ambassador Philip Goldberg, U.S. envoy for implementing UNSC Resolution 1874, visits Seoul and says complete, verifiable denuclearization of the DPRK is “certainly our goal” and that the U.N. sanctions resolution “very much lays that out.”

Sept. 1, 2009: DPRK leader Kim Jong-il says in a commentary carried on *Pyongyang Radio*, “We can ease tensions and remove the danger of war on the peninsula when the U.S. abandons its hostile policy and signs a peace treaty with us.”

Sept. 3-8, 2009: U.S. Special Representative for North Korea Stephen Bosworth visits China, South Korea, and Japan for consultations on resuming Six-Party Talks.

Sept. 4, 2009: DPRK says that it has entered a final phase of uranium enrichment, and is building more nuclear weapons with spent fuel rods extracted from its only operating plutonium-producing reactor.

Sept. 16, 2009: In a memorandum, President Obama says the U.S. will withhold funding for the DPRK and several other countries for their poor human rights record involving human trafficking in accordance with section 110 of the Trafficking Victims Protection Act of 2000.

Sept. 20, 2009: Military sources in Korea say the U.S. has started deploying its latest *Apache* attack helicopters in the ROK to strengthen its deterrent capabilities.

Sept. 22, 2009: State Department spokesman Ian Kelly reiterates that the U.S. will provide a package of incentives to the DPRK if it takes irreversible steps toward its denuclearization.

Sept. 22, 2009: An ROK official at the Ministry of National Defense says the ROK has no plan to participate in the U.S.-led global ballistic missile defense (BMD) network.

Sept. 23, 2009: President Obama says that Iran and the DPRK “must be held accountable” if they continue to put their pursuit of nuclear weapons ahead of international security.

Sept. 29, 2009: U.S. Deputy Secretary of State James Steinberg travels to Korea as part of week-long Asia tour.

Sept. 30, 2009: *KCNA* rejects Lee Myung-bak’s “grand bargain” idea unless the ROK first discards confrontational policies.



**U.S.-Russia Relations:
Missiles of September**

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U.S.-Russia relations began the quarter with an informal, yet cordial summit in Moscow in early July. The two presidents met again in New York and Pittsburgh in late September and agreed to push forward a number of agreements, most notably covering arms control and cooperation in Afghanistan. The two also appeared to agree that the incipient Iranian nuclear program needs urgent attention. In what some viewed as a huge concession from Washington, the Obama administration announced prior to the Pittsburgh G20 meeting that it was scrapping a controversial missile defense system that was due to break ground soon in Poland and the Czech Republic. This move, combined with vague Russian promises of support for sanctions against the newly emboldened Iranian regime, gave observers hope that relations could find a common strategic footing. Nevertheless, optimism surrounding U.S.-Russia relations is strictly cautious, as major areas of disagreement still remain, including most notably Moscow's hostile relationship with the governments of Georgia and Ukraine.

July Moscow summit

As mentioned last quarter, President Barack Obama's July Moscow trip could be said to have been a sizing up opportunity for the leadership of both sides. Obama seemed to place his bet on a productive relationship with President Dmitry Medvedev. He said that while Medvedev seems to be forward thinking, Prime Minister Vladimir Putin still has "one foot in the old ways of doing business." But after a one-on-one meeting at Putin's official residence, Obama said that he was "convinced the prime minister is a man of today and he's got his eyes firmly on the future," basically acknowledging assessments that Putin is still in charge.

Obama had two meetings in Moscow with President Medvedev. Arms control and Eurasian security issues dominated the agenda. Over the past several months, teams from the two nations have been earnestly negotiating an extension of the START-1 treaty, which is due to expire in December this year. Both sides agreed to reduce their strategic nuclear warheads to 1,500-1,675 within seven years of a new treaty coming into force. This new agreement would be negotiated before START-1 expires and would run for 10 years. Under the 2002 Moscow Treaty (or SORT) both sides agreed to reduce arsenals to these levels, but there was no verification process, unlike with START-1 or any new treaty. Prior to the summit, Moscow also agreed to the overflight of U.S. military supply aircraft bound for Afghanistan.

On the whole, the Moscow visit could be seen as a success for both sides. President Obama refused to fall into the trap of collegiality that past presidents seemed to lapse into with Russia's

leaders. Under his predecessors George Bush and Bill Clinton, relations seemed top-heavy at times. In Moscow, Obama made a pointed reference to the development of a civil society based on legal rights, as well as rejecting the premise of spheres of influence and Cold War thinking. Due to the high profile of the summit, Medvedev's perceived place in the political pecking order received a temporary boost among Russian citizens. But the summit achieved little in the way of actual results. Relations seemed stagnant, although not as hostile as they had been the preceding year. Vice President Joseph Biden, however, did throw some gasoline on the fire. After a late July trip to Ukraine and Georgia, where he wished to show solidarity with these up and coming democratic rivals of Moscow, he was quoted saying that Russia is basically a dying country and will do whatever the U.S. wishes it to do.

In an interview with the *Wall Street Journal*, the vice president said that Russia has a "shrinking population base, they have a withering economy, they have a banking sector and structure that is not likely to be able to withstand the next 15 years, they're in a situation where the world is changing before them and they're clinging to something in the past that is not sustainable." No doubt many Russia experts in the U.S. and around the world would agree for the most part with Biden's gloomy assessment, but coming on the heels of his "reset" statement and his trip to Ukraine and Georgia, it was not the most diplomatic of statements. It left many in the West scratching their heads, it gave ammunition to hawks in Moscow, and it forced Secretary of State Hillary Clinton to issue a semi-retraction on Biden's behalf. Biden's gaffe reaffirmed in the minds of the pessimists that relations are far from good, even given the "reset" motif that the Obama administration has pushed. A July article in the *Moscow Times* described the "yawning divide" that defines the relationship, while the respected daily *Nezavisimaya Gazeta* published an article the same day saying that the "cons" of the July summit outweighed the "pros."

Georgia, Ukraine, and Eastern Europe

Biden's trip to Georgia and Ukraine in late July gave the leadership of these two nations reassurance that the U.S. would not abandon their interests, solely to press a "reset" button with Moscow. Although NATO membership for each is still years away, the two nations are confident that the assessments and decisions are being thought through in Brussels. Meanwhile, across many Eastern European capitals, leaders reacted with concern to Obama's Moscow visit and the desire in the administration for a *rapprochement* with Moscow. On July 22, intellectuals and former leaders from the region, including Vaclav Havel and Lech Walesa, penned an open letter to President Obama published in the *Washington Post* asking for further U.S. engagement in Central and Eastern Europe. The nine-page letter voiced deep concern about Russia's growing assertiveness and urged the U.S. and its NATO partners to make a concerted effort to further institutionalize Article 5 of the NATO charter (the collective security clause) through contingency planning and the pre-positioning of assets and troops in Eastern Europe. The letter also calls for more attention to energy security in light of Moscow's penchant to cut-off gas supplies in times of crisis or fits of pique.

The letter's authors wrote not in a chastening tone, but as "friends and allies of the United States ... [that] care deeply about the future of the transatlantic relationship." The letter exhorts the Obama administration to stand firm against Russia. "We know from our own historical experience the difference between when the United States stood up for democratic values and

when it did not. Our region suffered when the United States succumbed to ‘realism’ at Yalta. And it benefited when the United States used its power to fight for principle.”

Officials and citizens in Eastern Europe later reacted with marked concern to the decision on Sept. 17 by the Obama administration to cancel the planned missile defense system in Eastern Europe, which called for an advanced radar system in the Czech Republic and 10 missile interceptors in Poland. Although President Obama and Secretary of Defense Robert Gates made pointed efforts to say that the decision was based solely on operational factors and new intelligence assessments – and not on a desire to placate Moscow – this assessment fell on deaf ears in Eastern Europe. The reaction was particularly acute in Poland (the Czech public had been decidedly lukewarm throughout on the system), where Foreign Minister Radoslaw Sikorski said, “It is time now for a mature look, stripped of illusions, at our possibilities and our future. I think today we all know that if we are to look to somebody, we have to look to ourselves.” And for Poland the timing of the announcement could not have been worse: Sept. 17 was the 70th anniversary of the Soviet invasion of Poland. Although speculation about this move had been rampant for months, the Polish government learned of the official decision through the media. The Polish Prime Minister Donald Tusk was reportedly so furious that he refused to take a midnight call from President Obama.

Nevertheless, the Obama administration is not alone in looking to reach out to Moscow. In September, NATO’s new Secretary General Anders Fogh Rasmussen made a call for an “open-minded and unprecedented dialogue” with Moscow. Rasmussen envisions a strategic partnership based on cooperation in Afghanistan, on antiterror efforts across the globe, and on antipiracy operations. He also stated that he would be prepared to discuss a proposal from Medvedev for a new security architecture in Europe, and that the U.S., NATO, and Russia should consider integrating their missile defense systems. Russian cooperation in Afghanistan has practically been institutionalized, as U.S. and NATO military re-supply flights are allowed to cross Russian skies, and non-military cargo has been transiting Russia’s rail networks for six months. But in spite of the diplomatic efforts by both Obama and Rasmussen to reach out to Moscow, the fact remains that the primary sticking points between Washington and NATO on the one hand and Russia on the other is the status of Ukraine and Georgia, where Russian pressure and intimidation remain constant.

START negotiations

Arms control negotiations have at times divided Washington and Moscow, but recent trends are promising. Moscow felt burned when the U.S. unilaterally withdrew from the ABM Treaty in 2002, so the decision to halt the ballistic missile defense (BMD) system in Eastern Europe was seen as a victory in Moscow. Almost immediately the Kremlin announced that it would not be deploying medium-range *Iskander* missiles in the Kaliningrad region, adjacent to Poland, as they had threatened to do last year. But Russia suspended observance of its obligations to the Treaty on Conventional Armed Forces in Europe (CFE) in 2007, and it has continued to hold firm to its demands for the renewal or replacement of the START-1 treaty.

As the December deadline looms, negotiations continued in earnest over the summer, and a fifth round was recently concluded in Geneva. For a quick review: START-1 covers delivery

vehicles *and* nuclear warheads. In July, Obama and Medvedev agreed that any new treaty would limit warheads to between 1,500 and 1,675, and that delivery vehicles (missiles, aircraft, and submarines) would be limited to between 500 and 1,100. Note the discrepancy between the latter figures. This is the basis of the largest disagreement between the two sides. Washington wishes to retain delivery vehicles for conventional warheads to carry out “prompt global strikes” against targets such as terrorist camps and/or rogue states. Moscow wishes to count these against the limits imposed by a new treaty. Observers feel that the new limits the negotiators will arrive at will be 1,600 warheads and 800 delivery vehicles. Negotiators from both sides say that great progress was made over the summer, and both Medvedev and Russian Foreign Minister Sergei Lavrov stated that they feel a new agreement by the end of the year is almost certain. Although the decision by the Obama administration to abandon plans for missile defense in Eastern Europe is technically unrelated to the negotiations, there is no doubt that it will have a positive effect. And both governments have indicated that even if a new agreement is not ratified by the legislatures before the expiration of the START-1 in December, they will both honor their commitments to the agreement.

The Iran issue

While Moscow is most concerned about possible NATO membership for Ukraine and Georgia, Iran’s clear nuclear ambitions are what most concern the United States. In late September it was learned that Iran had built a second, undeclared uranium enrichment facility near the city of Qom. What is disturbing, apart from the fact that the Iranian leadership attempted to keep the facility secret, is that Iran now has two enrichment facilities for what will be one nuclear energy reactor (built with Russian assistance at Bushehr). As one expert said, “This is like building an oil refinery for one petrol [gas] station.” It leaves little doubt that Iran is aiming to build nuclear weapons. Three days after this news broke the Iranian government test-launched two different intermediate-range missiles. Washington’s “Big Three” NATO partners all roundly condemned Iran for its actions. French President Nicolas Sarkozy demanded that harsh sanctions be imposed sooner rather than later, and in an oblique dig at the Obama administration, he said that any “constructive dialogue” with Iran was largely useless.

Moscow’s reaction has been predictably cautious. In a talk with President Obama at the UN General Assembly in New York, President Medvedev did not rule out Moscow’s support for sanctions saying that “Sanctions rarely lead to productive results, but in some cases, sanctions are inevitable.” This statement aroused great enthusiasm in the White House, and hope was expressed that an agreement could be crafted that would force even Beijing to come into the U.S.-led camp on Iranian sanctions. “That’s a major development,” said one senior Obama administration official. “It shows that we’ve made real progress with Russia.”

But since that time Russian officials and commentators have been more reticent in their support for UN sanctions against Tehran. A few days after Medvedev’s statement, Foreign Minister Lavrov said that it was still too early to say that sanctions were necessary. Russia’s Ambassador to the U.S. Sergei Kislyak echoed Lavrov’s guarded statement, “Sanctions or no sanctions is not the way to pose the problem. The point is how to find a political solution that would eliminate this problem.” Most pointedly, Prime Minister Putin has remained mum. His word can be considered final, and if he gives no okay for sanctions, then a Russian veto can be expected. On

the other hand, the Russian leadership has a firm grasp on Chinese intentions on this matter, and can tacitly support sanctions with an abstention, knowing full well that Beijing will veto any proposal for harsh sanctions against Tehran.

As for a quid pro quo to the U.S. decision to cancel BMD plans in Eastern Europe, many Russian observers say that although this issue certainly makes Moscow somewhat more amenable to supporting the U.S. on Iran, the fact that Moscow will not deploy medium-range *Iskander* missiles in the Kaliningrad region constitutes a measured response. Furthermore, the decision by Moscow to halt the sale of *S-300s*, an advanced anti-aircraft missile that could be deployed around Iranian defense and nuclear facilities, could also be viewed as a gesture. Pressure on this issue, however, may have also come from Israel, as Israeli Prime Minister Netanyahu reportedly visited Moscow secretly in September to personally lobby the Kremlin to cease delivery of *S-300s* to Iran. Reports surfaced shortly before Netanyahu's visit that a supposedly hijacked Russian cargo ship, the *Arctic Sea*, was actually secretly carrying *S-300s* bound for Iran before having to be turned back.

Looking ahead

Medvedev was able to garner headline-grabbing attention across Russia with his trip to the United States, as Prime Minister Putin remained at home. But the fact remains: Putin is the final power broker. He has made no official announcement about the changes in the diplomatic winds. We await his reaction to the cancellation of the BMD systems in Eastern Europe, the increased calls in European capitals for strong sanctions against Iran, and whatever results the START-1 follow-on negotiators deliver to their respective governments.

Meanwhile, the Northeast Asian front has remained quiet in U.S.-Russian relations. As the din surrounding the Iranian nuclear issue grows louder, however, expect North Korea to do something dastardly, such as testing more missiles or conducting underground nuclear tests. In such a case, Russia's usefulness can be measured. There has been talk of eliminating Russia and Japan from the Six-Party talks. If Russia hopes to remain a player in Northeast Asia, then it must play a more constructive role on the Korean Peninsula.

Positive signals have emerged from the one-on-one meetings between U.S. and Iranian diplomats in Geneva in early October. There is optimism that with the strong signal from Europe and the ambiguous signals from Moscow, Tehran will feel enough heat to reach some sort of agreement on its nuclear program. Any deal might include Iran reprocessing nuclear fuel in Russia. Obama stated, however, that Iran must allow "unfettered access" to the enrichment facility at Qom. Iranian officials will meet with diplomats from the six powers (U.S., Russia, China, and NATO's Big Three) later in October where an agreement can hopefully be reached. Otherwise, Moscow may be forced to make a tough decision about sanctions, which could define the tenor of bilateral relations for the foreseeable future.

Chronology of U.S.-Russia Relations July-September 2009

July 3, 2009: Russia announces that it will open an air corridor for U.S. military aircraft to help with logistical support of U.S. and NATO/ISAF forces in Afghanistan. The agreement allows for 4,500 flights a year, supplements a previous agreement on non-military transit, and will save the U.S. more than \$130 million per year on fuel and transport.

July 6-8, 2009: President Barack Obama travels to Moscow for a summit with his counterpart Dmitry Medvedev to discuss nuclear arms control, Iran, Afghanistan, the post-Soviet space, and other issues. Obama also meets Prime Minister Vladimir Putin, opposition leaders, business students, and journalists.

July 13-14, 2009: Russia carries out test launches of two *Sineva* intercontinental ballistic missiles from *Delta IV*-class nuclear-powered submarines, located near the North Pole.

July 14, 2009: The *USS Stout*, a guided missile destroyer, visits Georgia's Black Sea port of Batumi ahead of joint naval exercises seen as a demonstration of U.S. support for Georgia.

July 16, 2009: In a show of disquiet about the warm tone of U.S.-Russian relations, a group of former leaders and influential intellectuals from Central and Eastern Europe, including Vaclav Havel and Lech Walesa, sign an open letter to President Obama calling for U.S. re-engagement in the region.

July 20-24, 2009: Vice President Joseph Biden visits Ukraine and Georgia in a show of U.S. solidarity, and warns Russia that the idea of "spheres of influence" is obsolete.

July 22, 2009: A fourth round of U.S.-Russian consultations on a new strategic offensive arms reduction treaty (START) begins in Geneva.

July 24, 2009: In an interview on his return from Georgia and Ukraine, Biden suggests that an economically and socially weakened Russia will force that country to make accommodations to the West on a wide range of national-security issues, including loosening its grip on former Soviet republics and shrinking its vast nuclear arsenal.

Aug. 4, 2009: Medvedev phones Obama to suggest that the two sides make urgent efforts to find a replacement for the START-1 treaty, which is due to expire at the end of 2009.

Aug. 26, 2009: Gen. Nikolai Makarov, chief of General Staff, says that Russia has deployed advanced *S-400 Triumph* air defense systems in the Far East to counter the potential threat posed by North Korea's missile tests.

Sept. 4, 2009: The fifth round of negotiations on the extension or replacement of the START-1 treaty end in Geneva.

Sept. 10, 2009: General Motors changes its position and allows its ailing German subsidiary Opel to be partly bought by a consortium led by the Russian state-owned bank Sberbank.

Sept. 16, 2009: NATO Secretary General Anders Fogh Rasmussen calls for an “open-minded and unprecedented dialogue” with Russia to reduce security tensions in Europe and confront common threats.

Sept. 17, 2009: Russian Foreign Minister Sergei Lavrov states that Russia’s military involvement in Afghanistan is “absolutely ruled out.”

Sept. 17, 2009: The U.S. government announces that it will not be pursuing a missile defense platform in Poland and the Czech Republic.

Sept. 19, 2009: The U.S. Coast Guard cutter *Sycamore* completes a port visit to Vladivostok.

Sept. 24, 2009: At an address to the United Nations, President Medvedev says that Russia is ready to slash its nuclear delivery platforms armaments by more than two-thirds.

Sept. 24, 2009: In a meeting with executives from Exxon Mobil, Royal Dutch Shell, and Conoco-Phillips, Prime Minister Putin invites foreign investment in Russia’s gas-rich Yamal Peninsula.

Sept. 25, 2009: The U.S., Britain, and France announce that Iran has failed to disclose a secret uranium enrichment plant at Qom, putting pressure on Russia to help impose sanctions on Iran.

Sept. 28, 2009: Iran carries out test launches for two different intermediate-range missiles with ranges of 1,200 miles.

Sept. 29, 2009: President Obama says that it is important to work with Russia on a new generation missile shield.

Comparative Connections

A Quarterly E-Journal on East Asian Bilateral Relations



U.S.-Southeast Asia Relations: The United States Is Back!

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Despite the renewed incarceration of Burma's Nobel laureate Aung San Suu Kyi after a July "show trial" as well as renewed economic sanctions against the military junta, in late September Washington announced a change in its Burma policy, agreeing to reengage members of the regime. The opening to Burma is an acknowledgement that the decades-long isolation policy has failed to change Burma's politics and that China's influence has increased significantly. Defense Secretary Robert Gates announced an extension of the deployment of U.S. Special Forces in Mindanao to continue assisting the Philippine armed forces' suppression of the radical Islamist Abu Sayyaf. Gates also announced an expansion of U.S. aid in Mindanao for humanitarian and disaster response, climate change, drug trafficking, and maritime security. While expressing shock and offering condolences to Indonesia in the wake of the July terrorist bombings of two hotels in Jakarta, Washington praised the Indonesian police in mid-September for tracking down and killing the perpetrator of the attacks, notorious Jemmah Islamiyah leader, Mohammad Noordin Top. USAID is organizing a new program to assist civic social organizations in the troubled Thai south to promote governance and human rights. All of these activities indicate that, as Secretary of State Clinton exclaimed in Bangkok: "The United States is back!"

Burma: Suu Kyi convicted; U.S. seeks new path

In the past quarter, U.S. President Barack Obama met visiting Philippine President Gloria Arroyo in the White House on July 30; Defense Secretary Robert Gates and CIA Director Leon Panetta visited the Philippines; and Secretary of State Hillary Clinton attended the ASEAN Regional Forum (ARF) in Thailand to sign ASEAN's Treaty of Amity and Cooperation (TAC) as a possible prelude to membership in the East Asia Summit. As Clinton said on a Bangkok TV talk show, "I strongly believe that the United States will get more involved in this region. The United States is back!"

As part of its new Asian profile, there has been considerable speculation that the Obama administration is searching for a new Burma policy. Years of sanctions against the military regime have neither reduced its domestic brutality nor weakened its hold on the country, particularly since trade with China, India, and Burma's ASEAN partners has burgeoned. U.S. conservatives, such as former Republican presidential candidate John McCain, argued in July that Washington should renew sanctions scheduled to expire. An additional concern expressed by Secretary Clinton at the ARF meeting in Phuket on July 22 is that North Korea may be helping Burma pursue a nuclear weapons program.

Nevertheless, the primary stumbling block to improved U.S. relations with Burma is the continued incarceration of democracy advocate and Nobel Peace Prize winner Aung San Suu Kyi. A powerful symbol of the human rights struggle in Burma, she stood trial for violating the terms of her house arrest by permitting an emotionally disturbed American tourist to stay in her home after swimming uninvited to it across an adjacent lake. The event provided the junta with a perfect excuse to extend her incarceration beyond the 2010 elections the regime has scheduled, thus excluding her from participation. President Obama in late July described the court proceedings as a “show trial,” and Secretary Clinton at the same time said ASEAN should consider expelling Burma if it did not release Suu Kyi. (In fact, ASEAN has no provision for a member’s expulsion.) Clinton also held out prospects for improved relations if Suu Kyi was released, stating “that would open up opportunities at least for my country, to expand our relationship with Burma, including investments in Burma.”

Although the Obama administration had been debating a change in its Burma policy since taking office, Suu Kyi’s unbroken incarceration led to a renewal of sanctions banning the import of Burmese goods in late July. (Upon her conviction on Aug. 11, ASEAN also reiterated its “deep disappointment” but stated it would “remain constructively engaged with Myanmar in order to build the ASEAN community together.”) President Obama said the new 18-month sentence of additional house arrest violated “universal principles of human rights.” The sentencing of the American, John Yettaw, who swam to her home, to seven years hard labor also elicited condemnation from Obama as “out of proportion with his actions.”

In mid-August, however, Yettaw’s sentence provided an opportunity for Democratic Sen. James Webb of Virginia, chairman of the Senate’s East Asia Subcommittee of the Foreign Relations Committee – who has called for engagement with Burma – to visit the country and meet junta leader Gen. Than Shwe. Webb’s visit constituted the highest ranking U.S. official to meet with the junta leader in at least a decade. While a U.S. National Security Council spokesman explained the visit as an opportunity to deliver “strong views of American political leaders about the path [Burma] should take to democracy...,” Webb, in Laos just before arriving in Burma, stated: “It is vitally important the United States reengage with Southeast Asia at all levels.”

On Aug. 16, Gen. Than Shwe promised to release Yettaw to Sen. Webb as a good-will gesture to the United States. In response, Webb stated: “It is my hope that we can take advantage of these gestures as a way to begin laying the foundation of good will and confidence building in the future.” The State Department also welcomed Yettaw’s release but reiterated its “call on Burmese authorities to release unconditionally Aung San Suu Kyi and all of Burma’s more than 2,100 political prisoners in order to begin a process of national reconciliation and inclusive political dialogue.” Webb’s engagement rhetoric seemed out of sync with the State Department’s and President Obama’s statements. Moreover, any easing of sanctions would draw criticism from some members of Congress, human rights organizations, and Burmese exile groups.

Meanwhile, the additional sentence given to Suu Kyi put on hold the Burma policy review by the U.S., though some officials commented that the house arrest option was the “least bad” of a range of outcomes. Moreover, other U.S. officials interpreted Burma’s turning back of a North Korean ship carrying suspicious cargo being tracked by a U.S. warship as a positive sign. On the Aug. 17 *Lehrer News Hour*, Sen. Webb noted that in conversation with Aung San Suu Kyi, he

had the impression that she would not oppose the U.S. lifting some of the sanctions on the junta. He also said that Burma's military leaders denied reports that it is trying to acquire nuclear technology. The fact that Burma's junta leader met with Webb, released the convicted American to him, and allowed him to meet with Suu Kyi shows that the military-led regime wants to engage the U.S. in hopes of reaching some kind of understanding prior to the 2010 elections. In an Aug. 26 Op-Ed piece in the *New York Times*, Webb emphasized that the U.S. policy of isolating the regime "allowed China to dramatically increase its economic and political influence in Myanmar, furthering a dangerous strategic imbalance in the region." Webb suggested that the Obama administration offer to assist the junta in developing an electoral process for 2010 that would include Suu Kyi's party, The National League for Democracy. He also pointed out that the beginning of a more open society in Vietnam began when the U.S. lifted its trade embargo in 1994.

In response on Aug. 27, State Department spokesman Ian Kelly said Webb's views are "something we're going to be looking at" in a review of Burma policy, though earlier the State Department assured Aung San Suu Kyi supporters in Congress that the U.S. was not looking to open trade with Burma. Burmese exile groups are furious with Webb, saying he is simply playing into the junta's game to gain international legitimacy. Nevertheless, on Sept. 23, at the UN, Secretary Clinton announced a modification of Washington's Burma policy, saying that the U.S. would begin engaging with Burma's officials, although sanctions would also continue. Burma then sent a minister to Washington and on Sept. 26, Suu Kyi offered to work with Burma's military government to get Western sanctions lifted, but said she needed to obtain more information about the issues first.

U.S. forces in Mindanao remain a hot-button issue

Rumors abound in Philippine politics. Among the most ubiquitous is that incumbent President Arroyo's Congressional allies plan to amend the Constitution and shift to a parliamentary system, which could lift term limits and allow her to stay in power beyond the end of her term on June 30, 2010. At the annual U.S. Embassy Fourth of July celebration, U.S. Ambassador Kristie Kenney stated that any postponement of Philippine elections would be a cause for concern in Washington. In fact, Arroyo has denied any plans to stay in office beyond her normal term. However, during her visit to Washington at the end of July, President Obama perhaps fed the speculation when he announced that the Philippines would be the chief coordinator between the U.S. and ASEAN – though what that designation entails is unclear.

For the Philippines, the main component of its U.S. relationship is the presence of some 600 U.S. Special Forces in Mindanao helping to train the Philippine military in counterinsurgency operations against the militant Islamist (and bandit group) Abu Sayyaf. U.S. efforts in the Philippine south also include a strong civic action component of building schools, roads, bridges, and providing development assistance. On Aug. 13, the two countries initialed a new military cooperation agreement on counterterrorism in Mindanao. The agreement provides for the installation of radars in Sulu, Basilan, and Tawi Tawi to help the Philippine Coast Watch South project prevent the movement of terrorists, smuggling, and piracy. The porous sea borders in the southern Philippines comprise a major funnel for these nefarious activities.

In late August, resisting Pentagon pressure to reassign the Joint Special Operations Task Force-Philippines to Afghanistan, Defense Secretary Gates said the 600-troop counterinsurgency unit would remain in the Philippines. Gates' decision coincided with calls by some nationalist and leftist Philippine lawmakers for the abrogation of the Philippine-U.S. Visiting Forces Agreement (VFA), insisting that U.S. forces in the south are engaging in actual combat in violation of the Philippine constitution – an allegation vigorously denied by both the Philippine and U.S. militaries. A Filipina military officer has claimed that U.S. forces embedded with the Philippine army in Mindanao are operating satellite communications equipment and gathering intelligence. Some who oppose the VFA claim U.S. intelligence activities violate Philippine law. (Several hundred U.S. soldiers have been stationed at a number of locations since 2002.)

Col. Bill Coultrup, the commander of the Joint Special Operations Task Force-Philippines, told a *Xinhua* (China) reporter on Sept. 1 that troops in Mindanao are devoting 80 percent of their time to community development in addition to training and intelligence support for Philippine forces. At the same time, President Arroyo defended the U.S. presence as helping the Philippines “in so many ways” without participating in direct combat. They are “advancing soft power by building schools, roads, and bridges.” In mid-September during Defense Secretary Gilbert Teodoro, Jr.'s visit to Washington, Defense Secretary Gates stated that in addition to counterterrorism training and civic action, the U.S. would address nontraditional security issues with the Philippines including humanitarian assistance, disaster response, climate change, drug trafficking, and maritime security. Teodoro also met with Sen. Webb, who expressed a desire to visit the Philippines, saying “we do not show up enough in Southeast Asia.”

While there have been very few instances of U.S. soldiers firing their weapons in the Philippines, it appears there was an incident on Sept. 19 when U.S. forces were reported to have fired in self-defense following an explosion believed to be targeted at them. A spokesman for the Philippine military stated that: “The Visiting Forces Agreement only says they cannot engage in combat, but they have the right to defend themselves.” Controversy over the VFA persists.

Jakarta bomb attacks lead to the killing of leading Islamist militant

After a four year hiatus in which no major terrorist attacks occurred in Indonesia, on July 17, a Jemmah Islamiyah (JI) splinter group led by the notorious explosives expert Mohammad Noordin Top sent two suicide bombers to the Jakarta Marriott and Ritz-Carlton hotels resulting in blasts that killed 10 people and injured over 50. Clearly targeting Westerners, who both stay and meet at these hotels, the majority of the casualties were Indonesians. Major Indonesian Muslim organizations such as Nahdlatulh Ulama and Muhammadiyah condemned the bombings with NU chairman Hasyim Mizadi stating, “Terrorism is not a religion, and so it is not correct to say Muslims were the mastermind of the bombings.”

President Obama “strongly condemned” the attacks and Secretary Clinton said the U.S. stood “ready to provide assistance if the Indonesian government requests us to do so.” FBI forensics experts had assisted Indonesian investigators after the 2003 JI atrocities in Bali as well as the 2005 attack on the Jakarta Marriott. A senior U.S. official told *ABC News* on the day of the attacks that U.S. intelligence agencies were caught off guard. They were confident that JI had

been dismantled after most of its leaders had been killed or captured by Indonesian police aided by U.S. and Australian technical intelligence.

The splinter group from JI led by Noordin continues to advocate violence, which the bulk of the old JI – while still radical – now ostensibly eschews, instead emphasizing religious persuasion as the path to *sharia* (Islamic law) for the state. An intensive Indonesian police manhunt for Noordin concentrated on locations in Java where he was known to have sympathizers. These efforts paid off on Sept. 17 after an eight-hour shootout at a JI safe house in Jolo, Central Java, which resulted in the death of four militants, including the Malaysian-born Noordin. The U.S. State Department praised the results of the raid as “a significant step forward for Indonesia in its battle with political extremists” and was quick to add: “We did not participate in the operations, nor did we provide information that led to the raid.”

U.S. concerned about Thai instability

Since the rise of the populist billionaire Thaksin Shinawatra to political power in the wake of the late 1990s Asian financial crisis to his subsequent fall and exile after a 2006 military coup, Thai politics have been tumultuous with an urban middle class, military-backed party – the People’s Alliance for Democracy (PAD) – locked in sometimes violent confrontation with Thaksin’s primarily rural and dispossessed backers – the United Front of Democracy against Dictatorship (UDD). In addition to scaring foreign investors, periodically bringing Bangkok to a halt, and disrupting the April 2009 ASEAN plus 3 and East Asia Summit meetings in Pattaya, the current PAD government led by Prime Minister Abhisit Vejjajiva has to deal with a persistent radical Islamic separatist movement in the country’s three southern provinces that has led to over 3,000 deaths since it was reignited in January 2004.

Washington has viewed Thai turmoil with increasing dismay. The country is, after all, a “major non-NATO ally” and an important Southeast Asian military partner that annually hosts the largest U.S.-sponsored regional multilateral exercise, *Cobra Gold*. This quarter, the U.S. has evinced concern about the southern unrest. Secretary Clinton asked Prime Minister Abhisit whether southern insurgents are linked to “external groups” after the July bombings in Jakarta. Abhisit replied that intelligence reports and interrogations of captured perpetrators revealed some communication between “local cells” and “outsiders” but hastened to add that there is “no direct link between Pakistan’s splinter groups or Jemmah Islamiyah.” Panitan Watttanayagorn, the deputy prime minister’s political secretary, who comes from the south, said southern radicals are not being trained elsewhere; “they copy what they learn from the news – roadside bombing and others.” Nor is there evidence that southern insurgents share JI’s goal of creating a regional caliphate. A Rand Corp. study prepared for the Office of the U.S. Secretary of Defense also noted that the southern Thai conflict has not taken on an anti-Western dimension.

One way in which the U.S. could become involved is by support for citizen engagement and peace building through aid to Thai civil society organizations (CSOs) active in the southern provinces as well as aid to local media. U.S. Agency for International Development (USAID) is calling for proposals from U.S. companies to “create networks between independent agencies such as the National Human Rights Commission, Election Commission, and National Anti-Corruption Commission, civil society leaders, academics, and other civic leaders advancing

democratic policy reform and conflict mitigation in the deep south.” USAID’s annual budget for these projects is \$15.5 million with a three- to five- year time line. Its impetus is drawn from successful undertakings in Indonesia and the Philippines in recent years.

However, some Thai social activists are concerned about possible unintended effect of U.S. actions. Sunai Phasuk, a representative of Human Rights Watch in Thailand, quoted in the Sept. 21 *Bangkok Post Online*, stated, “Given the sensitivity of the issues...in the southern Muslim-dominated provinces, if it is not well managed, it will compromise the already fragile stability in the region.” Sunai also is concerned that USAID-sponsored activities may be redundant given the CSOs in the Thai south.

The U.S. is back

The Obama administration is emphasizing that, unlike its predecessor, it is engaging the world. Although with respect to the second Bush term (2005-2008), this may be too harsh an indictment, Southeast Asians welcome the new U.S. attention and respect accorded to ASEAN and its offshoots (ARF, APEC, ASEAN plus 1). Secretary Clinton attended the July ARF meeting and the meeting between ASEAN and its dialogue partners, signing ASEAN’s Treaty of Amity and Cooperation. In a speech to the New York Council on Foreign Relations prior to her July Asia visit, Clinton stated that the U.S. would emphasize “partnerships” with rising countries, singling out Indonesia, now a member of the G20.

ASEAN Secretary General Surin Pitsuwan is pleased with Washington’s new emphasis on Southeast Asia: “I understand they really, genuinely desire to expand and deepen cooperation and the relationship. We welcome that shift.” He seemed to be responding to Clinton’s July 22 news conference on Phuket Island where she averred: “President Obama and I believe this region is vital to global progress, peace, and prosperity; and we are fully engaged with our ASEAN partners on the wide range of challenges confronting us.” Asked in Bangkok if the enhanced U.S. engagement is an effort to balance China’s activities in Southeast Asia, Clinton rejected any idea of Sino-U.S. rivalry: “The more we involve China in the work we are doing and in organizations like ASEAN, the more opportunities we have to create a positive framework.” Nevertheless, she acknowledged that Southeast Asians desire a more prominent U.S. presence along China’s.

Finally, a word about the U.S. signing of the TAC, described by Clinton as an executive agreement that does not require U.S. Senate ratification. In discussing U.S. obligations under the TAC, Clinton noted that the document takes the moral high ground, emphasizing that disputes in Southeast Asia should be resolved peacefully. However, in no way does the TAC interfere with U.S. defense obligations in Asia if a country to which the U.S. is militarily committed is attacked by an aggressor. Signatories to the TAC frequently issue signing statements to that effect. So, the TAC is more aspirational than obligatory, which is true of many international agreements.

Chronology of U.S.-Southeast Asian Relations July-September 2009

July 1, 2009: Thirty-seven U.S. senators urge Vietnam's president to free a Roman Catholic priest and human rights advocate, Rev. Nguyen Van Li, who was sentenced to eight years in prison for promoting religious freedom and democracy.

July 1, 2009: Singapore Ambassador to the U.S. Chan Heng Chee says East Asia's economic recovery from the global recession depends first on recovery in the United States.

July 4, 2009: U.S. Ambassador to Indonesia Cameron Hume says the U.S. is monitoring the Indonesian presidential election in Aceh "at the request of the Indonesian government" and is not interfering in any way.

July 4, 2009: U.S. Ambassador to the Philippines Kristie Kenney states that any postponement of Philippine general elections, scheduled for May 2010, would cause concern in Washington.

July 12, 2009: Central Intelligence Agency Director Leon Panetta meets Philippine President Gloria Arroyo to discuss bilateral security cooperation.

July 14, 2009: In the UN Security Council, the U.S. representative expresses skepticism that the Burmese junta will hold free, fair, and credible elections scheduled for 2010.

July 17, 2009: Suicide terrorists bomb the JW Marriott and Ritz-Carlton hotels in Jakarta killing nine and injuring over 40, many of them foreigners.

July 17, 2009: President Barack Obama and Secretary of State Hillary Clinton condemn the "senseless, outrageous" bomb attacks in Jakarta; and Clinton offers U.S. assistance.

July 18-23, 2009: The 42nd ASEAN Ministerial Meeting, Post-Ministerial Conferences, and 16th ASEAN Regional Forum meet in Phuket, Thailand.

July 18, 2009: ASEAN foreign ministers denounce the Jakarta bomb attacks and express solidarity with Indonesia in its "fight against terrorism."

July 21, 2009: Secretary Clinton meets Thai Prime Minister Abhisit Vejjajiva to discuss the U.S. diplomatic, strategic, and economic role in Asia.

July 22, 2009: Secretary Clinton at the ASEAN Ministerial meeting in Phuket, Thailand, signs the Association's Treaty of Amity and Cooperation, a nonaggression pact, while declaring "The United States is back in Southeast Asia."

July 22, 2009: At the ARF meeting in Phuket, Secretary Clinton excoriates Burma's human rights record, including its treatment of detained pro-democracy leader Aung San Suu Kyi.

July 22, 2009: Secretary Clinton meets Malaysian Foreign Minister Anifah Anuna at the ARF meeting and discusses progress toward the U.S.-Malaysia Free Trade Agreement and two Malaysians still held at Guantanamo. Clinton also says ASEAN should consider expelling Burma if Aunt San Suu Kyi is not released – a suggestion rejected by Anifah.

July 23, 2009: Secretary Clinton meets with representatives of the four riparian Lower Mekong basin countries (Cambodia, Laos, Thailand, and Vietnam) to discuss water management policy – the first time the U.S. has been involved in Mekong River issues.

July 24, 2009: The latest Pew Global Attitudes Project Survey shows that President Obama's election raised the approval rating of the U.S. to 73 percent, the highest since the Clinton years.

July 24, 2009: The Philippine government suspends its military offensives against secessionists in Mindanao in an effort to restart negotiations with the Moro Islamic Liberation Front.

July 24, 2009: Final results from Indonesia's presidential election held on July 8 are announced and confirm that President Susilo Bambang Yudhoyono won a landslide victory over his two opponents, capturing 61 percent of the votes and a majority in 28 of Indonesia's 33 provinces.

July 28, 2009: President Obama extends sanctions against Burma that were due to expire, including a ban on gem imports.

July 30, 2009: Philippine President Gloria Arroyo meets President Obama in Washington where Obama says that he views the Philippines as the chief coordinator between the U.S. and ASEAN.

July 31, 2009: A report compiled by Vietnam's Defense Ministry and the Vietnam Veterans of America Foundation shows that more than one-third of the land in six central Vietnamese provinces remains contaminated with land mines and unexploded ordnance from the Vietnam War period with 16.3 million acres yet to be cleared.

Aug. 11, 2009: Bangkok's Criminal Court says it does not have the authority to extradite Victor Bout, a Russian arms dealer, from Thailand to the U.S. on charges of offering to supply weapons to Colombian rebels. The Thai government and the U.S. appeal the ruling.

Aug. 11, 2009: Burma's junta extends Aung San Suu Kyi's house arrest by 18 months.

Aug. 12, 2009: President Obama condemns Burmese court sentence of Aung San Suu Kyi to an additional 18 months of home detention as violating "universal principles of human rights." The conviction will prevent her participation in a national election scheduled for next year.

Aug. 13, 2009: The U.S. and the Philippines sign a military cooperation agreement for 2010, focusing on terrorism in Mindanao. Aid will be provided to the Coast Watch South project.

Aug. 16, 2009: U.S. Sen. James Webb meets Burma's junta leader Gen. Than Shwe and obtains the release of convicted American John Yettaw.

Aug. 17, 2009: The U.S. presides over a maritime security seminar involving officials from Malaysia, Indonesia, and the Philippines to discuss coordinating air and maritime patrols in overlapping spaces to curb smuggling and piracy.

Aug. 19, 2009: Sen. Webb meets Vietnam Prime Minister Nguyen Tan Dung in Hanoi to discuss bilateral trade and the granting of General System of Preferences status to Vietnamese products.

Aug. 28, 2009: Three members of the U.S. House of Representatives meet with the Central Executive Committee of the Burmese opposition party – The National League of Democracy – in Rangoon to discuss human rights and the current political situation.

Sept. 1, 2009: The U.S. urges Burma to halt attacks on ethnic minorities in the country’s remote northeast region.

Sept. 4, 2009: Philippine President Arroyo defends the presence of U.S. troops in Mindanao saying they help the Philippine armed forces but do not engage in combat.

Sept. 11, 2009: U.S. Ambassador to Vietnam Michael Michalak expresses concern over the arrests of Vietnamese journalists and bloggers as efforts to “criminalize free speech.” Sixteen U.S. Congress members co-sponsor a resolution calling on Hanoi to release imprisoned bloggers and respect internet freedom.

Sept. 11, 2009: Defense Secretary Gates pledges to continue counter-terrorism cooperation with Philippine forces in Mindanao after meeting Philippine Defense Secretary Gilbert Teodoro, Jr. in Washington.

Sept. 18, 2009: The U.S. drops charges against former Hmong Gen. Vang Pao, who was indicted in 2007 for planning to overthrow the communist government of Laos.

Sept. 23, 2009: Speaking on the sidelines of the UN, Secretary Clinton announces a change in the Obama administration’s Burma policy to engage the military junta while still maintaining economic sanctions.

Sept. 26, 2009: Detained Burmese opposition leader Aung San Suu Kyi announces through her attorney that she is ready to help the military junta get the West to lift economic sanctions.

Sept. 28, 2009: Sen. Webb meets Myanmar Prime Minister Thein Sein on the sidelines of the UN General Assembly in New York.



**China-Southeast Asia Relations:
Myanmar, South China Sea Issues**

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Myanmar's military offensive against armed militias of minority groups along the border with China disrupted the status quo that had prevailed along the frontier for the past two decades and complicated the extensive Chinese interests that have developed in the border region during this period. Frictions over territorial claims, fishing, and surveillance among China, Southeast Asian countries, and the U.S. over the South China Sea were less prominent than in recent quarters. China signed an investment agreement with ASEAN members marking the completion of the China-ASEAN Free Trade Area, which is to go into effect on Jan. 1, 2010. Chinese commentary joined other regional media in highlighting, with some reservations, the prominence of U.S. Secretary of State Hillary Clinton and the more activist U.S. regional agenda at the ASEAN Regional Forum Foreign Ministers' Meeting.

China-Myanmar relations

Relations between China and Myanmar saw new, important developments this quarter. To be sure, China maintained its longstanding principle of noninterference in domestic issues and watered down hopes of imposing further UN Security Council sanctions and punitive measures against Myanmar following Aung San Suu Kyi's sentencing in July. But, there were emerging signs of frustration in Beijing about Myanmar's military junta as its recent clampdown on the Kokang militia along the China-Myanmar border in August pointed to the growing challenge and dilemma Myanmar poses for Chinese foreign and security policy.

Aung San Suu Kyi sentenced. The Chinese Foreign Ministry spokesperson on July 14 urged the world to respect Myanmar's judicial sovereignty after opposition leader Aung San Suu Kyi was sentenced to three additional years of detention for violating an internal security law. The violation involved an incident in May in which John Yettaw, a U.S. citizen, swam to her lakeside home and stayed uninvited for two days, in violation of Suu Kyi's terms of house arrest. Official Chinese media duly noted Western outrage over the Myanmar court's decision and ASEAN's statement of "deep disappointment." Chinese commentary highlighted the fact that the junta cut in half to 18 months shortly after the judgment was rendered.

China's stance of noninterference was seen by official Chinese media as the basis for blocking any UN action against Myanmar, while the Foreign Ministry spokesperson urged "dialogue with Myanmar, not criticism." In a similar vein, at a July 13 meeting at the UN called to review the findings of UN Secretary General Ban Ki-moon's July 3-4 visit to Myanmar, China's deputy UN

ambassador defended Myanmar's decision to refuse Ban's request to meet Suu Kyi. Concerned countries were urged to deal with Myanmar "with less arrogance and prejudice."

Against this background, official Chinese media gave positive publicity to the visit to Myanmar of U.S. Sen. James Webb, which followed the sentencing of Suu Kyi. Webb's success in gaining the release of Yettaw along with meeting Suu Kyi and Senior Gen. Than Shwe were depicted positively. He was said to be the first member of the U.S. Congress to visit the country in over a decade and the first "senior U.S. political figure" to meet with Than Shwe. While duly noting the White House's position that Webb did not represent the administration during his visit, Chinese reporting made repeated reference to Webb's assertions about the Obama administration's reassessment of U.S. policy toward Myanmar.

Clashes along the China-Myanmar border. In August, the junta launched a raid against a local militia group based in the Kokang region, which is largely comprised of ethnically Chinese communities, in Myanmar's northern Shan State. A ceasefire agreement struck nearly 20 years ago had provided a degree of autonomy for the local militia group. Details of how the ceasefire agreement broke down remain uncertain; the junta reportedly has been exerting greater control throughout the country in the lead-up to the national elections in 2010. As such, the clampdown by the junta resulted in an unexpected clash with the Kokang militia group and the flight of more than 35,000 refugees to China. According to Chinese news reports, there were also three rounds of shells fired into China's Yunnan Province from the Myanmar side, which killed one border inhabitant and injured two others. Additionally, one Chinese border inhabitant was killed and 13 others were injured as people fled from the Kokang region.

The border incident points to the growing complexity of China's relationship with Myanmar. According to a new report entitled "China's Myanmar Dilemma" issued by the International Crisis Group, China was unable to dissuade the generals from launching their bloody campaign. The report also finds that Beijing's influence over Myanmar is often overstated and may even be waning. The military junta is fiercely nationalistic and tries to balance and hedge its relations with neighboring countries such as Thailand, Bangladesh, India, and China.

A recent article by Ian Storey in *China Brief* also finds that the Chinese leadership is increasingly frustrated with the lack of progress toward national reconciliation and economic development in Myanmar. Storey cites at least three instances since 2004 where the Chinese leadership had been urging the authorities in Myanmar to implement political reform but had limited success influencing the junta's behavior.

In managing the latest tension along the border, Beijing's approach reflected a degree of prudence and caution. Publically, its Foreign Ministry called for Myanmar to "properly deal with its domestic issue to safeguard the regional stability in the China-Myanmar border area." It was also concerned with the safety of the Chinese citizens living and working in the Kokang region and asked the Myanmar government to offer full protection.

At the same time, Chinese press reports also indicated that the leadership in Beijing commissioned and dispatched Public Security Minister Meng Jianzhu and other senior officials to inspect Chinese border areas and provide clear guidance to the local authorities in Yunnan

Province to help stabilize the situation. The Yunnan provincial government, in turn, activated a border stability mechanism, “calling on units concerned to make all-out efforts to maintain border stability, safeguard the security of border inhabitants’ lives and properties, and prevent the situation from worsening.” These actions indicate that the Chinese leadership was concerned with the potential spillover effects of the conflict along the border. Since Beijing was unable to restrain the junta from launching the raid against the Kokang militia, it had to take these precautionary steps to safeguard Chinese national interests.

South China Sea issues

Chinese official media and commentary were more muted than in recent quarters in dealing with disputes in the South China Sea. Reported incidents generally involved disputes over fishing. That China took these matters seriously was underlined in a July 1 report in official media of remarks by Wu Zhuang, director of the Administration of Fishery and Fishing Harbor Supervision of the South China Sea, at the launch of an exercise involving seven Chinese vessels concerned with safeguarding Chinese fishing interests in the South China Sea. Wu recounted a litany of problems for Chinese fishermen in the South China Sea including “illegal” arrests by other governments, piracy, and foreign encroachment on Chinese fishing grounds. According to Wu, it sometimes takes years for countries to release Chinese fishermen arrested in disputed waters; boats and equipment are often not returned. The arrest by Indonesia on June 20 of 75 Chinese fishermen in eight vessels was noted, as was the release in late June of 25 Chinese fishermen after being held by the Philippines since 2006. Wu asserted that “China usually does not detain foreign fishermen who invade its waters.” However, reporting from Vietnam in late June said that China detained 25 Vietnamese fishermen for 10 days and continued to hold 12 others until fines were paid. In August, a report from Vietnam said a Vietnamese trawler crew was arrested by the Chinese navy in the disputed Paracel Islands.

Wu also underlined past reportage of Chinese intention to add new vessels to its more active patrols in the South China Sea. He referred to an option likely to raise concerns by some in Southeast Asia, advising that “China should also build a few fishery administration bases on the reefs and islands in the South China Sea, so that the response to incidents can be quicker.”

The importance and problems of Chinese fishing were illustrated in an article by Lyle Goldstein in the Aug. 5 Jamestown Foundation *China Brief*. China’s annual fishing catch is four times larger than the take of the nearest competitor and far exceeds the combined catch of Japan, the U.S., and other Pacific maritime powers. Because of years of overfishing and other problems, China in recent years has worked to reduce the size of its fishing fleet and instituted summer fishing moratoriums in most Chinese coastal areas. The moratoriums have been a focal point of disputes with Vietnamese and other fishermen in the South China Sea.

On related issues, media reports citing Russian sources pointed to extensive Vietnamese purchases of advanced aircraft and submarines from Russia. In response, some Chinese commentary warned of the growth of the Vietnamese navy and the threat it would pose to Chinese shipping and other interests in the sea lanes passing through the Malacca Strait and the South China Sea. The issue seemed to subside when reporting in August pointed out that the

Russian sources were incorrect as Vietnam did not have the resources to purchase and maintain the advanced Russian weapons systems.

U.S. Role. Chinese officials and commentary muted complaints that had accompanied incidents of Chinese ships confronting U.S. ships carrying out surveillance activities in waters near China earlier this year. Nonetheless, China registered its continued opposition during U.S.-China talks on maritime safety on Aug. 26-27. Official media cited the Chinese Ministry of Defense to say that China called on the U.S. “to reduce and eventually end military surveillance by both aircraft and ships close to its shores after a series of territorial disputes earlier this year.” *China Daily*, on Aug. 28, noted U.S. Defense Department statements of repeated confrontations between Chinese ships and U.S. surveillance ships in the first half of this year, and cited the Chinese Defense Ministry for the view that “the way to resolve China-U.S. maritime incidents is for the U.S. to change its surveillance and survey operations policies against China. Decrease and eventually stop such operations.” The *China Daily* report went on to cite a U.S. Embassy spokeswoman for the view that the U.S. position of “exercising its freedom of navigation while putting emphasis on taking care to avoid any unwanted incidents,” had not changed.

The seriousness of the issue to the U.S. was underlined in the first oversight hearing of the Senate Foreign Relations Committee’s Subcommittee on East Asian and Pacific Affairs under the direction of Subcommittee Chairman Sen. James Webb. The July 15 hearing focused on major maritime disputes in the East and South China Seas. Webb’s opening statement was supportive of Vietnamese and other Southeast Asian resistance to perceived Chinese expansionism, and more nuanced statements by Obama administration witnesses expressed concern over greater Chinese “assertiveness” over maritime claims, firm U.S. opposition to Chinese interpretations of international law that would impede U.S. maritime access, and criticism of efforts by China to intimidate U.S. companies operating with Vietnam in the South China Sea.

ASEAN Regional Forum (ARF) and U.S. activism

Official Chinese media placed the spotlight on U.S. Secretary of State Hillary Clinton during the ARF Foreign Ministers’ Meeting in Thailand in July. A Chinese expert in Southeast Asian matters noted in the *China Daily* that this year’s meeting gained “global attention” when Clinton attended the meeting and signed the Treaty of Amity and cooperation (TAC) with ASEAN members. The U.S. visit marked “the return of the superpower” to the region. By contrast, the activities of the Chinese foreign minister and Chinese initiatives toward Southeast Asia received little attention.

Chinese commentary place mixed motives behind stepped-up U.S. activism in Southeast Asia. An underlying reason was to balance China, according to a news analysis in the July 23 *China Daily*. The account cited Chinese experts for the view that intensified U.S. competition with China in Southeast Asia would not upset overall U.S.-China relations as “both countries have more important things to do such as tackling the economic crisis and global warming.” It also cited Secretary Clinton’s remark that she hoped for a “positive framework” in working with China in Southeast Asia as the U.S. strengthens ties with “a lot of China’s neighbors” who have “expressed concerns” regarding China.

Chinese commentary reflected on the strengths and weaknesses of the Chinese position in Southeast Asia as it faced the prospect of greater U.S. activism in the region. On the plus side, a July 23 commentary in *China Daily* cited Chinese bilateral trade with ASEAN worth \$231 billion surpassing U.S.-ASEAN trade of \$178 billion, while Chinese-ASEAN investment was \$60 billion vs. U.S.-ASEAN investment of \$100 billion. On the other hand, an analysis by a Chinese expert appearing in the Aug. 21 *China Daily* duly noted the negative impact on Chinese influence as a result of the recent disputes over territorial issues in the South China Sea. It also noted that renewed U.S. activism could bring “hegemonism” back to the region; it said this would not be welcomed by ASEAN countries.

Muted Chinese enthusiasm for ASEAN; China-ASEAN Investment Treaty. Consistent with Chinese commentary over the past year, the Aug. 21 *China Daily* commentary frankly acknowledged the “long intractable” problems in ASEAN and among Southeast Asia nations regarding integration, development, and security. Citing postponed summits and graphic signs of instability in several countries, the commentary saw few easy solutions. China’s more sober view of Southeast Asian weaknesses has been accompanied by less frequent media attention and high-level leadership attention to ASEAN and its members – a contrast with the years of Chinese activism in the region at the end of the 1990s and throughout most of this decade.

Seemingly emblematic of this trend was the routine coverage devoted to the signing in Bangkok on Aug. 15 of a China-ASEAN investment agreement. According to official Chinese media, the agreement “marked the end of negotiations over the China-ASEAN Free Trade Area, which is to be realized on January 1.” Earlier in this decade, such a seemingly consequential agreement and even less consequential accords between China and ASEAN would have prompted extensive reporting and comments by Chinese officials about China’s positive relationships in the region. The Aug. 21 commentary noted above did foresee that China would focus positive attention on ASEAN during the East Asian Summit and Sixth China-ASEAN Expo later this year.

Mekong River dams

Chinese media duly noted that Secretary Clinton met with the foreign ministers of the countries along the Mekong River during her stay at the ARF Foreign Ministers’ Meeting in Thailand in July. The meeting came in the context of persisting Western and regional concerns about how Chinese development actions and plans for the river will affect other countries, and China’s pattern of refusing to join the Mekong River Commission, presumably out of concern for limiting its freedom of action in developing the river for its own use. Writing in *Yaleglobal online* in July, Singapore-based Michael Richardson advised that China’s development of hydroelectric dams along the Chinese course of the river increasingly risks adverse effects on fish stocks in Cambodia, water supply for Vietnam’s rice fields, and other important sources of livelihood in downstream countries. Richardson noted China’s argument that controlling water flow will prevent adverse effects of erosion caused by the Mekong’s flooding cycle and will supply renewable energy. He viewed a pattern of smaller Southeast Asian states unable or unwilling to antagonize China with their complaints, while China refuses to be bound by the deliberations and guidelines of the Mekong River Commission, the regional body that endeavors to find common ground among the competing interests of the countries affected by the river.

China-Australian frictions, cooperation

Relations soured in recent months over several issues including negative Chinese reaction to Australia's latest defense white paper, a failed Chinese investment bid for ownership of an Australian mining firm, the arrest in China of an Australian mining executive on charges of stealing commercial secrets, the visit of a Uighur activist to Australia, and charges of spying in China and Australia. Reflecting a remarkable change from only a few years ago when relations seemed very cordial and the Chinese ambassador to Canberra enjoyed wide and positive acclaim, media on both sides recently have focused on the negative. Australian commentators took umbrage at Chinese efforts to pressure Australia over such issues as granting a visa to a Uighur activist and allowing the showing of a film on her life at an Australian film festival. Chinese media responded with a front page article in the Aug. 25 *China Daily* noting that there has been "an 80 percent drop in Chinese tourist visa applications to Australia in the past three months, as bilateral ties hit a low." The article cited Chinese experts for the view that "Australia will pay for its sour relations with Beijing." The next day, *China Daily* ran an article about disappearances and murders of Chinese students and other Asians in Australia entitled "Fear grips students in Australia" that seemed to threaten a significant reduction of what the article said were the 120,000 Chinese students who make up a significant part of the A\$15.5 billion international education market in Australia.

On the other hand, commercial relations continue to move forward. Australian media welcomed news from the Pacific Island Forum in August that the informal diplomatic truce between China and Taiwan means that the two powers are less inclined to use checkbook diplomacy – grants of aid that often go to corrupt purposes and undermine Australian efforts to promote good governance in the Pacific Island nations. In September, after the head of the U.S. Pacific Command and the chief of the Australian defense forces announced an interest in inviting China to join in three-way military exercises, the Chinese ambassador to Australia greeted the overture positively, noting that China would study it.

Outlook

High-level Chinese leadership participation and prominent media attention are expected during the ASEAN Plus 3 and East Asian Summit to be held in October, as well as the APEC summit in November. The events should provide a barometer of the status and outlook of Chinese relations with the region. Given China's reaction to Secretary Clinton's assertion of new U.S. activism in Southeast Asia, Chinese commentary on President Obama's expected visit to Southeast Asia in November may provide indicators of how the Chinese authorities view the purpose and scope of the new U.S. administration's policies in Southeast Asia.

Chronology of China-Southeast Asia Relations

July-September 2009

July 1-2, 2009: At the invitation of Foreign Minister Yang Jiechi, Indonesian Foreign Minister Hasan Wirayuda visits Beijing and meets Yang and Vice Premier Li Keqiang. They agree to strengthen bilateral relations and sign an extradition agreement.

July 4, 2009: Liu Qi, member of the Political Bureau of the Central Committee and secretary of the Beijing Municipal Committee of the Chinese Communist Party, arrives in Phnom Penh and meets leaders of the Cambodian People's Party and the Funcinpec Party.

July 8, 2009: Chinese and Malaysian authorities sign an agreement to establish the first Confucius Institute in Malaysia. The institute will be at the University of Malaya and provide cultural activities and exchanges as well as opportunities for students to study Mandarin.

July 8-9, 2009: The Malaysian Chief of Defense Force Tan Sri Abdul Aziz visits Beijing and meets senior military officials. While meeting Defense Minister Liang Guanglie, they agree to strengthen bilateral cooperation between the two armed forces. Beginning in 2010, junior and senior military officers from China will take part in a student exchange program at the Malaysian Armed Forces Defense College.

July 13, 2009: Liu Zhenmin, China's deputy permanent representative to the UN, states that China is opposed to putting the Myanmar question on the UN Security Council agenda and would not support sanctions as a result of the military junta's sentencing of Aung San Suu Kyi.

July 20-23, 2009: Foreign Minister Yang Jiechi attends a series of meetings in Thailand, including the 42nd ASEAN Ministerial Meeting, the 16th ASEAN Regional Forum, and the foreign ministers' unofficial consultation of the East Asia Summit.

July 23, 2009: U.S. Secretary of State Hillary Clinton meets representatives of the four riparian Lower Mekong basin countries (Cambodia, Laos, Thailand, and Vietnam) to discuss water management policy – the first time the U.S. has been involved in Mekong River issues.

July 29, 2009: Chinese officials attend the 6th ASEAN+3 Ministers on Energy Meeting in Mandalay, Myanmar and call for energy cooperation with ASEAN members.

Aug. 5, 2009: Vietnam files an official protest against China over the detention of 13 Vietnamese fishermen in early August, who, according to Vietnamese officials, were fleeing from a storm and took shelter at the disputed Paracel Islands.

Aug. 11, 2009: The Chinese naval destroyer *Guangzhou* arrives in Brunei for the 2009 Brunei International Defense Exhibition (BRIDEX).

Aug. 14, 2009: Chinese Deputy Foreign Minister Wu Dawei visits Vietnam and meets counterpart Pham Gia Khiem to discuss issues related to border demarcation. They agree to resolve border issues peacefully and to adhere to the Code of Conduct on the South China Sea.

Aug. 15, 2009: Chinese Commerce Minister Chen Deming attends the 41st ASEAN Economic Ministers Meeting and signs the ASEAN-China Investment Agreement in preparation for the ASEAN-China Free Trade Area, which will come into effect in January 2010.

Aug. 18, 2009: China proposes a \$10 billion fund to increase and expand the trade volume between ASEAN and China. The planned fund will provide capital for infrastructure and logistic system development projects.

Aug. 18-25, 2009: Singaporean Foreign Minister George Yeo visits Beijing and meets his counterpart Yang Jiechi and Vice-President Xi Jinping to discuss future prospects for deepening bilateral relations. Yeo also visits Qinghai Province and Tibet.

Aug. 23-26, 2009: Chinese Vice Premier Wang Qishan visits Singapore for the 6th China-Singapore Joint Council Meeting for Bilateral Cooperation. He signs a memorandum of understanding on furthering bilateral educational and science and technology cooperation, as well as a protocol on taxation.

Aug. 28, 2009: The UN releases a statement saying that more than 30,000 refugees from the northeast region of Myanmar have fled into China as a result of recent fighting between Myanmar's military and rebel ethnic armies.

Aug. 28, 2009: The Chinese Ministry of Foreign Affairs spokesperson says that Beijing hopes Myanmar can "properly deal with its domestic issue to safeguard the regional stability in the China-Myanmar border area."

Sept. 1, 2009: A new bridge that spans the Red River, connecting the Beishan Trade Center in China's Yunnan Province and Kim Thanh Trade Center in Vietnam's Lao Cai Province, opens. The bridge will facilitate economic interaction in the Mekong subregion.

Sept. 9, 2009: President Hu Jintao meets Laotian counterpart Choummaly Saygnasone in Beijing and they agree to establish a strategic partnership to improve and expand relations.

Sept. 14, 2009: Cambodian Prime Minister Hun Sen announces that China has become the largest development partner, that he appreciates Chinese assistance comes without conditions, and that China's infrastructure projects help with poverty reduction in Cambodia.

Sept. 22, 2009: Chinese Ambassador to the Philippines Liu Jianchao urges all claimant countries of the South China Sea region to avoid confrontation and to conduct joint seismic studies on the oil and natural gas reserves in the Spratly Islands as a way to build confidence. He acknowledges that the Chinese government sees no solution to resolve these territorial disputes and reiterates its objection to having external, non-claimant countries involved in the negotiations.



**China-Taiwan Relations:
Temporarily in the Doldrums**

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Beijing and Taipei made little progress in cross-Strait relations this quarter. Typhoon *Morakot* and other extraneous factors combined to frustrate progress but did not change the positive momentum. Preparations are underway for talks on an Economic Cooperation Framework Agreement (ECFA) and the fourth round of SEF-ARATS talks later this year. Cross-Strait trade is beginning to recover from the precipitous decline caused by the great recession and the first mainland investments in Taiwan, although small, have been approved. There were no significant developments on security issues. Progress in better relations should resume in the months ahead.

ARATS-SEF

Taipei and Beijing have had mixed results in implementing agreements reached at the third meeting between the Association for Relations Across the Straits (ARATS) Chairman Chen Yunlin and Straits Exchange Foundation (SEF) Chairman Chiang Ping-kun in April. Aviation issues have moved smoothly. In July, the two sides agreed on two new direct air routes and on Aug. 31, the first scheduled, as contrasted with charter, air service began. However, negotiations over the memorandums of understanding (MOUs) covering banking, insurance, and securities, which were to have been completed in late June, are still pending. The financial regulatory systems to be defined in the MOUs must be in place before the two sides can reciprocally approve operations by financial services firms. During the summer, sources in Taipei indicated that agreement was close – an assessment that Mainland Affairs Council (MAC) Chairperson Lai Shin-yuan recently repeated. The most recent information attributed to Taiwan Affairs Office (TAO) officials is that the MOUs may be signed in October and that the remaining issues are procedural. There have been no noteworthy developments regarding the Agreement on Fighting Crime and Mutual Legal Assistance.

Taipei's attention remains focused on the proposed ECFA agreement. In late July, the Ma administration released the report assessing the implications of an ECFA agreement, which was prepared by the pro-government Chunghua Institute of Economic Research. It portrayed the net benefits of an agreement, recognized that some sectors would be disadvantaged, and recommended ways to maximize benefits and mitigate negative effects. Economists affiliated with the opposition Democratic Progressive Party (DPP) predictably criticized the report as too favorable and issued a more critical report of their own. Public opinion remains divided about the desirability of an ECFA, especially since its contents remain undetermined.

Informal contacts about initiating ECFA talks have continued largely out of public view. However, People's Republic of China (PRC) Minister of Commerce Chen Deming did hold an unprecedented face-to-face meeting with Republic of China (ROC) Minister of Economic Affairs Yiin Chii-ming at an Asia Pacific Economic Cooperation (APEC) meeting in Singapore. A few days later, Yiin reported it had been agreed that ECFA negotiations would start in October. The Singapore meeting was another sign of Beijing's willingness to deal directly with Taipei officials, although it was not reported in Beijing's official media. The new Minister of Economic Affairs Shih Yen-shiang has also said ECFA talks would start in late October, however, Taiwan Affairs Office (TAO) Minister Wang Yi's most recent statement was more cautious, indicating that talks would begin when both sides were ready. For his part, President Ma Ying-jeou has implicitly acknowledged the delay by saying in September that he looked to reach agreement early in 2010, rather than his earlier goal of agreement this year.

It is largely extraneous developments, rather than policy changes, that have impeded progress. Typhoon *Morakot* consumed public and government attention on Taiwan for three weeks in August and then led to Cabinet changes affecting some of the senior officials handling cross-strait economic issues. At the same time, *Morakot* occasioned two positive developments. First, Beijing was prompt and generous in providing financial and practical aid. Second, the U.S. also provided aid, which included the first deployment of U.S. military aircraft to Taiwan since 1979. This potentially sensitive action was handled discreetly, with Beijing portraying it as a humanitarian action, the U.S. planes leaving as soon as their humanitarian work was concluded, and neither Taipei nor Washington gave the action any broader significance.

Kaohsiung Mayor Chen Chu's decision to invite the Dalai Lama to console *Morakot* victims presented a dilemma for President Ma and for Beijing. In the end, both sides handled the issue in a way that delayed some minor cross-strait events but did not significantly disrupt relations. On its side, Beijing held the current Central Committee's fourth plenum in September and made preparations for the lavish and imposing celebration of the 60th anniversary of the PRC on Oct. 1. Despite these distractions, the direction of policy has not changed and plans are proceeding for the fourth SEF-ARATS talks between Chiang and Chen in Taiwan in December.

International space

This year for the first time since 1993, Taipei did not ask its diplomatic allies to present a resolution on its behalf at the opening of the UN General Assembly. Taipei did indicate that the Ma administration's attention would remain focused on participation in specialized agencies. In mid-September, the Foreign Ministry explained that Taipei's next goals are to participate as an observer in the International Civil Aviation Organization (ICAO) and the UN Framework Convention on Climate Change (UNFCCC), the organization under whose aegis the current negotiations on a follow-on agreement to the Kyoto Protocol are being conducted. Beijing's public response thus far has been only to state that participation in those organizations is something that needs to be discussed bilaterally.

In keeping with the saying that no news is good news, it should be noted that the H1N1 pandemic has not produced public controversy or anger, as was the case six years ago during the

severe acute respiratory syndrome (SARS) pandemic. Taipei's contacts with the World Health Organization about H1N1 have been working smoothly.

Cross-Strait economic ties

Cross-Strait trade, which began a precipitous decline a year ago, appears to have bottomed out early this spring and has been recovering gradually since then. According to Beijing's Ministry of Commerce, total cross-Strait trade was \$62.29 billion during January-August 2009, down 33.1 percent from a year earlier. According to the Ministry of Finance in Taipei, Taiwan's exports to the mainland were down 58.6 percent from a year earlier in January, down 33.8 percent in May and down just 18.5 percent in August. Month-on-month, Taiwan's exports to the mainland have been increasing each month since April. One encouraging indicator is that mainland orders from Taiwan in August were 7 percent above August last year. Taiwan's exports have grown in part because Beijing has allowed Taiwan firms to participate in its domestic economic stimulus programs and sent procurement missions to Taiwan. If current trends continue, monthly cross-Strait trade may reach pre-recession levels by the end of the year.

In June, Taipei announced the sectors and procedures for mainland investment in Taiwan. A few small investments have already been made, beginning with the opening of mainland airlines offices on the island. Taipei's Investment Commission has reported that eight mainland investments totaling \$769,000 were made during July and August with Fujian Newland Computers making the largest single investment. In line with overall FDI trends in China, the Investment Commission also reported that Taiwan's investment in the mainland declined 52 percent in the first eight months, but was growing in recent months.

Security issues

Officials in the Ma administration have privately expressed concern that Beijing is pressing Taipei to move beyond economics and to begin addressing political and security issues. When meeting KMT Chairman Wu Poh-hsiung in May, CCP Chairman Hu Jintao did say that the time had come to begin making preparations for dealing with political issues. Domestically, the Ma administration, which is being criticized for promoting ECFA, continues to place priority on economic issues and is reluctant to take on the more sensitive political issues. Maintaining domestic support is essential and President Ma continues to assure critics that he does not plan to address political issues until after the next presidential election.

There is no indication that there has been any reduction in the People's Liberation Army's (PLA) deployments facing Taiwan. To the contrary, the evidence is they are increasing. The Ministry of National Defense's report on the PLA released Aug. 31 stated that Beijing now deploys more the 1,500 short- and medium- range missile across the Strait from Taiwan. President Ma has reiterated that removal of these missiles is a precondition for reaching a peace agreement. In Beijing, some scholars have indicated that changes in Chinese deployments and implementation of military confidence building measures would flow from the conclusion of a peace agreement.

The Obama administration has not yet notified Congress of even routine arms sales to Taiwan, despite the fact that Assistant Secretary of State Kurt Campbell and the other members of the

administration's East Asia team have been in office for several months. Most notably, no action has been taken on the long-standing and less sensitive sale of *Blackhawk* helicopters. This does not appear to reflect any basic shift in U.S. policy, but rather involves decision and timing considerations. Press reports indicate that the administration is conducting a review of arms sales. At the U.S.-Taiwan Defense Industry Conference in late September, Assistant Secretary of Defense for Asian and Pacific Security Affairs Wallace "Chip" Gregson firmly stated the administration's intent to meet Taiwan's self-defense needs and argued that a strong Taiwan was in Beijing's interest as well as being in Taipei's and Washington's. Taipei has made it clear that its highest priority remains acquisition of *F-16C/D* aircraft and it continues to work discreetly with the U.S. on that and other arms sales issues. For its part, Beijing has used opportunities such as the visit of U.S. Army Chief of Staff George Casey to forcefully remind Washington of their opposition to arms sales, particularly *F-16s*.

An uncertain opposition

Public opinion polls in Taiwan show continuing support for the agreements the Ma administration has made thus far with Beijing and mixed views on the still not well-defined ECFA agreement that has been proposed. In these circumstances, the DPP has had difficulty both in mobilizing opinion against Ma's cross-strait initiatives and in defining a policy of its own. Party Chairperson Tsai Ing-wen has started a policy review process within the party, but where it will lead is not yet apparent. In July, two prominent DPP members defied party instructions by attending the Kuomintang (KMT) and Chinese Communist Party (CCP) Forum on Economics and Culture in Changsha and both were expelled from the party. The DPP did succeed in getting the initial quota of signatures needed for its draft proposal calling for a referendum on ECFA. However, the Executive Yuan's Referendum Review Committee rejected the proposal as vague and premature. While the ruling is being appealed, the party has yet to reach consensus on a viable strategy for blocking the administration's plans for ECFA.

Chen Chu, the DPP mayor of Kaohsiung, won plaudits for successfully hosting the World Games in August and she strengthened her support in the DPP with her initiative to invite the Dalai Lama. However, the plan to screen Rebiya Kadeer's film "The 10 Conditions of Love" at the Kaohsiung Film Festival proved more problematic as Beijing took steps to show Kaohsiung the practical costs of its decision. Tour groups cancelled thousands of rooms, ships were diverted to other ports, an exhibit of Jingdezhen ware was canceled, and a proposal for a Kaohsiung tourism fair was turned down. The Kaohsiung tourism industry appealed to Chen Chu who announced a compromise arrangement for screening the film – a compromise that disappointed her deep green supporters without softening Beijing's anger. Disappointed pro-independence advocates responded by inviting Kadeer to Taiwan. Chen Chu then reversed her earlier decision and Kaohsiung announced that Kadeer's film would be shown at the film festival in October. The mayor was saved from decisions on how to treat a visit by Kadeer when the national government announced that it would not allow her to come. The longer-term impact on mainland tourism to Kaohsiung and other DPP-led cities showing the film remains to be seen.

Looking ahead

Progress in improving relations should resume in the coming months. However, it seems clear that the easy agreements were concluded at the first three ARATS-SEF meetings. More difficult issues involving the usual balancing of interests in bilateral trade negotiations have affected the pace of talks on both the financial MOU and ECFA. Nevertheless, it is likely that the MOU will be signed before the end of the year. Taipei believes that ECFA talks will begin in late October and hopefully be concluded by early next year, not long after the China-ASEAN free trade agreement (FTA) comes into effect on Jan. 1, 2010. The fourth round of SEF-ARATS talks is scheduled to be held by the end of the year and should result in additional agreements possibly including ones on fisheries, agricultural product standards, product testing and double taxation, as well as discussion of ECFA.

When cross-Strait relations are moving constructively, the U.S. government's role is limited. Arms sales are one important exception that needs to be handled in a sophisticated way to support the long-term U.S. interest in a peaceful resolution of cross-Strait issues. It is in the U.S. interest to support a government in Taiwan that is working constructively to consolidate a stable, peaceful cross-Strait relationship. Taipei is requesting arms so it can maintain a credible deterrent position from which to negotiate. Furthermore, as the Ma administration is being criticized at home for not doing enough for Taiwan's defense, the fact that there has been little concrete evidence of support for Taipei from the Obama administration is calling into question Ma's ability to successfully manage the all important U.S.-Taiwan relationship. With Beijing's deployments growing, there is a sound case for the U.S. to move ahead with the *Blackhawk* sale and to respond favorably to Taiwan's request for the *F-16C/D* aircraft, which are increasingly seen as a litmus test of U.S. support.

Chronology of China-Taiwan Relations July-October 2009

July 1, 2009: President Ma Ying-jeou attends the inauguration of President Ricardo Martinelli in Panama.

July 3, 2009: China Southern Airlines is first People's Republic of China (PRC) company to apply to establish a branch office in Taiwan.

July 5, 2009: President Ma in Honolulu reiterates that removal of missiles from across the Taiwan Strait is a precondition for talks with the PRC on a peace agreement.

July 11, 2009: Kuomintang (KMT) and Chinese Communist Party (CCP) Forum on economics and culture opens in Changsha; two Democratic Progressive Party (DPP) members attend.

July 13, 2009: Mainland purchasing delegation attends a food show in Taipei.

July 15, 2009: DPP votes to expel two members who attended KMT-CCP Forum.

July 16, 2009: Ma Ying-jeou, as the president of the Republic of China (ROC), opens the World Games in Kaohsiung; mainland athletes do not attend the opening ceremony.

July 20, 2009: Chiang Kai-shek Memorial Hall name plaque is restored.

July 20, 2009: Blatant stereotyping in cartoon characters used in a Ministry of Economic Affairs (MOEA) pamphlet promoting the Economic Cooperation Framework Agreement with China provokes controversy in Taiwan.

July 22, 2009: Minister of Commerce Chen Deming meets MOEA Minister Yiin Chii-ming at Singapore at the Asia Pacific Economic Cooperation forum.

July 23, 2009: Taipei announces two new direct flight routes to the mainland.

July 24, 2009: MOEA Minister Yiin states that agreement has been reached to begin ECFA talks in October.

July 26, 2009: Ma Ying-jeou is elected KMT chairman.

July 26, 2009: Kaohsiung Mayor Chen Chu includes pro-independence remarks in her address at the closing ceremony of the World Games; mainland athletes do not attend.

July 29, 2009: MOEA releases Chunghua Institute of Economic Research report on ECFA.

July 30, 2009: Taiwan Institute of Economic Research releases more critical analysis of ECFA.

Aug. 3, 2009: Chinese Academy of Social Sciences Institute of Taiwan Director Yu Keli article in *China Review* calls for an early negotiation of a peace agreement.

Aug. 7, 2009: SEF Chairman Chiang says the fourth SEF-ARATS talks to be held in December.

Aug. 8, 2009: Typhoon *Morakot* hits Taiwan causing extensive flooding and hundreds of deaths.

Aug. 12, 2009: ARATS and PRC Red Cross provide generous financial aid for *Morakot*.

Aug. 16, 2009: U.S. military aircraft delivers aid in Taiwan; TAO says this is humanitarian aid delivered under civilian auspices.

Aug. 17, 2009: U.S. military helicopters and crews begin week-long emergency operations.

Aug. 19, 2009: Third mainland procurement mission arrives in Taipei.

Aug. 20, 2009: U.S. Army Chief of Staff Gen. George Casey visits Beijing and is berated on arms sales.

Aug. 24, 2009: Officials from the UN Office for Humanitarian Affairs visit Taiwan.

Aug. 26, 2009: Kaohsiung Mayor Chen Chu invites Dalai Lama.

Aug. 27, 2009: TAO statement opposes Dalai Lama visit and criticizes DPP.

Aug. 27, 2009: Referendum Review Committee rejects DPP ECFA referendum proposal.

Aug. 30, 2009: Dalai Lama arrives in Taiwan.

Aug. 31, 2009: First “scheduled” cross-Strait flights begin; ceremonies are cancelled due to Dalai Lama visit.

Aug. 31, 2009: Taiwan Ministry of National Defense releases its report on the PLA.

Sept. 1, 2009: Minister of the Financial Supervisory Commission Sean Chen says financial supervisory MOU will be signed by yearend.

Sept. 2, 2009: Raytheon Corp. wins a contract to upgrade Taiwan’s *Patriot* missiles.

Sept. 4, 2009: SEF Chairman Chiang meets Bank of China President Li Lihua’s delegation.

Sept. 5, 2009: KMT Vice Chairman Wu Den-yih visits Hong Kong.

Sept. 7, 2009: Wu Den-yih named premier replacing Liu Chao-shiuan.

Sept. 7, 2009: People’s Bank of China Deputy Governor Su Ning leads a delegation to Taipei.

Sept. 10, 2009: New Cabinet takes office in Taipei; President Ma instructs Premier Wu to get cross-Strait negotiations back on track after *Morakot*.

Sept. 11, 2009: Taipei Court convicts Chen Shui-bian and sentences him to life in prison.

Sept. 17, 2009: Organizers announced that the Kaohsiung Film Festival will screen Rebiya Kadeer’s film.

Sept. 18, 2009: MAC Chair Lai says financial MOU nearly complete.

Sept. 21, 2009: DPP announces plans to show Kadeer film in several cities on Oct. 1.

Sept. 21, 2009: TAO Minister Wang Yi says ECFA talks will begin when both sides are ready.

Sept. 25, 2009: Taiwan’s Ministry of Interior states Rebiya Kadeer will not be allowed to visit.

Sept. 26, 2009: Kaohsiung reinstates plan to screen Kadeer film at its film festival.

Comparative Connections

A Quarterly E-Journal on East Asian Bilateral Relations



North Korea-South Korea Relations: On the Mend?

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Dealing with North Korea resembles the board game *Snakes & Ladders* (known in the U.S. as *Chutes & Ladders*). The first half of this year was an especially long snake/chute. Pyongyang's missile and nuclear tests, and its general bellicosity, not only undid last year's slight gains in the Six-Party Talks (6PT), but were a strange way to greet an incoming U.S. president avowedly committed to exploring engagement with Washington's traditional foes. But what goes down must, eventually, come up, even if each time some may fear it is a case of – to change the spatial metaphor – one step forward, two steps back. As of autumn, things on the peninsula are looking up somewhat – at least relatively, if not in any absolute sense.

One ex-president visits; another dies

In an odd reprise of events 15 years earlier, the turning point was a visit to Pyongyang by a former U.S. president. While Bill Clinton's lightning trip to rescue a pair of unlucky (maybe foolish) Asian-American journalists hardly compares with Jimmy Carter's historic defusing of the first North Korea nuclear crisis in June 1994, it was a small turning point and a chance to check out Kim Jong-il's health and thinking – surely no bad move, despite predictable growling from U.S. conservatives. Several hints since then – most recently and concretely, Kim's apparent willingness in principle to return to multilateral talks, as communicated to Chinese Premier Wen Jiabao – suggest a welcome easing of tension, for whatever reason.

Atmospherics are one thing, but on the nuclear front it must be admitted that no actual new ladder is yet in sight. By contrast, relations between the two Koreas, having for almost two years gone from bad to worse, have recently taken a few small but real steps forward and upward. Here too an ex-president was the catalyst, albeit unwitting and posthumously. The death of Kim Dae-jung in August prompted a senior DPRK delegation to visit Seoul; they delivered a wreath from Kim Jong-il and met President Lee Myung-bak. Since then, Northern media have stopped insulting Lee and family reunions have resumed. An earlier initiative – a visit in August by Hyun Jeong-eun, chairperson of Hyundai, to Pyongyang, where she met Kim Jong-il – also played its part. The joint venture Kaesong Industrial Complex (KIC) has now returned to normal with the North easing border controls and ceasing other harassment.

So far so good. It remains to be seen how tall this new ladder is; for instance, whether regular inter-governmental talks held from 2000 to 2007 will resume. President Lee has recently offered the North a “grand bargain.” The details remain vague, but Pyongyang has rebuffed it anyway. If Lee persists in linking inter-Korean cooperation to the nuclear issue, then by definition not much

is possible until and unless we see progress there. Absent a new nuclear breakthrough, more ROK voices may start to question such linkage and seek an independent role for Seoul, not least so as to avoid ceding the field and leverage in Pyongyang to China.

Straws in the wind

The second half of 2009 began as a continuation of the first: with a flurry of North Korean missile tests, and a cyber-scare. As it turned out, the latter – several major official and private ROK websites came under attack and were down for a day or two – may have been too hastily blamed on Pyongyang, with no proof. Little else of significance happened for most of July, although in retrospect there were a few straws in the wind.

Thus, on July 21, the ROK Unification Ministry (MOU) said it was unaware of any DPRK move to resume family reunions. *Minjok 21*, a leftist Southern magazine, had quoted a recent visitor to Pyongyang as saying the North planned to propose this around *Chusok*, the Korean harvest festival that fell on Oct. 3 this year. As it turned out, *Minjok 21* had itself a scoop.

Four days later, amid reports that heavy rain had yet again pummeled North Korea's grain crop, MOU said it will resume humanitarian aid to Pyongyang via NGOs, frozen since Pyongyang's long-range rocket launch in April. Such assistance is minuscule compared to the rice and fertilizer that Seoul used to send, but at least it had served to keep some contacts open despite the wider eclipse of the former "Sunshine" policy under President Lee.

First up to visit the North was expected to be Chung Eui-hwa, a lawmaker of the ruling Grand National Party (GNP) and co-chair of the Korea Sharing Movement (KSM). But on July 29 Chung and the KSM cancelled their planned four-day visit to Pyongyang since the North's Korean Council for Reconciliation and Cooperation (KCRC) had not sent the expected invitation. Such last-minute reverses are par for the course in any dealings with the DPRK. Instead, it was World Vision's ROK branch that was first across the DMZ on Aug. 1, when a seven-strong team began an eight-day trip to resume assistance to potato farmers in the North.

A day later, the KIC management committee (KICMC) said that South Koreans who drive across the DMZ to Kaesong need no longer carry photos and detailed travel plans for every passenger. Instead, the KICMC will handle these documents. After months of harassment of the Kaesong project, including border curbs and wild demands for rental and wage hikes, this small gesture raised hopes of a return to normalcy.

This was overshadowed, however, by bad news on the other side of the peninsula. On July 30, a 29-ton South Korean squid-fishing boat, the *800 Yeonanho*, was seized by the Korean People's Army (KPA) Navy and escorted to the DPRK east coast port of Jangjon. Its GPS navigation system seems to have malfunctioned; no one denied it was well over the Northern Limit Line (NLL) and inside Northern waters. The crew of four thus joined the Hyundai Asan worker Yu Seong-jin, arrested at the KIC and held incommunicado since March 31, as what many in Seoul regarded as hostages of an ever-more unpredictable North.

Enter Clinton

Then came Bill Clinton, as at least a temporary *deus ex machina*. The ex- U.S. president's trip to Pyongyang did not involve inter-Korean relations, except indirectly. As her name suggests, one of the two freed journalists, Euna Kim, is of South Korean parentage. Once the euphoria of the two women's release subsided, some accused them of harming the very North Korean refugees in China whose plight they were covering. On Aug. 22 the *New York Times* quoted Rev. Lee Chan-woo, an ROK activist, who said the pair had damaged his Durihana mission's work. After their capture, Chinese police raided his underground orphanages, seized DPRK refugee children, and expelled him from China. For their part, the journalists denied that any compromising materials had fallen into either Chinese or North Korean hands.

Hyundai's Hyun heads North

More generally, Bill Clinton's *coup de theatre* led South Koreans to contrast his success to the plight of their five citizens held by the North. But help was in fact at hand. On Aug. 10, Hyun Jeong-eun, chairwoman of Hyundai, crossed the DMZ for a planned three-day visit intended to secure freedom for her employee Yu Seong-jin. In a hopeful sign, she was allowed to drive to Pyongyang – a privilege not granted since the late President Roh Moo-hyun's summit with Kim Jong-il in October 2007 – and was welcomed at the border by a senior figure: Ri Jong-hyok, vice chair of the North's Asia-Pacific Peace Committee. (APPC is Hyundai's formal counterparty for its business deals in the North, while Ri is an urbane diplomat and confidant of the Dear Leader who now deals mainly with South Korea. This writer knew him quite well in the 1980s when Ri headed the DPRK's mission in Paris.)

As regular readers will recall, Hyundai and Ms Hyun have a privileged if often unenviable position vis-à-vis North Korea. She is the widow of Chung Mong-hun, who as favourite son of the conglomerate (*chaebol*)'s founder Chung Ju-yung inherited the poisoned chalice of his father's ambitious but costly dealings with the North. Under investigation for illicit financial transfers to Pyongyang, her husband jumped to his death in 2003. To general surprise Hyun took over his mantle, seeing off challenges from her brothers-in-law who inherited the juicier parts of their father's empire – such as making cars and ships. The rump Hyundai that she now heads is much shrunken, its main businesses being elevators and a shipping line.

Hyundai Asan, the affiliate running the Northern operations, has mostly bled red ink. Chung Ju-yung originally agreed to pay almost a billion dollars for six years' rights to develop a tourist resort at Mount Kumgang on the DPRK's east coast, just north of the DMZ. This fee was later halved, but Hyundai also shouldered all construction costs for harbors, roads, hotels and the like, costing over \$700 million to date. The first Southern tourists headed North (by boat) in November 1998, and 1.8 million made the trip over the next decade. But not until 2005, two years after the North finally permitted overland travel across the DMZ, did Hyundai Asan start to turn a profit. Watching Hyundai's travails, all the other *chaebol* have steered well clear of North Korea: in sharp contrast to most major Taiwanese firms' numerous and lucrative investments in China. Pyongyang's short-sighted greed has thus cost it dearly in lost opportunities and capital inflows. This point is not sufficiently appreciated.

Standing her ground

A rare woman in Korea's macho business world, Hyun Jeong-eun has proved effective, not least in handling what remains a tricky relationship with the North – as when it threatened to cancel all Hyundai's contracts after Hyun sacked a senior manager accused of corruption. In January 2007, the same Asia-Pacific Peace Committee, now her host, attacked what it called "high fliers and tricksters of Hyundai Asan who stoop to any infamy to meet their business interests." Hyun stood her ground. Later that year she met Kim Jong-il for the second time (the first was in 2005), signaling that the row was now patched up.

The past year has been especially fraught for Hyundai Asan on two fronts. Mount Kumgang tourism has been suspended since July 2008, after the KPA shot dead a middle-aged female tourist who apparently strayed off course on a pre-dawn stroll. It is the South that ordered a halt after the North refused to let it send a team to investigate. A year later, Hyundai Asan had lost sales worth \$136 million, and halved its workforce. Meanwhile, on the other side of the peninsula, the Kaesong IC, which Hyundai runs jointly with the parastatal Korea Land as well as the DPRK authorities, has endured much harassment – as detailed in previous issues.

Three days after Ms Hyun went North, Yu Seong-jin was finally expelled to the South – as he should by law have been at the outset. Subsequent reports suggest he was indeed guilty as uncharged. A bachelor boiler mechanic aged 44, seemingly a serial dater of North Korean women – he bragged of a previous relationship when he worked in Libya a decade ago – this time he not only hit on a cleaner in his Kaesong hostel, showering her with gifts, but urged her to defect and bad-mouthed Kim Jong-il: all this in writing. Unsurprisingly, he now faces disciplining by his employer – as surely do both women, whose fates appear of little concern to South Koreans. Most of the KIC's 40,000 Northern workers are young women, and most of their 1,600 Southern supervisors are men; hence romance, though illicit, seems inevitable.

When Hyun met Kim

Having secured Yu Seong-jin's release, Hyun stayed on in Pyongyang, postponing her return to Seoul five times. Kim Jong-il played hard to get – he was reportedly on an inspection tour in a far northern province – but finally on Aug. 16 he granted her an audience, and more. The official *Korean Central News Agency (KCNA)* said the two "had a cordial talk" lasting four hours, and that Kim "complied with all her requests."

These were several. First, restrictions on border crossings to and from the KIC imposed last December would be eased. This began to take effect from Aug. 21, with normal service fully restored as of Sept. 1. A joint economic cooperation office in the KIC would reopen – it duly did on Sept. 7 – and cross-border trains could restart. In fact, rail service remains suspended: the very short journey permitted, not even all the way to the KIC, is simply uneconomic. Most of the small- and medium-size enterprises in the zone prefer the flexibility of trucking goods in and out.

Beyond the KIC, the dear leader gave Hyun the green light to resume three tourism ventures. Mount Kumgang is the main one, but it is yet to be seen whether Seoul will agree to this. Another is cross-border day trips by coach to Kaesong city, which in less than a year had taken

over 100,000 South Koreans to this ancient capital – to stare and be stared at by North Koreans; this is no closed enclave, unlike Kumgang or the KIC – before the North shut them down last December. At this writing there is no word on these tours actually restarting.

The third project is for flights to Mount Paekdu, Korea's highest peak on the Chinese border, regarded as sacred. Hyundai was granted this concession in 2005, but delays and problems – including the need to rebuild the local airport at Samji; guess who would pay? – meant it never got off the ground. Many South Koreans already climb Mount Paekdu on package tours from the Chinese side, so the size of the potential market may be in doubt.

Kim Jong-il also said that reunions of separated family reunions may resume. After 16 such events during 2000-07, there had been none for almost two years as North-South relations worsened. While this is not strictly Hyundai's business, the connection is that at the North's insistence such reunions are held at Mount Kumgang – rather than as they were at first in Seoul and Pyongyang, let alone people's ancestral villages so they could visit family graves. Hence as Kim well knows, resuming reunions not only wins him points with Southern public opinion, but could hardly fail to put a resumption of Kumgang tourism back on the agenda.

The ROK government gave a cautious welcome to all this, while insisting that much of it needed discussion by the two governments. Family reunions, at least, were unproblematic. On Aug. 25 the two sides' Red Cross bodies agreed to hold talks about restarting these.

Death as breakthrough

Inter-Korean ties were thus already improving when fate intervened to boost this further. On Aug. 18, ex-ROK President Kim Dae-jung (1998-2003), sometimes called Korea's Mandela for his long struggle for democracy, died of pneumonia. It was Kim who devised the "Sunshine" policy of engagement, and who, in June 2000, flew to Pyongyang to meet Kim Jong-il in the first ever North-South summit; he received the Nobel Peace Prize the same year.

Kim Jong-il promptly sent condolences – and a senior team to deliver them in person. Kim Kinam is secretary of the ruling Workers' Party of Korea (WPK), while Kim Yang-gon directs the WPK's united front department. In effect, he is the DPRK's intelligence chief and, as such, visited Seoul in Nov. 2007 near the end of the late Roh Moo-hyun's term of office. Both Kims are key confidants of Kim Jong-il. They arrived in Seoul on Aug. 21, and duly visited Kim Dae-jung's altar. Due to fly home next day, they stayed on, meeting South Korean Unification Minister Hyun In-taek in the morning of Aug. 22, then dining with him the same evening. On Aug. 23, they met President Lee Myung-bak for half an hour, flying back to Pyongyang before Kim's actual funeral – which they had not planned to attend.

Lips are sealed as to what exactly transpired, but the pair reportedly bore a verbal message from Kim Jong-il. South Korea denied press reports that he had offered a summit, which would surely seem premature – although then again, this is one way to make a fresh start. But the signals were good: a Blue House spokesman said the meeting with Lee "was held in a very serious and gentle atmosphere ... Simply put, we can say there has been a paradigm shift." No one told *KCNA*, which on Aug. 21 was still calling for the "elimination" of "Lee Myung-bak's group of traitors."

Even on Aug. 23 one headline read: “Puppet Authorities’ Hostile Policy towards DPRK Flayed.” Since then, however, Northern media have stopped insulting South Korea’s president. Indeed they no longer mention him by name at all.

Uranium (alleged), and a non-tidal wave (all too real)

But as so often, progress up the ladder was stymied by snakes/chutes. On Sept. 4, Pyongyang told the UN that its uranium enrichment program (UEP) has entered its final phase, and that it is also making more nuclear weapons from extracted plutonium. Skepticism greeted the first claim, but neither was calculated to enhance the new mood of cautious détente.

Two days later, a wall of water two meters high swept down the Imjin River, drowning six South Koreans who were camping or fishing. The North promptly admitted discharging water – 40 million tons, the South reckoned – from its Hwanggang dam, some 25 miles north of the border. It said it had had to do this “urgently” because the dam was full, and promised to give notice in future – but offered no regret nor apology for the fatalities.

Anger was understandable, but the Southern government rushed to judgment, rejecting the North’s claim that the dam was full. On Sept. 9, Unification Minister Hyun In-taek told the National Assembly, “I think the North did it intentionally.” There is history here. In 1987 the soon to depart dictator Chun Doo-hwan began building a “peace dam” on another river, the Han, which flows through Seoul, in response to North Korea’s construction of a massive dam near the DMZ which Chun feared might be intended to flood the upcoming 1988 Seoul Olympic Games. Critics derided this as Cold War paranoia, and dam construction was later suspended – only to resume after satellite photographs in 2002 revealed cracks in the North’s Innam dam, triggering fears that it might collapse. Three times since 2001 North Korea has released water surges sufficient to cause flooding in the South, always without warning.

On this occasion, however, by Sept. 20 other ROK government sources were saying that Hwanggang had indeed been full – although the Blue House (the presidential office) denied this. Seoul’s inability to get its act together and speak with one voice on so sensitive a matter did not exactly enhance confidence in President Lee’s ability to take a cogent or coherent stand toward the North, in place of the “Sunshine” policy which he so briskly rejects.

Kaesong: wages, nursery, “research”

Meanwhile on Sept. 11, Pyongyang suddenly dropped the demand it had made since April for a fourfold wage increase at the KIC. No explanation was offered. ROK firms were naturally relieved, yet the damage to trust may prove lasting. Five days later the two sides agreed on a more modest 5 percent, raising the minimum wage to \$58 per month from the current \$55. With overtime, average earnings are about \$75, paid directly to the DPRK authorities, so how much the workers actually end up with is unknown. This is a very competitive rate, whereas quadrupling it to \$300 might have put many of the 114 Southern SMEs in the zone – a total number which goes on creeping up, despite the North’s recent harassment – out of business.

In at least implicit reciprocity, South Korea on Sept. 22 said it will go ahead with building a nursery at the KIC. This has been in the works for two years, but the Lee administration had delayed it for reasons unclear. It will have 200 places and cost around \$750,000. With 85 percent of the DPRK workers at the zone female, most in their 20s and 30s, the new facility is expected to be especially useful for nursing mothers.

On a more cautious note, on Sept. 16, the North began a survey of the Southern firms in the KIC. Seoul expressed no concern, but some companies were said to be worried. The last such survey was in 2006, when one ROK entrepreneur complained of worker absenteeism, then running at 5 percent; he says it is now 20 percent. Complete lack of control over their labor force is a major complaint by KIC employers, which looks unlikely to be remedied.

Family reunions: same old sad story

On Sept. 15, both sides swapped lists of separated family members ahead of reunions at the end of the month. The South had located 1,388 surviving relatives of 159 North Koreans, while the North found 709 kin of 143 South Koreans. Final lists, reducing these to just 100 lucky applicants from each side and relatives of each, were exchanged on Sept. 17.

The reunions took place between Sept. 26 and Oct. 1, just before *Chusok* (Oct. 3). They followed a familiar pattern, and old controversies were rehearsed again. Under the headline “Reunited in despair,” Kang Young-jin – an editorial writer for the *JoongAng Ilbo*, Seoul’s leading daily; his own father lives in the North – declared that these reunions “should stop as they have brought nothing but anguish.” But his own paper argued the contrary: there should be more frequent reunions, if need be paying the North to expedite the pace, since otherwise those affected will all soon be dead. Of 127,726 South Koreans who applied for the program since 1988, for over 40,000 or one-third it is already too late. Barely 11,000 have been lucky, if so brief a one-off reunion can be deemed fortunate. This time one old man killed himself after his application was rejected yet again, as statistically most are and will continue to be.

Lee offers a “grand bargain”

On Sept. 21, speaking to the Council on Foreign Relations in New York, President Lee – not for the first time – offered North Korea a “grand bargain” of aid and security guarantees in return for nuclear disarmament. Pyongyang responded in no uncertain terms a week later, with the headline: “KCNA Dismisses S. Korean Chief Executive’s ‘Proposal’ as Rubbish.” Lee Myung-bak was not named, but neither was he tagged a traitor or otherwise insulted as has been his fate hundreds of times over the past two years.

In fact, by Pyongyang standards this was a somewhat reasoned riposte; its gist being that “the ‘Grand Bargain’ is just a replica of the watchwords of ‘no nukes, opening and 3,000 dollars’ that proved bankrupt in face of criticism of the public at home and abroad.” (This alludes to Lee’s offer to raise DPRK per capita income to \$3,000 if it gives up nuclear weapons.)

Dismissive as this sounds, North Korea’s first word should not be taken as its last. Not only are we perhaps at the foot of another ladder, but at this point the board looks blurred – in a possibly

hopeful way. Before long, the U.S. point man on North Korea, Stephen Bosworth, is likely to go to Pyongyang. With this and other contacts, including Chinese Premier Wen Jiabao's recent visit, it may become clearer whether Kim Jong-il is indeed in the mood to bargain – grandly or otherwise. If he is, then Lee's idea may gain traction. At that point, if not sooner, he will have to open this black box and spell out what precisely it might contain. One thing Kim Jong-il will certainly not do is purchase a pig in a poke; nor will he sell his nukes for a song.

Is PUST for real?

In this century unlike the last, inter-Korean ties are no longer the monopoly of the two states. That is a lasting legacy of the "Sunshine" policy – and a positive one, given how stubborn the DPRK is and how perverse the ROK can be. Even if at one level nothing in the North is ever wholly non-governmental, it is healthy if citizens, NGOs, and businesses do their own thing.

A striking example of this was seen on Sept. 16, in a ceremony to mark completion of phase one of the Pyongyang University of Science and Technology (PUST) after seven long years a-building. A 20-strong ROK delegation attended, including an aide to President Lee. PUST is the brainchild of Kim Chin-kyung, a Korean-American businessman and devout Christian who already runs a successful similar college in Yanbian, the Korean autonomous district of China close to the DPRK border. Kim's struggle to realize PUST has cost him millions, and earned him a spell under arrest in the North as a suspected spy. It is still unclear when the college will take its first students; UNSC sanctions make this not the best of times to try to send computers and scientific equipment into the DPRK. PUST was recently the subject of an article in *Fortune* by journalist Bill Powell, who was impressed: see "The capitalist who loves North Korea", 15 Sept. 2009; http://money.cnn.com/2009/09/14/magazines/fortune/pyongyang_university_north_korea.fortune/index.htm If Korea is ever reunified, this may owe more to visionaries like Kim than to governments.

Chronology of North Korea-South Korea Relations July-September 2009

July 2, 2009: South Korea's Unification Ministry (MOU) notes that, despite reports that he was ill during the first half of this year, Kim Jong-il made a record number of public appearances: 77, up from 49 last year. More than usual – 31 or 40 percent – were to economic sites like factories and farms. Military inspections, usually preponderant at 60-70 percent, were down to 29 percent: about the same as attendance at artistic events and cultural exhibitions.

July 2, 2009: A South Korean government report reckons that the North will be short 840,000 tons of food this year, with an expected supply of 4.29 million tons (including a million tons from abroad) against needs of 5.13 million tons.

July 2, 2009: The DPRK test-fires four short-range *KN-01* surface-to-ship missiles, with a range of 120-160 kilometers, from a base at Sinsang-ri north of the port of Wonsan.

July 2, 2009: North and South meet at the Kaesong Industrial Complex (KIC) to discuss its future, but resolve none of the outstanding issues. No date is set to meet again.

July 4, 2009: North Korea fires seven ballistic missiles – two mid-range *Nodongs* and five shorter-range *Scuds* – into the East Sea from its Kitdaeryong base near Wonsan. This is its largest one-day barrage since a long-range *Taepodong-2* and six smaller missiles fired in July 2006. The ROK calls this a “provocative act” that violates UN Security Council resolutions banning all DPRK ballistic missile activity. The ROK joint chiefs of staff declare that “Our military is fully prepared to deal with any threats and provocations by the North, based on a strong joint defense alliance with the US.”

July 5, 2009: South Korea’s Defense Ministry (MND) warns that the ballistic missiles test-fired by North Korea are capable of striking key government and military facilities in the South.

July 6, 2009: On the eve of the 100th day of detention of Yu Song-jin, a Hyundai engineer arrested at the KIC on March 31, MOU again calls on the North to “immediately release [him] and guarantee our basic rights, including the right to access, under our agreement on the Kaesong industrial complex.”

July 6, 2009: Lee Chan-ho, chief analyst of cross-border ties at MOU, says that as of June 22 DPRK media have denigrated President Lee 1,705 times so far this year: an average of 9.9 times each day, up from 7.6 last year. Other ROK ministers are being similarly insulted.

July 7-9, 2009: Several major public and private ROK websites, including the Blue House, Defense Ministry and National Assembly, are swamped by cyber-attacks, as are a number of official sites in the U.S.

July 8, 2009: The North’s *Korean Central Broadcasting Station (KCBS)* television shows a brief clip of a gaunt-looking Kim Jong-il, with receding hair and limping slightly, at a memorial service in Pyongyang marking the 15th anniversary of the death of his father, Kim Il-sung.

July 9, 2009: MOU says South Korea will tighten control of Southern goods entering the North in line with UNSC Resolution 1874, “mostly banning luxury items such as wine and fur.”

July 9, 2009: Citing the need to counter the North’s nuclear threats, MND asks for a 7.9 percent increase in funding next year, for a total budget of 30.8 trillion won (\$24.1 billion).

July 9, 2009: What purports to be a presence on Twitter by the DPRK’s official *Korean Central News Agency (KCNA)*, which began on April 23 and has 4,3000 followers, is revealed as a hoax by activists of Reporters Sans Frontiers (RSF). The aim is to make *KCNA*’s content available in South Korea, where North Korean media are still banned.

July 10, 2009: The real *KCNA* says that North Korea’s population census, conducted on Oct. 1-15 last year, “is making progress in its final stage.” A preliminary count released in February put the DPRK’s total population at 24,050,000.

July 10, 2009: On the eve of the anniversary of the fatal shooting of a Southern tourist at the Mount Kumgang resort a year ago, Seoul reiterates its demand for talks to resolve the impasse.

July 12, 2009: An intelligence source tells *Yonhap* that North Korea has stolen the personal information of at least 1.65 million South Koreans since 2004.

July 17, 2009: Korea Development Institute (KDI), a leading ROK state think tank, says in a report that North Korea currently faces its worst economic and diplomatic crisis since 1994.

July 18, 2009: The DPRK weekly *Tongil Sinbo* criticizes Seoul's plan, announced in June, to create a 3,000-strong military unit to assist UN and other global peacekeeping operations as a scheme to "provoke a second Korean War."

July 18, 2009: *Tongil Sinbo* says the future of the Kaesong Industrial Complex is on the brink of breakdown because of South Korea's "insincere and confrontational" attitude.

July 20, 2009: President Lee Myung-bak urges Hyun Byung-chul, new head of the ROK's National Human Rights Commission (NHRC), to "pay special attention to human rights conditions in North Korea." Past ROK governments had tended to downplay this topic.

July 21, 2009: ROK Foreign Minister Yu Myung-hwan thanks his ASEAN counterparts for "sending a resolute message" in a resolution the day before criticizing North Korea for its nuclear test and missile launches.

July 21, 2009: MOU says it is unaware of any Northern move to resume family reunions in response to a report by *Minjok 21*, a progressive Southern magazine, that quoted a recent visitor to Pyongyang as saying the North plans to propose "special family reunions" around *Chusok*, the Korean harvest festival.

July 21, 2009: The South's Korea Customs Service (KCS) reports that inter-Korean trade in the first half of this year totaled \$649.85 million, down 26.6 percent from the same period last year. North-South trade has fallen year-on-year in each of the past 10 months.

July 23, 2009: MOU forbids the Committee for the June 15 Joint Declaration, a leftist NGO, from accepting an invitation from its Northern counterpart to meet in Shenyang, China.

July 24, 2009: The DPRK Committee for the Peaceful Reunification of the Fatherland (CPRF) attacks the ROK's latest annual White Paper on Reunification, published on July 17, as an "anti-reunification document that fraudulently used the title of unification."

July 25, 2009: Seoul says it will resume humanitarian aid to North Korea via NGOs, frozen since Pyongyang's long-range rocket launch in early April. MOU spent just \$21.5 million or 1.8 percent of its annual aid budget for the North during January-April.

July 26, 2009: South Korea's Foreign Ministry (MOFAT) says Seoul would not oppose any bilateral dialogue between Pyongyang and Washington, citing the strong U.S.-ROK alliance.

July 26, 2009: On the eve of the Armistice which ended the 1950-53 Korean War, DPRK Armed Forces Minister Kim Yong-chun warns that “we will deal unimaginably deadly blows at the U.S. imperialists and the South Korean puppets if they ignite a war.”

July 26, 2009: DPRK media criticize annual joint U.S.-ROK *Ulchi Freedom Guardian* military exercises as “a military plan aimed at invading the North.”

July 27, 2009: The ROK Ministry of Strategy and Finance (MOSF) announces it will implement new UN sanctions targeting five North Korean individuals and five DPRK organizations.

July 29, 2009: Chung Eui-hwa, a lawmaker of the ruling Grand National Party (GNP) and co-chair of the Korea Sharing Movement (KSM), a Southern NGO, cancels a planned four-day visit to Pyongyang as the North’s Korean Council for Reconciliation and Cooperation (KCRC) did not send the expected invitation.

July 30, 2009: A 29-ton South Korean squid-fishing boat, the *800 Yeonanho*, with a crew of four, is towed into Jangjon port in southeastern North Korea, having earlier reported that its GPS navigation system was malfunctioning.

July 31, 2009: *KCNA* condemns alleged aerial espionage by the U.S. and South Korea, citing some 180 surveillance missions in July alone. It accuses both nations of remaining unchanged in their attempts to forcibly stifle the DPRK.

Aug. 1, 2009: A team from World Vision’s South Korea branch begins an eight-day trip to North Korea, to resume aid to potato farmers there. They are the first Southern NGO approved by MOU to visit the North since May’s nuclear test.

Aug. 2, 2009: The management committee of the Kaesong Industrial Complex (KICMC) announces that South Koreans driving across the Demilitarized Zone (DMZ) to the KIC need no longer carry photos and detailed travel plans for every passenger.

Aug. 4, 2009: Ex-U.S. President Bill Clinton visits Pyongyang. After three hours of talks and dinner with Kim Jong-il, he departs with two U.S. journalists, who were arrested and sentenced for illicitly entering North Korea from China.

Aug. 7, 2009: MOU reports an easing of hostile rhetoric by North Korean media in July. Criticisms of the ROK government fell to four from 23 in May and 13 in June. Personal attacks on President Lee were down to 275 from 454 in June and 333 in May.

Aug. 8, 2009: *Rodong Sinmun*, daily paper of the Workers’ Party of Korea (WPK), says that “the improvement and development of North-South relations is a prerequisite to settling the problems of the Korean nation.” But it blames current tensions on Seoul’s “confrontational policy.”

Aug. 10, 2009: North Korea’s Foreign Ministry warns that Pyongyang will “closely watch” how other countries react to South Korea’s imminent launch of a space rocket, claiming that the DPRK has been unfairly punished for its own rocket launch in April.

Aug. 10, 2009: Hyun Jung-eun, chairwoman of Hyundai, enters North Korea for a planned three-day visit to secure freedom for the Hyundai Asan worker, Yu Seong-jin.

Aug. 13, 2009: North Korea releases the detained Hyundai Asan worker, Yu Seong-jin, who returns to the South across the DMZ the same day. He had been held since March 31.

Aug. 14, 2009: Hyundai chair Hyun Jeong-eun meets Kim Yang-gon, a WPK department director and close aide to Kim Jong-il.

Aug. 15, 2009: On the 64th anniversary of liberation from Japan in 1945, a holiday in both Koreas, ROK President Lee declares a “peace initiative.”

Aug. 16, 2009: The Panmunjom Mission of the Korean People’s Army (KPA) condemns the *Ulji Freedom Guardian* joint ROK-U.S. military exercises.

Aug. 16, 2009: Hyundai’s Hyun Jung-eun finally has lunch with Kim Jong-il. An accord announced next day between Hyundai and the North’s Korea Asia-Pacific Peace Committee (KAPCC) agrees to resume joint tourism projects, facilitate operation of the KIC, and hold reunions of separated families at Mount Kumgang around the *Chusok* festival.

Aug. 17, 2009: MOU cautiously welcomes Hyundai’s accord with the North, but notes that its implementation will require “a concrete agreement through dialogue” between the two governments. It promises to try to expedite family reunions via the Red Cross.

Aug. 17-27, 2009: The U.S. and South Korea conduct *Ulchi Freedom Guardian*, an annual joint military exercise involving about 56,000 ROK troops and 10,000 U.S. troops.

Aug. 18, 2009: Former South Korean President Kim Dae-jung dies.

Aug. 19, 2009: *KCNA* says that a Northern delegation led by WPK secretary Kim Ki-nam will visit Seoul to mourn former President Kim Dae-jung.

Aug. 20, 2009: North Korea says it will restore road and rail cross-border traffic at the level before it imposed restrictions on Dec. 1, and reopen the joint office on economic cooperation at the Kaesong industrial complex. ROK firms in Kaesong welcome the news.

Aug. 22, 2009: WPK director Kim Yang-gon and ROK Unification Minister Hyun In-taek hold the first high-level inter-Korean talks in nearly two years, in Seoul. Hyun also hosts a dinner for the entire six-person Northern delegation that evening.

Aug. 22, 2009: *New York Times* quotes Rev. Lee Chan-woo, an ROK activist, as accusing the freed U.S. journalists Laura Ling and Euna Lee of damaging his Durihana mission’s work with DPRK refugees on the Chinese border.

Aug. 24, 2009: South Korea launches the first space rocket launch from its soil after repeatedly postponing it due to technical reasons. While the launch is successful, the satellite fails to deploy to its intended orbit and falls back into the earth's atmosphere.

Aug. 23, 2009: Having extended their stay in Seoul, the visiting DPRK delegates meet President Lee at the Blue House and deliver a verbal message from Kim Jong-il.

Aug. 24, 2009: Amid the ongoing *Ulchi Freedom Guardian* exercise, Ri Yong-ho, chief of the KPA general staff, warns that "the army and the people will deal a merciless and immediate annihilating strike on the aggressors using all means of attack and defense, including a nuclear deterrent, should the enemies violate even an inch into the sky, land and sea of our fatherland."

Aug. 25, 2009: MOU issues a report on Yu Seong-jin, which confirms that the Hyundai worker dated a Northern cleaner at his hostel in the Kaesong IC, writing her letters critical of Kim Jong-il and urging her to defect.

Aug. 26, 2009: For the first time in 21 months, Red Cross officials from both Koreas meet at Mount Kumgang to discuss a new round of reunions of separated families.

Aug. 27, 2009: *Choson Sinbo*, the daily paper of pro-North Koreans in Japan, says that Kim Jong-il has decided to break the North-South impasse and that upcoming family reunions "will be a new watershed in improving inter-Korean relations."

Aug. 27, 2009: MOU says South Korea has no plan to resume rice and fertilizer aid to the North, despite recent fence-mending. This would require separate government consultations.

Aug. 28, 2009: The two Koreas' Red Cross bodies agree to hold family reunions at Mount Kumgang from Sept. 26 to Oct 1, just before *Chusok*.

Aug. 28, 2009: DPRK Red Cross delegates tell their ROK counterparts that North Korea did not suffer major flood damage from this summer's monsoons, unlike in 2006 and 2007.

Aug. 29, 2009: After being held for almost a month, the ROK squid boat *800 Yeonanho* and its crew are released by North Korea and returned to Southern waters.

Aug. 31, 2009: *Rodong Sinmun* calls on North and South to strive for peace and unity rather than mistrust and confrontation. Other DPRK media also switch to a similar gentler tune.

Sept. 2, 2009: The western sector inter-Korean military hotline reopens after more than a year. A similar east coast hotline was suspended last December and restored in August.

Sept. 4, 2009: Pyongyang says its uranium enrichment program (UEP) has entered its final phase, and that it is making more nuclear weapons from extracted plutonium. Seoul criticizes this as provocative.

Sept. 4, 2009: *Choson Sinbo* says that North Korea wants to simultaneously improve ties with the U.S. and South Korea. It criticizes ROK Unification Minister Hyun In-taek for still linking inter-Korean relations to North Korea's nuclear disarmament.

Sept. 6, 2009: A sudden discharge from North Korea's Hwanggang dam on the Imjin River drowns six South Koreans camping further downstream. Seoul demands an explanation.

Sept. 7, 2009: The Inter-Korean Exchange and Cooperation Consultation Office (IKECCO) at the KIC resumes operation, nine months after the North shut it down.

Sept. 8, 2009: Seoul demands an apology and full explanation of the North's dam discharge.

Sept. 9, 2009: Unification Minister Hyun In-taek tells the ROK National Assembly that the DPRK may have deliberately discharged 40 million tons of water from its dam.

Sept. 9, 2009: The DPRK mark its 61st anniversary with low-key celebrations. There is no direct criticism of South Korea, and relatively little of the U.S.

Sept. 11, 2009: MOU says North Korea has withdrawn its earlier demand for a four-fold wage increase for its workers at Kaesong Industrial Complex.

Sept. 11, 2009: MOFAT says that North Korea's dam discharge broke international law.

Sept. 14, 2009: MOFAT spokesman says Seoul does not oppose the idea of bilateral U.S.-DPRK talks, provided these expedite the six-party process rather than replacing it.

Sept. 15, 2009: President Lee attributes recent DPRK gestures to the impact of UNSC sanctions, but says it "is still not showing any sincerity or signs that it will give up its nuclear ambitions."

Sept. 16, 2009: The two Koreas agree on a 5 percent wage hike for DPRK workers at the Kaesong complex, after the North without explanation withdraws the demand for a 400 percent rise. The new raise will increase the minimum wage to about \$58 from the current \$55.

Sept. 16, 2009: MOU says the North is conducting a survey of all 114 Southern firms at Kaesong. Its aim is to examine their output and "listen to their complaints and difficulties regarding tax and accounting."

Sept. 16, 2009: A ceremony is held to mark completion of phase one of the Pyongyang University of Science and Technology (PUST) after seven years of construction. A 20-strong ROK delegation attends, including an aide to President Lee.

Sept. 21, 2009: Visiting the U.S., President Lee proposes a "grand bargain" to resolve the DPRK nuclear issue, including economic-political incentives and a security guarantee.

Sept. 21-24, 2009: The Pyongyang Autumn International Trade Fair is held. Firms from 16 countries participate, including "Taipei of China" (Taiwan). South Korea is not represented.

Sept. 22, 2009: South Korea says it will go ahead with building a nursery at the KIC.

Sept. 26-28, 2009: The first reunions of separated families in two years are held at Mount Kumgang, briefly reuniting 97 South Koreans with 233 of their Northern relatives.

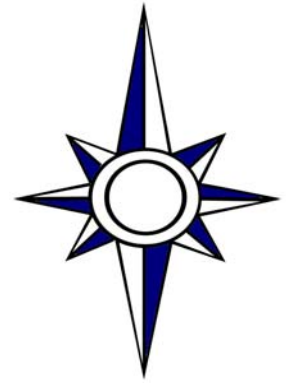
Sept. 28, 2009: The text of the DPRK Constitution as revised in April reaches the outside. Kim Jong-il's *Songun* (military-first) policy now gets equal billing with *juche* (self-reliance). The National Defence Commission (NDC) is strengthened, and communism is abolished.

Sept. 29-Oct. 1, 2009: Reunions of separated families are held at Mount Kumgang, bringing together 98 North Koreans with 428 of their Southern relatives.

Sept. 30, 2009: President Lee says Seoul should take the lead in resolving global issues as well as those involving the DPRK. Regarding the North, he adds: "We've lacked our own voice in simply following proposals from Washington and Beijing."

Sept. 30, 2009: KCNA rejects Lee Myung-bak's "grand bargain" idea unless the ROK first discards confrontational policies.

Sept. 30, 2009: Fourteen ROK opposition lawmakers urge the government to resume sending rice aid to the DPRK as a way to help reduce a rice surplus and stabilize prices for farmers.



**China-Korea Relations:
China's Nuclear North Korea Fever**

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North Korea's missile tests in early July marked an apparent peak in its provocative behavior as Pyongyang shifted to a "charm offensive" strategy toward the international community from August. Pyongyang's turn toward diplomacy has shifted attention to a series of meetings between North Korea and the international community, including Kim Jong-il's talks with former U.S. President Bill Clinton and Hyundai Chairperson Hyun Jung-Eun in August, China's State Councilor Dai Bingguo in September, and finally Premier Wen Jiabao in early October. Kim Jong-il's encouraging statement regarding prospects for renewed multilateral and bilateral dialogue during Dai's visit and his further statement during Wen's visit that "the DPRK is willing to attend multilateral talks, including the Six-Party Talks, based on the progress in the DPRK-U.S. talks" has set the stage for new engagement with North Korea by the U.S. and the international community. It remains to be seen if this engagement will lead to tangible North Korean actions in the direction of denuclearization.

Presidents Lee Myung-bak and Hu Jintao both traveled to the U.S. in September for the G20 summit in Pittsburgh and UN General Assembly in New York, where they met on the sidelines to discuss North Korea and other issues in their strategic cooperative partnership. The Lee-Hu summit came days after Lee's "grand bargain" proposal for dealing with North Korea, which seeks complete and irreversible denuclearization in exchange for a full package of incentives. While Lee noted China's recent diplomatic outreach to North Korea, it is unclear whether Beijing is on board with Lee's plan or has its own plans for dealing with North Korea.

China's North Korea diplomacy

As North Korea test-fired missiles at the beginning of the quarter, Vice Foreign Minister Wu Dawei began a two-week tour to Russia, the U.S., Japan, and South Korea on July 2 to discuss the North Korean nuclear crisis, warning that escalating tensions could trigger "a new arms race." Wu and ROK counterpart Wi Sung-lac held "frank and in-depth consultations" in Seoul, where South Korean officials saw Wu's first visit in almost three years as "unusual" given his tendency to play host to foreign officials in Beijing for North Korea discussions. But since China had firmly dismissed the possibility of five-way talks without Pyongyang, the South Koreans remained doubtful that Wu would offer specific strategies for resuming dialogue, noting that China was merely responding to mounting international pressure for action. Ambassador for implementation of UNSC Resolution 1874 Philip Goldberg had visited Beijing a few days earlier seeking Chinese cooperation on implementing the resolution. South Korean analysts suggested

that China was seeking to end a “sanctions-only phase” before the North might take further threatening actions such as another nuclear test.

Wu’s August trip to Pyongyang occurred amid anticipation that the North would be more cooperative following breakthroughs in U.S.-DPRK and inter-Korean relations earlier that month, including former U.S. President Bill Clinton’s and Hyundai Group Chairwoman Hyun Jeong-eun’s visits to the North. The intensification of Sino-DPRK high-level exchanges seemed to get a push from both sides’ relations with the U.S. as the North Korean nuclear crisis emerged as one of four top agenda items in the U.S.-China Strategic and Economic Dialogue in late July.

The Dai Bingguo visit in September set the stage for a visit to Pyongyang by Wen Jiabao in early October. After Dai met Kim Jong-il, the Chinese Foreign Ministry pointed to the “thawing” of regional tensions as an important opportunity for strengthening cooperation and reengaging the North. As presidential envoy, Dai delivered a letter from President Hu to Kim Jong-il affirming “China’s consistent goal” of denuclearization and regional peace in cooperation with the North, while Kim pledged to commit to denuclearization “through bilateral or multilateral dialogue,” according to the Chinese state media. Dai’s delegation, which including Wu Dawei, Vice Minister of Commerce Zu Fuying, and Qiu Yuanping, vice director of the Central Foreign Affairs Office, met with top DPRK legislator Kim Yong-nam and Vice Foreign Ministers Kang Sok-ju and Kim Yong-il in Pyongyang, where both sides exchanged “candid and in-depth” views on “mutual” issues believed to be focused largely on the North Korean nuclear crisis.

Given indications that Washington might be prepared to talk directly with Pyongyang on denuclearization, Dai’s visit was seen to reinforce Beijing’s mediator role between the North and the United States. Observers in Seoul expected Dai to convey the U.S. position following his July meeting with Secretary of State Hillary Clinton in Washington. Despite China’s diplomatic efforts, Pyongyang has sent mixed signals, making conciliatory moves toward the U.S. and South Korea while continuing to reject Six-Party Talks hosted by China.

Wen Jiabao’s visit marked the first visit to Pyongyang by a Chinese premier in 18 years. His high-powered delegation included Foreign Minister Yang Jiechi, Chinese Communist Party International Department Head Wang Jiarui, National Development and Reform Commission Minister Zhang Ping, Minister of Commerce Chen Deming, Minister of Culture Cai Wu, and Director of the Research Office of the State Council Xie Fuzhan, China’s Ambassador to the DPRK Liu Xiaoming, Premier’s Office Director Qui Xiaoxiong, Vice Minister for Foreign Affairs Wu Dawei, and Deputy Director of the General Political Department of the Chinese People’s Liberation Army Liu Zhenqi.

The delegation received Pyongyang’s version of a first-class welcome: a personal reception by Kim Jong-il and hundreds of thousands of citizens lining the streets. In honor of the PRC-DPRK year of friendship, Wen was treated to a North Korean production of “Dream of the Red Chamber,” traveled to a martyr’s cemetery outside Pyongyang containing the remains of Chinese People’s Volunteers from the Korean War, and signed a series of agreements, including a “protocol on the adjustment of treaties between the governments of the DPRK and China” and agreements on economic and technological cooperation, educational exchange, software industry cooperation, tourism, wildlife protection, and a protocol on inspection of export and import of

goods for purposes of assuring quality control. No doubt these agreements included substantial forms of economic assistance that have customarily accompanied such high-level exchanges between China and North Korea. *Xinhua* released an arrival statement in which Wen anticipated a “frank and in-depth exchange of views on PRC-DPRK relations and issues of common concern” during the visit. While Wen emphasized Sino-DPRK traditional friendship, a tradition of mutual assistance and mutually beneficial cooperation in conversations with DPRK counterparts in his arrival statement, he also mentioned the need to “better coordinate with each other to help maintain peace and stability in the region.”

Following his talks with Wen, *Xinhua* reported that Kim Jong-il noted that “realizing a nuclear-free Korean peninsula was the instruction of the late DPRK leader Kim Il Sung and the DPRK’s commitment to realizing the denuclearization of the peninsula remains unchanged.” Based on this commitment, Kim pledged that “the DPRK is willing to attend multilateral talks, including the Six-Party Talks, based on the progress in the DPRK-U.S. talks.” *KCNA* reported that “the hostile relations between the DPRK and the United States should be converted into peaceful ties through the bilateral talks without fail. We expressed our readiness to hold multilateral talks, depending on the outcome of the DPRK-U.S. talks. The Six-Party Talks are also included in the multilateral talks.”

Balancing relations with the two Koreas

South Korean Foreign Minister Yu Myung-hwan and Chinese Foreign Minister Yang Jiechi reaffirmed their commitment to cooperate on North Korean denuclearization when they met in Shanghai on Sept. 29 following a trilateral meeting with Japanese counterpart Okada Katsuya. The leaders emphasized their consensus on complete denuclearization and resumption of Six-Party Talks, but did not offer any concrete plans of action despite developments in the regional political environment and anticipation of renewed dialogue with Pyongyang. Minister Yu presented President Lee’s “grand bargain” for dealing with North Korea to Yang and they agreed that their respective bilateral ties with the North should be approached within the larger context of resolving the nuclear issue. However, while South Korean officials affirmed Beijing’s support of Lee’s plan “in a broad sense,” the Chinese Foreign Ministry press statement made no reference to North Korea.

Beijing’s effort to engage North Korea with the international community has been accompanied by a host of bilateral exchanges to mark Friendship Year and the 60th anniversary of diplomatic ties. A Chinese Communist Party (CCP) delegation visited Pyongyang in early August to meet Worker’s Party of Korea counterparts, confirming their “persistent stand” of developing friendly relations. While DPRK Vice Foreign Minister Kim Yong-il visited Beijing on Sept. 1 on the occasion of Friendship Year, Chinese DPRK experts suggested that his meetings likely focused on the nuclear issue. Vice Minister of People’s Armed Forces of the DPRK Pak Jae Gyong made a five-day trip to Beijing and Shanghai in late September and met Chinese counterpart Xu Caihou in an effort to strengthen military and state-to-state ties. At the same time, Zhang Yannong, president of the CCP newspaper, *People’s Daily*, visited Pyongyang to meet top DPRK legislator Kim Yong-nam, who pledged to maintain friendly ties based on mutual interests “no matter how” the international situation changed.

China's cooling sentiments toward North Korea

North Korea's erratic behavior has raised debates about apparent shifts in Chinese views. *People's Daily* in early September reported that the North's May 25 nuclear test has prompted Beijing to review its North Korea policy, arguing that the Chinese perception of the North as a "strategic buffer zone" is outdated. Bringing to question traditional ties with Pyongyang, the editorial called for reevaluating the bilateral friendship treaty and readjusting the "unbalanced relationship" of unilateral Chinese economic aid to the North.

Since June, the *Global Times* has conducted an online survey of Chinese views on North Korea in which almost 75 percent of respondents indicated that a nuclear North Korea undermines Chinese security and national interests while 15 percent indicated that the North Korean situation is favorable to China. These results are comparable to findings in a 2005 survey by Peking University's Zhu Feng in which only 61 percent of respondents believed that Korean nuclearization would be detrimental to China and 35 percent believed that Pyongyang's pursuit of nuclear weapons were only aimed at the U.S. and Japan.

Zhu Feng has pointed to a recent "nuclear North Korea fever" in China as an unanticipated side-effect of the international response to North Korea's nuclear ambitions. Heated debates in online forums on how to assess Kim Jong-il and the implications of a nuclear North Korea for Chinese and regional security show a clear divide in Chinese opinion, indicating growing Chinese "fatigue" with North Korean aggression. Yet, there remains traditional support for strong China-DPRK friendship against the U.S. and Japan. While the public debate suggests a fundamental rethinking of China's approach to North Korea, most observers agree that the policy impact remains limited.

Recovering China-South Korea trade

As Beijing's stimulus policies continue to take effect, the South Korean economy appears to have narrowly escaped recession. An annual World Bank report in September ranked the South Korean business environment 19th out of 183 countries, this year compared to 23rd in 2008, the highest ever for South Korea and higher than the average ranking for Organization for Economic Cooperation and Development (OECD) countries. According to a Korea Development Institute (KDI) report in August, domestic demand and exports have rapidly rebounded and positive forecasts will continue through the latter half of 2009. The Seoul-based Institute for International Trade (IIT) expects China-ROK trade to reach \$200 billion in 2013, three years behind the initial target due to the impact of the global financial crisis, but recovery in both economies appears to have enhanced the prospects for trade.

South Korean analysts indicate that Beijing's ongoing stimulus programs have facilitated the recovery of South Korea's exports to China. ROK exports to China declined by an annual 12.9 percent in July, less than the 21.8 percent drop in all South Korean exports during the same period. South Korean investment in China is also expected to increase with the improving economic environment. According to an August Korea Trade-Investment Promotion Agency (KOTRA) poll of 636 China-based South Korean companies, 48.6 percent of South Korean businesses in China are seeking to expand their China operations in response to signs of global

economy recovery while 41.2 percent plan to retain their current size. This suggests that China will continue to draw South Korean foreign investment despite an overall decline in foreign investment by 53.6 percent to \$8.12 billion between January and June 2009, according to the ROK Ministry of Strategy and Finance.

South Korean industry giants in particular have seen gains in their China operations in recent months. According to a Chinese industry report, Beijing Hyundai Motor Co., the Chinese venture of South Korea's biggest carmaker, absorbed an 8.2 percent market share between January and August, emerging fourth in the Chinese auto market after Chinese carmakers. As the top foreign carmaker in China, Hyundai raised its 2009 sales target in China from 300,000 to 500,000 units, attributing its 66 percent annual sales increase to Beijing's stimulus plan. South Korea's leading steelmaker POSCO in August also reported a sales jump of around 66 percent in the second quarter of 2009 citing China's extensive economic stimulus measures.

The ROK Ministry of Strategy and Finance has stressed the importance of ROK-China-Japan economic cooperation in implementing measures against the remaining risks of a financial crisis. Although the Japan External Trade Organization (JETRO) projected an overall decline in China-Japan trade for 2009, the first drop since the 1998 Asian financial crisis, China still became Japan's biggest trading partner in both exports and imports during the first half of 2009 mainly due to relatively larger declines in Japanese trade with other countries. China's continued stimulus measures are likely to improve the prospects for regional trade.

Rising Chinese trade competitiveness and South Korea's response

On the cautionary side, South Koreans have recently perceived a "Chiwan" threat arising from closer trade cooperation between China and Taiwan in the last year. Improved cross-Strait ties have produced a range of bilateral economic agreements which led to Taiwan replacing South Korea as China's top global supplier of LCD monitors in September. China's mass purchase of Taiwanese LCD monitors is part of its effort to stimulate domestic consumption in home electronics. Meanwhile, Taiwan seeks to benefit from Beijing's stimulus measures.

Recent trends have also reignited fears in South Korea about the broader implications of China's economic rise. While the World Bank projects China will surpass the U.S. in terms of GDP by 2019, China's State Statistical Bureau in September revealed that China overtook the U.S. as early as 2007 in terms of contribution to global economic growth, accounting for 19.2 percent compared to 15.7 percent. However, both U.S. and Chinese experts note that such figures risk overstating China's economic contributions given fundamental challenges such as technological gaps and China's high export dependency.

The sanctions impact and China-DPRK trade/aid

According to KOTRA, China-DPRK trade during the first half of 2009 fell by an annual 3.7 percent to \$1.1 billion, the first decline in a decade, which contrasted sharply with the 41 percent and 16 percent increases during the same period in 2008 and 2007, respectively. ROK Unification Ministry statistics, however, show that UN sanctions do not appear to have affected North Korea's trade with China as crude oil prices, which account for 25 percent of North

Korean imports from China, stabilized in 2009 following the sharp increases in 2007-2008. In the January-June period, North Korean exports to China increased by 8.2 percent to \$352 million while imports from China fell 8.4 percent to \$750 million. While crude oil imports declined by 54 percent, food and fertilizer imports increased. China's trade surplus with North Korea fell sharply from \$1.27 billion in 2008 to \$386 million in the first half of 2009 as coal imports from North Korea reached the highest level since 2004 according to the Chinese Ministry of Commerce. This trend of growing imports from the North and falling exports may suggest that China is providing less aid to North Korea.

Despite their limited impact on China-DPRK trade, UN sanctions appear to be causing economic strains in other ways. In late July, a Chinese firm developing a copper mine with a North Korean company sanctioned under UNSC resolutions reportedly pulled out of the joint project in late July. Based in Hyesan, where an estimated 400,000 tons of copper are deposited, this project had been fully endorsed as a model for Chinese investment in North Korea by Vice President Xi Jinping during his visit to Pyongyang in June last year.

Businesses in the Chinese border town of Dandong, where North Korea accounted for 80 percent of its foreign trade in 2008, in early August showed significant losses since the rise in tensions surrounding North Korea's nuclear crisis. The majority of the 1,000 legal companies engaged in border trade have reportedly ceased operations. In addition, travel agencies have indicated a notable decline in Chinese tourists visiting North Korea this year despite the extensive promotion of China-DPRK Friendship Year events. According to a Chinese source in August, fears over Pyongyang's recent missile and nuclear tests have resulted in a decline in Chinese tourists from 300-400 a day in previous years to about 20 a day. The Dandong branch of state-owned China International Trade Service (CITS) indicated falls in revenue from tourist and business trips to North Korea of at least 50 percent since last year. North Korea now seems to be diversifying its Chinese tourism revenue by targeting such major cities as Guangzhou, Shenzhen, and Shanghai to attract tourists to the North. Pyongyang and Shanghai are reportedly planning direct flights between the two cities.

Despite apparent problems in the China-DPRK economic relationship, reports seem to offer contradictory pictures and the exact implications of these trends remain uncertain. The 2006 nuclear crisis had a limited impact on cross-border commercial activities, but there were reports that China imposed severe financial restrictions at local banks in Dandong, while there have been few reports about the imposition of similar restrictions this time. Some analysts suggest that the current direction of bilateral trade will depend primarily on North Korea's internal political stability.

Competing package deals?

While Pyongyang has firmly rejected President Lee Myung-bak's "grand bargain" deal, China has yet to indicate whether and how it will support his comprehensive plan. Changes in Chinese perceptions of North Korea are unlikely to translate into decisive action as long as Beijing continues to avoid expressing any of its new frustrations toward the North. But domestic factors on both sides, including leadership transition in Pyongyang and growing pluralism in China, suggest that China's Pyongyang supporters will be challenged as China seeks to be a responsible

player on the international stage. After recent visits to China by Deputy Secretary of State James Steinberg and Ambassador Goldberg, some U.S. officials reportedly indicated that China is moving to implement independent sanctions on North Korea, especially given strong support in constraining North Korean activities from not only the South but other regional players like ASEAN.

The Chinese media has noted a deeper purpose in the visits of Dai Bingguo and Wen Jiabao to Pyongyang: there are hopes to not only bring consensus on the nuclear issue but also set the long-term direction of bilateral relations. According to Guangdong Provincial Communist Party newspaper *Nanfang Baowang*, Dai's visit reflected China's strategic interest in facilitating the North's reform and opening up into the post-Kim era while reducing "internal tensions and pressure," with the abandonment of nuclear weapons as a prerequisite for both Chinese and international support. On Sept. 29, the Foreign Ministry announced that Premier Wen's visit would produce a package of deals in such areas as economy and trade, education, and tourism, with the key goal of "summarizing the past and mapping out the future." Pyongyang's expected acceptance of this package deal raises the question of whether it would complement or present a further challenge to Lee's new proposal for dealing with the North.

Chronology of China-Korea Relations July-September 2009

July 1, 2009: China lifts 10-year antidumping duties on South Korean newsprint papers.

July 2, 2009: South Korea's POSCO agrees to invest 220 billion won (\$174 million) in a 65 percent joint venture ferromanganese plant with China's Dongbu Metal Co.

July 2, 2009: North Korea launches four short-range cruise missiles off its east coast.

July 2-14, 2009: Chinese nuclear envoy Wu Dawei makes a four-nation trip on DPRK denuclearization. He meets ROK counterpart Wi Sung-lac and Unification Minister Hyun In-Taek in Seoul on July 13 and Vice Foreign Minister Kwon Jong-rak on July 14.

July 3, 2009: South Korea's Hanwha Chemical Corp. begins constructing its \$380 million polyvinyl chloride (PVC) plant in Ningbo, China.

July 4, 2009: North Korea launches seven short-range ballistic missiles off its east coast.

July 6, 2009: South Korea and China ratify a treaty allowing convicts to serve prison sentences in their home country, to come into force Aug. 5.

July 7, 2009: *Chosun Ilbo* reports that over 500 China-made vehicles suspected of being intended for military use were shipped into North Korea over the past month.

July 10-29, 2009: The Pyongyang Student Art Troupe tours China to celebrate the Year of DPRK-China Friendship.

July 13-15, 2009: ROK National Assembly deputy speaker Lee Yoon-seong meets Wu Bangguo, chairman of the PRC National People's Congress Standing Committee, in Beijing for the fourth ROK-PRC parliamentary exchange meeting.

July 14, 2009: ROK Ministry of Justice eases visa application procedures for Chinese tourists.

July 21, 2009: Korea Exchange Bank is approved by China's financial regulator to set up a wholly-owned subsidiary in China.

July 21, 2009: South Korea's LG Chem and China National Offshore Oil Corporation (CNOOC) establish a joint venture plant in China.

July 23, 2009: Heads of the central banks of China, South Korea, and Japan hold their first regular meeting in Shenzhen, China.

July 28, 2009: Chinese Customs authorities seize North Korea-bound vanadium, a strategic metal used to strengthen steel.

July 30, 2009: A Chinese investment company developing a copper mine in North Korea with a DPRK company sanctioned under UNSC resolutions pulls out of the joint project.

Aug. 3-7, 2009: A Communist Party of China delegation makes a goodwill visit to Pyongyang and meets Worker's Party of Korea counterparts.

Aug. 9, 2009: Four South Koreans are indicted for trying to sell air-conditioning information to China worth 120 billion won (\$97.6 million) in potential losses for LG Electronics.

Aug. 12, 2009: *Korea Central News Agency* reports Kim Jong-il's vow to strengthen "long-standing precious DPRK-China friendship."

Aug. 13, 2009: Ssangyong Motor Co. resumes operations after an 83-day production halt.

Aug. 14, 2009: The U.A.E. reports to the UNSC the seizure of North Korean arms shipments to Iran which were reportedly carried on Chinese and Australian vessels.

Aug. 16-21, 2009: A Chinese delegation led by Vice Foreign Minister Wu Dawei visits North Korea and meets DPRK officials including Yang Hyong Sop, vice president of the Presidium of the Supreme People's Assembly, Park Ui Chun, minister of Foreign Affairs, and Kim Kye Gwan, vice minister of Foreign Affairs.

Aug. 18, 2009: President Hu sends a condolence message to President Lee over the death of former President Kim Dae-Jung.

Aug. 20, 2009: He Yong, deputy secretary of the CPC Central Commission for Discipline Inspection and member of the CPC Central Committee Secretariat, visits Seoul and meets Rep.

Ahn Sang-soo, floor leader of the Grand National Party, National Assembly Speaker Kim Hyong-o, Prime Minister Han Seung-soo, and Foreign Minister Yu Myung-hwan.

Aug. 23, 2009: Former Chinese State Councilor and Foreign Minister Tang Jiaxuan attends former ROK President Kim Dae-jung's funeral in Seoul.

Aug. 26, 2009: North Korea opens a consular branch in the Chinese border town of Dandong.

Sept. 1, 2009: A DPRK delegation led by Vice Foreign Minister Kim Yong-il visits China and meets Chinese Foreign Ministry officials.

Sept. 1, 2009: South Korea's biggest wire and cable maker LS Cable Ltd. acquires a 75.14 percent stake in China's Hubei Yongding Hongqi Electronics Co.

Sept. 2, 2009: ROK Vice Culture Minister Shin Jae-min and Chinese and Japanese counterparts at a joint forum in Busan agree to strengthen cultural industry cooperation.

Sept. 7, 2009: South Korea's Hana Bank announces plans to invest in an 18.44 percent stake worth \$316 million in the Bank of Jilin in northeast China.

Sept. 8, 2009: POSCO announces plans to build its 16th automotive steel processing plant in China in Shenyang.

Sept. 8, 2009: Doosan Infracore Co. and Xuzhou Construction Machinery, South Korea and China's biggest construction equipment makers, respectively, agree to establish an RMB680 million (\$100 million) joint venture in diesel engine.

Sept. 10, 2009: Chinese police report a 2003 discovery of the bodies of 56 North Koreans attempting to flee to China in the Yalu River.

Sept. 11, 2009: Samsung Total Petrochemicals Co. completes construction of its polypropylene plant in southern China, the company's first overseas plant.

Sept. 15, 2009: Ssangyong Motor Co. announces it will cancel 80 percent of Shanghai Automotive Industry Corp. shares and convert 393 billion won (\$321.5 million) in debt into new shares as part of a turnaround plan.

Sept. 16-18, 2009: A Chinese delegation led by State Councilor Dai Bingguo visits Pyongyang and meets top legislator Kim Yong-nam and Vice Foreign Ministers Kang Sok-ju and Kim Yong-il. Dai delivers a letter from President Hu to Kim Jong-il.

Sept. 17, 2009: South Korea's Boryung Pharmaceutical Co. seeks a permit for the domestic sale of Chinese-made flu vaccine.

Sept. 21-24, 2009: A Chinese media delegation led by Zhang Yannong, president of *People's Daily*, visits Pyongyang and meets Kim Yong-nam, president of the Presidium of the DPRK Supreme People's Assembly.

Sept. 22, 2009: Wang Zhaoguo, vice chairman of China's National People's Congress Standing Committee, meets Kil Chol-hyok, secretary of the DPRK Central Committee of the Kim Il Sung Socialist Youth League, in Beijing.

Sept. 22-26, 2009: A DPRK military delegation led by Pak Jae Gyong, vice minister of the People's Armed Forces, visits China and meets Xu Caihou, vice chairman of China's Central Military Commission.

Sept. 23, 2009: Presidents Lee Myung-bak and Hu Jintao hold a summit in New York on the sidelines of the UN General Assembly.

Sept. 23, 2009: Korea Kumho Petrochemical Co. announces its 44 billion won (\$36.8 million) plan to construct a rubber accelerator plant in China by 2011.

Sept. 24, 2009: Korea National Oil Corp. (KNOC) and China Petrochemical Corp. (Sinopec Group) agree to cooperate in overseas oil exploration, production, and trading.

Sept. 28-29, 2009: Foreign ministers of ROK, China, and Japan hold their annual trilateral ministerial meeting in Shanghai. Chinese Foreign Minister Yang Jiechi and ROK counterpart Yu Myung Hwan hold bilateral talks on Sept. 29.

Sept. 30, 2009: Kim Jong-il sends a congratulatory letter to President Hu on the 60th anniversary of the founding of the People's Republic of China.

Sept. 30, 2009: Hyundai Steel Co. signs a deal with China National Minerals Co. to buy 150,000 tons of coal annually for three years.



**Japan-China Relations:
Old Issues Greet a New Government**

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After months of anticipation, Prime Minister Aso Taro dissolved the Diet on July 21 and scheduled elections for the Lower House. On Aug. 30, Aso's Liberal Democratic Party suffered a crushing defeat at the hands of the Democratic Party of Japan and DPJ President Hatoyama Yukio became prime minister on Sept. 16. With Japan focused on the historic shift of power for most of the quarter, politics took primacy over diplomacy. In this environment, Japan-China relations continued to tread water, waiting for the arrival of a new government in Tokyo. Perhaps the good news is that there were no major dilemmas or disruptions and the new Japanese leadership had early opportunities to establish a relationship with their Chinese counterparts.

East China Sea

On July 13, Japanese media, citing government sources, reported that Japan Air Self-Defense Force aircraft had identified several Chinese ships in the vicinity of the Shirakaba (Chunxiaao) gas field. The ships appeared to be provisioning Chinese drilling platforms in preparation for resuming operations, raising questions about China's observance of the June 2008 agreement on joint development which called for China to suspend development of the field pending further negotiations. Responding to Japanese inquiries, Beijing, on July 10, announced that the activities at the platform were solely for maintenance and management purposes.

Nevertheless, during a July 14 press conference, Foreign Minister Nakasone Hirofumi called on China "not to take actions that will undermine confidence." Nakasone acknowledged that provisioning of drilling equipment had been confirmed but cautioned that "if there are other materials that are for preparations for future development, that would be a big problem." The same day, Minister of Economy, Trade, and Industry Nikai Toshihiro said that a "no surprises" doctrine was required and requested that prior notification of actions be communicated through diplomatic channels.

On July 21, a senior Foreign Ministry official announced that the Chinese ships had departed the area around the Shirakaba field and had returned to China on July 15. The official noted that the government had been unable to observe any actions that contravened the June 2008 agreement.

The next day Nakasone met with Chinese counterpart Foreign Minister Yang Jiechie in Phuket Thailand during the ASEAN Regional Forum and reiterated Japanese concerns that China not act in ways that would undermine confidence. Nakasone noted that joint development was of a

symbol of the Mutually Beneficial Strategic Partnership and that he hoped that there would be “no pulling back” from this construct. Yang replied that there was “no actual change in the present situation of that gas field.” The two ministers agreed to continue working-level contacts on the East China Sea issue.

On Aug. 24, the *Yomiuri Shimbun* reported that Japanese government sources had revealed that Chinese ships had again been found operating in the near the gas fields in mid-August. While exploration related activities had not been observed, the government again had contacted Beijing to learn the purpose of their activities.

Senkaku Islands

In mid-July, the *Sankei Shimbun* reported that five Chinese naval vessels had been observed conducting military training exercises in the vicinity of Okinotorishima in the Senkaku Islands chain. Defense Ministry sources revealed that the Chinese ships consisted of a guided missile destroyer, two frigates and supply ship, and a support vessel.

In response to remarks by U.S. Sen. James Webb on July 18, Chinese Foreign Ministry spokesperson Qin Gang reasserted China’s “indisputable sovereignty” over the Senkaku Islands.

Security

The July 1 *Tokyo Shimbun* reported that the Ministry of Defense had moved to study the deployment of Ground Self-Defense Forces (GSDF) to Yonagumi Island in Okinawa Prefecture, which is one of Japan’s southwestern outer islands, located near the disputed Senkaku Islands chain. The newspaper reported that on June 30 the mayor of Yonagumi had petitioned Minister of Defense Hamada Yasukazu requesting a GSDF deployment to the “frontier” island. Hamada visited Yonagumi on July 8 and announced that he would consider deploying GSDF units to the island. Reporting on Hamada’s visit, the *Asahi Shimbun* noted “this ground garrisoning is aimed at buttressing up the defense of Japan’s outer islands situated near the border with China.”

On July 17, the Aso Cabinet approved the Ministry of Defense 2009 Defense White Paper. The report called attention to the increasing activity of the People’s Liberation Army Navy (PLAN) in waters around Japan, to the development of capabilities in excess of Taiwan requirements that would expand PLAN activities to regions beyond close-in seas, and noted the reference made by China’s minister of defense on the need for an aircraft carrier to support PLAN activities in distant seas. Overall, the report found that threats in the seas around Japan were increasing and that Japan’s defense posture was not adequate to meet the new challenges.

Meanwhile, the Aug. 22 *Yomiuri Shimbun* reported that Japanese efforts to arrange a port call for two Maritime-Self Defense Force (MSDF) training ships in Hong Kong at the end of August had proved unavailing despite the fact that the two sides had agreed to promote defense exchanges at the Japan-China Defense Ministerial in March 2009. Chinese authorities had informed the Japanese Consulate in Hong Kong that the port call would be inconvenient. On Aug. 25, MSDF Chief of Staff Akahoshi Keiji told reporters that he was unaware of the reason why the port call

request had been refused. The Japanese media, however, speculated that the refusal may have been related to the July visit to Japan by Uighur activist Rebiya Kadeer.

Human rights: Uighur activist in Japan

At the end of July, Munich-based Kadeer visited Japan. In advance of her arrival, China's Ambassador to Japan Cui Tiankai labeled her a "criminal" whose organization was responsible for the July 5 rioting in Urumqi, Xinjiang. The ambassador said that Japan and China "must prevent important matters that must be worked on together from being disturbed by a criminal or attention to our common interests from being diverted."

On July 28, Beijing interrupted the *NHK* international broadcast signal in China as it showed Kadeer's arrival in Japan. At the same time, the Chinese government distributed to the Japanese media a Japanese language video of its version of what happened during the July 5 riots. Kadeer met with LDP members at the party's headquarters on July 29 and urged Japan to send an investigation team to Xinjiang to report on the recent events.

Responding to Chinese protests, Chief Cabinet Secretary Kawamura Takeo told reporters that the Kadeer visit was the result of "a private invitation" and that "we don't believe that it will have an adverse impact on Japan-China relations." Kawamura also revealed that China on July 24 had protested the visit through the Japanese Embassy. China's Vice Minister for Foreign Affairs Wu Dawei called in the Japanese ambassador to underscore Beijing's "extreme displeasure." China's media echoed the government's criticism of the Kadeer visit.

Chinese scholars used the media to call the issue to the attention of the new DPJ government. Gao Hong, deputy director of the Institute for Japanese Studies at the Chinese Academy of Social Sciences, underscored the sensitive nature of China's minority issues, noting that the Aso government "did not fully understand the magnitude of the Rebiya issue." Gao, noting that Hatoyama Yukio had met with the Dalai Lama, asked Japan to "be careful about China's minority issues, Taiwan, and human rights matters."

Yasukuni Shrine

The *Asahi Shimbun* headlined an Aug. 15 front page-story "Summer Election; Tranquil Yasukuni. Both LDP and DPJ political leaders worked to keep it that way. On the evening of Aug. 10, Prime Minister Aso told reporters that it would be a "mistake" to politicize paying respects to those who gave their lives for their country. Aso felt that the shrine should be distanced from the turmoil of politics and the media and be a most tranquil place for prayer. The next day, Chief Cabinet Secretary Kawamura announced that he had no plans to visit Yasukuni Shrine on Aug. 15.

Two days later DPJ President Hatoyama Yukio told reporters he did not wish to see the prime minister or Cabinet members paying homage at Yasukuni, that he had no intention of visiting the Shrine, and that Cabinet ministers of a DPJ government should refrain from visiting the shrine. As for the possibility of a secular shrine to honor the war dead, Hatoyama said that, in the event of a DPJ victory, the government would consider the issue so that all could pay homage to the

war dead without feeling any constraint. He thought that a facility where the emperor could pay respects “with peace of mind” was “desirable.”

The following day, the *Sankei Shimbun* reported that the DPJ had decided to move ahead with plans to set up a panel to make recommendations for such a facility. DPJ Secretary General Okada Katsuya told reporters that “a place to memorialize those who died for the sake of their country and the people is necessary.” Prime Minister Aso was not confident that the public would support the idea, questioning whether the construction of a national memorial facility could really resolve the Yasukuni issue.

On Aug. 15, the only minister to visit Yasukuni was Noda Seiko, minister of consumer affairs, who visited in a private capacity. Prime Minister Aso offered flowers at the Chidorigafuchi National Cemetery and attended national memorial services at the Budokan. In his remarks at the memorial service, the prime minister acknowledged that Japan had “caused tremendous damage and suffering to the people of many countries, particularly those of Asian nations.” Speaking on behalf of the Japanese people, he went on to express “feelings of profound remorse and sincere mourning for all the victims of the war.”

Former Prime Ministers Koizumi and Abe visited the Shrine along with a group of former Upper and Lower House Diet members and a nonpartisan group of 36 current Diet members.

Chinese analysts welcomed the arrival of the DPJ government and its commitment to preventing the issues of history from disrupting bilateral relations. Zhou Yongsheng, a Japan scholar at China’s Foreign Affairs University, noted that the DPJ had promised to build a state-run national memorial to replace Yasukuni. Gao Hong, deputy director of the Institute for Japanese Studies at the Chinese Academy of Social Sciences, said that the building of a state-run memorial would be appreciated as “a forward-looking initiative.” On Sept. 1, China’s Foreign Ministry welcomed Hatoyama’s pledge not to visit Yasukuni in person and to have members of his government to refrain from visiting the shrine.

DPJ government

The day after Lower House elections in Japan, *Xinhua News* predicted that there would be no significant changes in China-Japan relations under a Hatoyama government. The *Xinhua* view was reflected in the Chinese media reaction to the election.

On Sept. 2, soon-to-be Foreign Minister Okada Katsuya told a Tokyo symposium that the DPJ had consistently attached great importance to Japan’s relations with China. He went on to say that he wanted a DPJ government to only deepen the relationship and that making each party mutually essential would yield a “win-win relationship.” Chinese analysts regarded Okada as a political leader who recognized the importance of Asia and was friendly to China. The Foreign Ministry welcomed Okada’s appointment as foreign minister, noting his deep ties to China.

Visiting Tokyo on Sept. 8-9, China’s Vice Foreign Minister Wu Dawei met with leaders of the DPJ electoral coalitions, Kamei Shizuka, Fukushima Mizuho, and Okada Katsuya; talks focused on developing the bilateral relationship. In Beijing on Sept. 9, Prime Minister Wen Jiabao met a

visiting Keidanren delegation, headed by its president, Mitarai Fujio. Wen made clear that China would continue to seek opportunities to develop the bilateral relationship. Mitarai replied that Japan's new government regarded China as an important neighbor as did Japan's industrial leaders, and together with the new government, they would endeavor to develop the Japan-China relationship.

The Hatoyama government: Hatoyama-Hu Jintao meeting

On Sept. 21, Prime Minister Hatoyama met President Hu Jintao during the opening of the United Nations General Assembly. Seeking to add greater substance to the bilateral relationship, the new prime minister proposed that the two governments work together to create an East Asian Community. Hatoyama said that he wanted "to build a relationship of trust between Japan and China and on the basis of that relationship to create an East Asian Community." With regard to the past, Hatoyama said that his government would follow the 1995 Murayama statement. As for the present, he wanted to turn the East China Sea into a "sea of fraternity" and proposed that the two governments work to implement the 2008 agreement on joint development.

Hu expressed his appreciation for the prime minister's statement on history, said that cooperation between China and Japan was "important for the Asian region, and, with regard to the East China Sea, proposed "to build trust through working level discussion." Hu also proposed a five-point program to develop bilateral relations: stepped-up high level contact, a strengthening of business cooperation, deepened people-to-people friendship, cooperation on regional and international issues, and a proper handling of differences.

The Hatoyama government: Okada-Yang meeting

On Sept. 28, the foreign ministers of Japan, China, and South Korea met in Shanghai to set in motion preparations for an Oct. 10 trilateral summit, to discuss Prime Minister Hatoyama's proposal for an East Asia Community, and to review policy toward North Korea. Afterward, Okada told reporters that setting aside a decision on whether to use the words "East Asian Community," he had received fundamental support for the concept from China and South Korea, although details were not discussed. The three ministers also agreed on the importance of the denuclearization of North Korea.

Prior to the trilateral meeting, Japanese and Chinese foreign ministers met to discuss Hatoyama's vision of an East Asian Community and to review the bilateral relationship. When Okada raised the issue, Yang replied that China had long supported the concept and would like to engage the countries of the region in an effort to promote cooperation in the fields of energy and the environment.

Both Okada and Yang agreed to work to advance "strategic and mutually beneficial relations," but there was no major progress on the pending bilateral issues of joint development in the East China Sea and food safety – the still-unresolved case of the contaminated *gyoza*. With regard to the East China Sea, Yang said that he wished to prepare an environment that would allow for a realization of the agreement. As for the *gyoza* issue, he cautioned against politicizing the issue, while noting the close cooperation that has continued in the bilateral police investigation efforts.

Yang, however, did, raise the issues of history and Taiwan as being the political foundation of the bilateral relationship and made clear that Tibet and the Uighur problem were internal affairs.

Okada recognized the importance of history in addressing the future, indicated recognition of Tibet as an internal matter, but did not touch on the Uighur issue. When Okada asked China to pursue nuclear arms reduction, Yang replied that China was carefully watching the U.S.-Russia nuclear arms reduction negotiations.

Public opinion: not improving

In late August, *Genron NPO* of Japan and the *China Daily* released the results of their annual joint public opinion poll. Among 1,000 Japanese respondents, 73.2 percent had a negative image of China; of the 1,589 Chinese respondents, 65.2 percent had a negative image of Japan.

Asked why, Japanese respondents frequently cited food safety issues (*gyoza*), China's authoritarian political system and Chinese militarism. Chinese respondents cited the Sino-Japanese war, history, nationalism, and militarism. As for impediments to improving relations, 46.2 percent of Japanese respondents pointed to food safety issues, while 43.2 percent of the Chinese respondents identified territorial issues.

Only 14.2 percent of Chinese respondents supported Japan's bid to become a permanent member of the UN Security Council, while 73.8 percent opposed the idea. On the subject of Yasukuni Shrine, 71.7 percent of Japanese respondents acknowledged the appropriateness of visit by the prime minister; 61.7 percent of Chinese respondents said that neither public nor private visits should take place. More than 40 percent of respondents in both countries saw no value in simply increasing the number of summit meetings

Prospects for the fourth quarter

A great deal of what happens over the next quarter will depend on how Beijing responds to the initiatives of the Hatoyama government and on how it addresses the outstanding issues in the bilateral relationship – the East China Sea and food safety. Regardless, there will be several more opportunities for high-level exchange and there is certain to be more probing and posturing in the months to come.

Chronology of Japan-China Relations July-September 2009

July 1, 2009: *Tokyo Shimbun* reports Ministry of Defense is studying deployment of Ground Self-Defense Force (GSDF) units to Yonagumi Island, Okinawa Prefecture.

July 8, 2009: Minister of Defense Hamada Yazukazu visits Yonagumi Island.

July 9, 2009: Vice Minister Wu Dawei meets Director General for Asian and Oceanic Affairs Saiki Akitaka in Tokyo to discuss North Korea policy.

July 13, 2009: Japanese media report Chinese ships operating in vicinity of Shirakaba (Chunxiao) natural gas field in East China Sea.

July 14, 2009: Admiral Akahoshi Keiji, chief of Japan's Maritime Self-Defense Force (MSDF) meets Defense Minister Liang Guanglie in China.

July 14, 2009: Foreign Minister Nakasone Hirofumi asks China not to take actions that would undermine confidence with regard to the Japan-China understanding on joint development of East China Sea natural gas.

July 14, 2009: Transportation Minister Kaneko Kazuyoshi announces direct flights between Tokyo's Haneda Airport and Beijing's Capital International Airport will begin on Oct. 25.

July 15, 2009: Prime Minister Aso Taro announces Lower House dissolution.

July 17, 2009: Aso government approves 2009 Defense White Paper.

July 18, 2009: China's Foreign Ministry reiterates claims to sovereignty over Senkaku Islands.

July 21, 2009: Japan's Foreign Ministry announces that Chinese ships departed the area around the Shirakaba gas field and returned to China on July 15.

July 21, 2009: *Xinhua News* announces the conviction of four defendants charged with illegally transporting Chinese laborers to Japan.

July 22, 2009: Foreign Ministers Nakasone and Yang Jiechi meet in Phuket, Thailand during ARF meeting; Nakasone reiterates concerns about Chinese actions in East China Sea.

July 28, 2009: Uighur activist Rabiya Kadeer visits Japan; in China, *NHK* broadcast of her arrival is interrupted.

July 29, 2009: *Japan Times* reports that China has pulled out of scheduled U.S.-Japan-China trilateral policy planning talks.

July 29, 2009: Kadeer visits LDP headquarters; Chief Cabinet Secretary Kawamura reveals that Beijing had protested the visit through diplomatic channels on July 24.

July 31, 2009: Kagawa Prefecture government files trademark complaint against Shanghai restaurant/hotel owner over use of kanji designating regional specialty noodle.

Aug. 7, 2009: Tokyo Gov. Ishihara Shintaro announces that he will not be able to visit Yasukuni Shrine on Aug. 15 because he will be out of the country.

Aug. 8, 2009: Memorial service held in Tokyo for Chinese forced laborers who died in Japan during the war.

Aug. 10, 2009: Prime Minister Aso cautions against politicizing paying of respect to those who died for their country at Yasukuni Shrine.

Aug. 11, 2009: Chief Cabinet Secretary Kawamura announces that he has no plans to visit Yasukuni on Aug. 15

Aug. 12, 2009: DPJ President Hatoyama tells reporters that Japan's prime minister should not pay homage at Yasukuni.

Aug. 13, 2009: China's Ministry of Health announces investigation of illegal organ transplants following Japanese media reports of Japanese tourists traveling to China for organ transplants.

Aug. 15, 2009: Minister of Consumer Affairs Noda Seiko is only Aso Cabinet minister to visit Yasukuni, doing so in private capacity.

Aug. 17, 2009: Japan announces 6.3 percent increase in exports to China in April-June 2009 over the same period in 2008.

Aug. 19, 2009: JETRO announces that China was Japan's largest trading partner in the January-June 2009, with exports to China surpassing exports to the U.S. for the first time.

Aug. 21, 2009: *Yomiuri Shimbun* reports that China has denied a MSDF request for Shanghai port call in period of Aug. 27-30.

Aug. 21, 2009: Japanese typhoon relief aid arrives in Taiwan.

Aug. 26, 2009: Japan's Yamato Holdings Co. announces initiation of door-to-door parcel delivery service in China.

Aug. 29, 2009: *Asahi Shimbun* reports China will commence aircraft carrier construction.

Aug. 30, 2009: DPJ score massive victory in Lower House election.

Aug. 30, 2009: *Xinhua News* expresses opposition to Dalai Lama visit to Taiwan.

Aug. 31, 2009: Chinese media reports DPJ victory and predicts continuity in the development of bilateral relations.

Sept. 1, 2009: Chinese Foreign Ministry welcomes DPJ/Hatoyama election victory and pledges China's commitment to strengthening bilateral ties.

Sept. 2, 2009: Japanese and Chinese diplomatic sources reveal that release of Joint Study on History, scheduled for Sept. 4, has been postponed at request of China.

Sept. 2, 2009: Okada Katsuya addresses symposium on 60th anniversary of founding of People's Republic of China.

Sept. 4, 2009: Former Taiwan President Lee Teng-hui arrives in Japan for a week-long visit.

Sept. 4, 2009: Chinese Ambassador Cui meets with DPJ President Hatoyama.

Sept. 7, 2009: Japan's Foreign Ministry report on citizens residing overseas shows the number residing in China dropped 1,977 between 2008 and 2007 to a total of 125,928

Sept. 8, 2009: Vice Foreign Minister Wu Dawei meets Japanese counterpart Yabunaka Mitoji in Tokyo to discuss North Korea and relations under DPJ government.

Sept. 8, 2009: Minister Wu meets Peoples' New Party leader Kamei Shizuka and Japan Socialist Party President Fukushima Mizuho.

Sept. 9, 2009: Minister Wu meets Foreign Minister-designate Okada.

Sept. 9, 2009: Premier Wen Jiabao meets Keidanren delegation in Beijing.

Sept. 16, 2009: Hatoyama Yukio becomes prime minister of Japan.

Sept. 21, 2009: Prime Minister Hatoyama meets President Hu in New York.

Sept. 24, 2009: Taiwan inaugurates Modern Japan Center at National Chengchi University.

Sept. 26, 2009: *Xinhua* reports opening of new war memorial center in Nanking dedicated to Chinese Kuomintang and U.S. pilots who died aiding China in the war against Japan.

Sept. 28, 2009: Foreign Ministers Okada and Yang meet in Shanghai.



Japan-Korea Relations:

Japan's New Government: Hope and Optimism

David Kang, University of Southern California
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The highlight of the third quarter was Japan's general election on Aug. 30 and the inauguration of the Hatoyama Cabinet on Sept. 16. Despite Prime Minister Aso's attempt during the campaign to portray the Democratic Party of Japan (DPJ)'s foreign policy as posing national security threat to Japan, the Lower House election ended a virtual half-century of Liberal Democratic Party (LDP) rule in Japan as the country faces serious economic and security challenges. Considering that Japan's North Korea policy in the past few years made a clear turn toward pressure with an emphasis on a resolution of the abduction issue, the major question in Japan-North Korea relations is whether this will change under the new administration led by Prime Minister Hatoyama Yukio. Pyongyang expressed hopes for a breakthrough in their bilateral relations, but it does not look like we will witness any fundamental change in Japan's North Korea policy. Japan-South Korea relations during this quarter can be summarized as guarded optimism as both sides look to elevate bilateral ties to another level of cooperation. If there is one sure sign that this shift in Japanese politics might bring positive change, it will be over the issue of the Yasukuni Shrine.

Pyongyang's charm offensive?

Having conducted a "successful" nuclear test and fired some short-range missiles, Pyongyang began sending signals this summer that it was ready to negotiate with the U.S. and other countries to reap the fruits of those expensive tests. In early August, North Korea invited (or, allowed) former U.S. President Bill Clinton to visit the country and released a photo of Kim Jong-il and Clinton smiling together, before releasing two American journalists who had been arrested for crossing the border into North Korean territory. Later in August, Pyongyang sent a six-member mourning delegation to the funeral of former South Korean President Kim Dae-jung, and President Lee Myung-bak reportedly received a personal message from Kim Jong-il regarding inter-Korean cooperation. Pyongyang responded to the landslide victory of DPJ in Japan's Aug. 30 general election by showing its willingness to "get a fresh start based on the spirit of the Pyongyang Declaration," which was signed in 2002 between Kim Jong-il and then Prime Minister Koizumi with the intention of resolving a number of issues and working toward normalizing diplomatic relations.

Judging from the interviews given by Kim Yong-nam (considered Pyongyang's No. 2 leader and President of the Presidium of the Supreme People's Assembly) and Song Il-ho (North Korea's ambassador for normalization talks with Japan) Pyongyang seems to be looking for an

opportunity to normalize diplomatic relations with a hopefully less hawkish Japan under the new Democratic Party of Japan (DPJ) government. In an interview on Sept. 10, Kim said that the future of Tokyo-Pyongyang ties was dependent upon the Hatoyama administration's willingness to compensate for Japan's history of colonial rule over the Korean Peninsula. Noting that bilateral relations were at a low point due to Prime Minister Aso and the Liberal Democratic Party (LDP) policies, Kim pointed to increased sanctions on North Korea, Tokyo's request to the U.S. not to remove Pyongyang from the list of terrorist sponsors, and its leading role in developing UN Security Council Resolution 1874 as examples of Tokyo's "hostile policy" against Pyongyang. The following day, Song said that the two countries need a new accord, since last year's bilateral agreement to reinvestigate the fate of Japanese abductees in return for partial lifting of sanctions against Pyongyang was "invalidated" due to outgoing Prime Minister Aso's "hostile" policy against Pyongyang.

Sorry, no lifting of sanctions

Apparently, Tokyo was not too impressed with Pyongyang's conciliatory gestures. It may be too early to tell how the Hatoyama administration is going to handle North Korea, but there are early indications that the new DPJ-led government will follow a path fairly similar to the LDP's hard line. In accordance with UN Security Council Resolution 1874, the DPJ plans to present a bill in the upcoming autumn Diet session that will permit inspections of ship and aircraft departing to and arriving from North Korea.

In late September, Hatoyama reconfirmed his party's position on a comprehensive approach to resolve the North's nuclear and missile problems as well as the abduction issue, and brushed off South Korean concerns that Japan's new government might engage with Pyongyang bilaterally to press ahead on resolving the abduction issue while ignoring the nuclear and missile issues. According to newly appointed Foreign Minister Okada Katsuya – whose foreign policy vision during his DPJ's presidency is said to have laid the foundation for the current DPJ's foreign policy approach – the Six-Party Talks will remain the key framework to deal with Pyongyang's nuclear development program, and Japan will not seek separate bilateral discussions with the North outside of the Six-Party Talks. While being wary of the possibility that Tokyo could be left out in the event of bilateral talks between Washington and Pyongyang, Vice Foreign Minister Yabunaka Mitoji said in September that Tokyo would accept the U.S. policy of talking bilaterally to Pyongyang as long as that process is designed primarily to bring the North back to the Six-Party Talks.

In the meantime, voices of concern were heard from families of citizens who were abducted by North Korea, criticizing in particular a lack of attention paid to the abduction issue during the election campaign. Iizuka Shigeo, chairman of the Association of the Families of Victims Kidnapped by North Korea, expressed anxiety that they "did not hear any voices calling for resolution of the abduction issue" before the election. According to the Sept. 8 *Yomiuri Shimbum*, the families of the abductees were anxious to know what the DPJ's approach will be to the issue, particularly after several LDP figures who were vocal members of a suprapartisan group of Diet members on the issue lost their seats this election, including Former Finance Minister Nakagawa Shoichi and LDP General Council Chairman Sasagawa Takashi.

Thus, the new administration's North Korea policy seems set to continue a hard-line approach based on strong public support for pressure on Pyongyang. In addition to the fact that progress on Japan's bilateral relations with the North has largely hinged on progress in the larger denuclearization talks, one domestic political factor to be taken into account may be the DPJ's ability to effectively coordinate policy on the North with two junior partners, the Social Democratic Party (SDP) and the People's New Party. It is particularly noteworthy that the SDP has insisted that the new administration promote dialogue with Pyongyang. In the past, the SDP consistently criticized Japan's hard-line policy toward the North and argued that talks with Pyongyang were the key to solving security issues.

On the military front, Japan's Defense Ministry released its 2009 Defense White Paper on July 17, citing Chinese naval activities beyond China's adjacent waters and the risk of North Korean instability due to Kim Jong-il's health problems as national security concerns to Tokyo. North Korea's official *Central News Agency of DPRK* on July 28 denounced the paper as "another unpardonable grave provocation to the DPRK" and criticized Tokyo's claim that the Dokdo/Takeshima Islets are Japanese territory for "betraying their sinister intention to seize it anytime." The same article added that "the Japanese reactionaries are sadly mistaken."

Pyongyang's usually exaggerated commentaries aside, the quarter's development regarding Japan's missile defense system shows that Tokyo is paying more serious attention to Pyongyang's missile development program, especially after the North's missile launches in April and May of last quarter. On July 1, a new air defense network that integrates ballistic missile sensors and interception systems began operating in an effort to upgrade Japan's defenses against ballistic missiles from Pyongyang. According to the Sept. 17 *Kyodo News*, Japan's Air Self-Defense Force succeeded in its second test of a U.S.-developed *Patriot* ballistic missile interception system. The 1.3 billion yen test was conducted in New Mexico, and used a missile produced by a Japanese company for the first time.

Japan-South Korea relations: big time for historical issues?

South Korean President Lee Myung-bak was the first head of state to call Hatoyama to congratulate him on his party's victory in the Aug. 30 Lower House election. With the inauguration of the DPJ-led Hatoyama administration, Japan-South Korea relations during this quarter can be summarized as characterized by guarded optimism as both sides look to bring bilateral ties to a higher level of cooperation. If there is one sure sign that this shift in Japanese politics might bring a positive change to always bumpy Japan-South Korea relations, it will be over the issue of the Yasukuni Shrine. It was newly appointed Foreign Minister Okada Katsuya himself in 2005, then president of DPJ, who attacked former Prime Minister Koizumi's controversial visits to the Yasukuni Shrine for damaging Japan's ties with Asia. Okada claimed that such visits by the prime minister would sabotage Tokyo's attempts to work closely with neighbors over North Korean issues and reduce Japan's chances of becoming a permanent member of the UN Security Council. Consistent with the DPJ's foreign policy platform, which places a greater emphasis on Japan's friendly ties with Asia, Hatoyama has declared that he will not visit the Yasukuni Shrine, and has asked his Cabinet ministers to do the same. Hatoyama advocates the construction of a non-religious war memorial to replace Yasukuni Shrine as the site for official visits by Japanese politicians.

The first Hatoyama-Lee summit took place on Sept. 23, a week after Hatoyama took office, on the sidelines of the UN General Assembly meeting in New York. They agreed to improve bilateral relations and discussed bilateral and regional issues, including North Korea's nuclear development program. Although this was largely a replay of previous first summits between Seoul and Tokyo after a change in administrations, it was possible to detect a slight change of tone this time, especially in terms of the DPJ's more forthright pledge to face up to Japan's wartime past. When compared to the first summit between Aso and Lee last year, in which they emphasized the practical need for better Japan-South Korea ties to *go beyond* historical issues, Hatoyama and Lee promised to *go through* the difficult issues of history with the aim of better relations. It also deserves mention that in his initial telephone conversation with Lee, Hatoyama said that the two leaders would be able to make progress in Tokyo-Seoul ties because they were "both able to view history correctly."

Although it remains to be seen to what extent the DPJ's pledge to foster friendship with Japan's Asian neighbors materializes, the Hatoyama administration has argued that it has "the courage to face historical issues squarely." The DPJ's junior partner the SDP went a step further by requesting that the new government formally commit itself to an apology for Japan's World War II militarism. Both Seoul and Beijing welcomed Tokyo's promise not to visit Yasukuni Shrine and expressed cautious hopes for the Hatoyama administration's handling of historical issues.

Meanwhile, the quarter also showed that the Hatoyama administration's emphasis on friendship with Asian neighbors was not going to translate into actual policy changes over vexatious territorial disputes with its neighbors. Indeed, strong public opinion is constantly expressed about controversial historical issues. This summer, 1,886 South Korean citizens filed a suit against Japan's conservative *Yomiuri Shimbun* for what they claimed to be misrepresentations about the Dokdo/Takeshima Islets issue and requested that the *Yomiuri* pay a fine of 4.11 million won. The *Yomiuri* reported on July 15, 2008, that President Lee did not strongly oppose then Prime Minister Fukuda's decision that Japan's manuals for middle school teachers would refer to the islets as Japanese territory. Another example came later in August 2009 when South Korea's activists – seemingly unaware that such displays often provoke more amusement than outrage in the U.S. – ran full-page ads in major U.S. newspapers like the *Washington Post*, the *New York Times* and the *Wall Street Journal* making the case that the waters between South Korea and Japan are called "East Sea," not the "Sea of Japan."

On Japan's part, the 2009 Defense White Paper released in July designated the islets as part of Japanese territory, which led South Korea's Defense Ministry to issue a strong protest. In the meantime, more local boards of education in Japan, including those in Aichi Prefecture, Yokohama, and Suginami-ku, decided to adopt the controversial history textbook authored by nationalistic scholars known as the "Japanese Society for History Textbook Reform." Foreign Minister Okada's remarks on the Dokdo/Takeshima Islets issue provide hints that Japan's policy on the islets will remain much the same, despite the DPJ's emphasis on facing up to the past. Okada, while acknowledging the importance of understanding each other's position, said that "it should not be a big deal to state in textbooks that it is Japan's territory in view of the fact that the Japanese government upholds the view." Such territorial disputes are not unique to Japan-Korea relations, either: prior to the election, the DPJ, then the main opposition party, promised in its party manifesto for the Aug. 30 election, that it would "tenaciously hold talks to achieve an early

and peaceful solution to the issues to of northern territories [its dispute with Russia] and Takeshima over which Japan has territorial sovereignty.”

Following the death of former South Korean President Kim Dae-jung, the Japanese media portrayed Kim as someone who played a critical role in strengthening Seoul-Tokyo ties by pushing for an opening of South Korea to Japanese popular culture during his presidency. In an interesting parallel to the current bilateral dispute over the Dokdo/Takeshima issue, the *Yomiuri Shimbun* commentary on Aug. 21 included a vignette about Kim Dae-jung while he was an opposition leader during the Kim Young-sam administration. At that time (the early 1990s), Japan-South Korea relations were souring over the islets issue, and Kim Dae-jung is reported to have said that, “the Dokdo issue will never be resolved. But it is no use for South Korea to make it an issue when South Korea is actually occupying the islands.” While holding talks with Prime Minister Keizo Obuchi in the late 1990s, then President Kim Dae-jung said that South Korea would not bring up the historical issues and promised to open up to Japanese pop culture despite strong South Korean public opinion against such a move. The *Yomiuri* noted that his decision “lifted a mental barrier that used to separate the Japanese and the South Korean people.”

The contours of South Korea-Japan relations under the Hatoyama administration are likely to become clearer by the end of next quarter as Prime Minister Hatoyama is scheduled to visit Seoul for a summit meeting with President Lee on Oct. 9. President Lee has already extended an invitation to Emperor Akihito to visit Seoul next year in commemoration of the 100th anniversary of Japan’s annexation of the Korean Peninsula in 1910. Lee’s invitation, meant to “put an end to the sense of distance,” was met with a cautious response. Japan’s Imperial Household Agency said that the Emperor and Empress “generally do not visit other countries to solve international concerns or political issues.” Seoul has invited the emperor several times over the years. Tokyo has not given a definite answer this time.

Economic relations

Japan-South Korea economic relations continued a trend of competition within the dense web of economic integration. Competitive attempts to create free trade agreements (FTAs) and other economic agreements make South Korea and Japan highly sensitive to each other’s foreign economic policies. For example, President Lee and Prime Minister Fredrik Reinfeldt of Sweden, chair of the European Union, announced the conclusion of negotiations for the South Korea-EU FTA on July 13. According to a report by the Korea International Trade Association that researched the responses of South Korea’s trading partners about the conclusion of the negotiations, the Japan Business Federation (Nippon Keidanren) expressed concern and “shock” over possible setbacks resulting from the South Korea-EU FTA and called for the Japanese government to move toward a similar pact with the EU.

According to a report by South Korea’s Finance Ministry released Sept. 10, the reality of regional economic integration remains a distant possibility when contrasted with the EU or the North America FTA (NAFTA). The report offers an analysis that as of 2007, intra-regional trade among three Northeast Asian countries China, Japan, and South Korea stopped at 22 percent of their total trade, compared to 68 percent among EU countries and 51 percent among NAFTA countries. The report also revealed that shipments between China, Japan, and South Korea

tended to focus on intermediary rather than consumer goods (56.4 percent of all trade during the second quarter). This was much higher than the intermediary trade in the EU and NAFTA, which was 31 and 33.8 percent, respectively. South Korea's Finance Ministry said that an extended market for three-way trade within Northeast Asia among China, Japan, and South Korea should be able to cushion a decrease in global trade in the case of another global crisis and that a China-Japan-South Korea investment pact could provide a stable and predictable institutional frame for the three-way trade.

A survey of the Korea Trade-Investment Promotion Agency of 348 Chinese consumers and retailers in nine major areas including Beijing, Shanghai, Guangdong, and Sichuan show that Korean brand recognition fell behind many Japanese brands in the Chinese market. Thirty percent of Chinese consumers said they recognized more Japanese brands than Korean, while only 12.5 percent of retailers said they recognized Korean brands over Japanese. Among consumers, 28.8 percent thought that brand image for Korean products was below that of Japanese and 45.8 percent of retailers felt that way.

South Korean daily *Joongang Ilbo* reported on Sept. 14 that Samsung Electronics began using a new technology to manufacture liquid crystal panels for televisions in order to avoid further problems with its competitor Sharp, in case it loses a U.S. patent battle. The two competitors have been suing each other for violating each other's intellectual property rights for the last two years. Sharp filed a lawsuit against Samsung in Texas for infringing its patent on an LCD module in August 2007. Samsung countersued in Texas and in Delaware. A final decision is expected by Nov. 9.

The Hatoyama administration faces the daunting task of continuing economic reform in Japan, and this quarter's economic outlook is not very encouraging. At 5.7 percent, Japan has the highest unemployment rate in its postwar history with increasing signs that deflation is occurring after decades of recession. Against this backdrop, Hatoyama's economic policy expressed in a widely-read essay that criticized "unrestrained market fundamentalism and financial capitalism" has created some tension between the new government and Japanese business interests. For example, in response to Hatoyama's pledge to reduce greenhouse gas emissions by 25 percent by 2020, the Japan Business Federation (Nippon Keidanren) has called on the Hatoyama administration to review its emission reduction target on the grounds that it is unrealistic and burdensome to the people. By comparison, the pro-business LDP has promised only an 8 percent reduction. Overall, the new administration has come under criticism from economic analysts within Japan that its policies lack a focus in terms of job creation, industrial promotion, deregulation, and fiscal consolidation, among other things.

The coming quarter

The coming quarter promises to be eventful. With a South Korea-Japan summit planned, potential talks with North Korea beginning, and the worldwide economic crisis showing few signs of enduring "green sprouts" of recovery, Korea-Japan relations will involve many issues. Especially given the intense interest in the new Hatoyama Cabinet's foreign policies toward Asia, the U.S., and the wider world, this first quarter of the Hatoyama administration will reveal evidence of its overall policy approaches.

Chronology of Japan-Korea Relations July-September 2009

July 13, 2009: South Korean President Lee Myung-bak and chair of the European Union, Prime Minister Fredrik Reinfeldt of Sweden announce the conclusion of negotiations for the South Korea-EU free trade agreement.

July 17, 2009: Japan approves its 2009 Defense White Paper, which designates China's growing naval activities and regime insecurity caused by North Korea as national security threats. South Korea's Defense Ministry issues a protest over its description of the Dokdo/Takeshima Islets as Japanese territory.

July 27, 2009: Japan's main opposition Democratic Party of Japan (DPJ) announces its intention to seek an early solution to the Dokdo/Takeshima Islets issue once it takes power, and states Japan has territorial sovereignty over the islets.

Aug. 6, 2009: A group of South Korean activists announce their intention to run ads in major U.S. dailies to promote South Korea's desire to name of the waters between South Korea and Japan as "East Sea" rather than "Sea of Japan."

Aug. 12, 2009: Pyongyang urges Tokyo's next administration to drop Japan's "hostile policy" against North Korea.

Aug. 13, 2009: *Korea Times* reports that 1,886 South Korean citizens have filed a suit against Japan's *Yomiuri Shimbun* for misreporting of South Korean President Lee Myung-bak's remarks on the Dokdo/Takeshima Islets issue.

Aug. 17, 2009: Japan's *Mainichi Shimbun* reports that main opposition leader Hatoyama Yukio endorsed the construction of non-religious war memorial to replace Yasukuni Shrine.

Aug. 18, 2009: Former South Korean President Kim Dae-jung dies at the age of 85.

Aug. 25, 2009: Japan's Association of the Families of Victims Kidnapped by North Korea expresses concern that the Lower House election is neglecting the abduction issue.

Aug. 30, 2009: Japan's DPJ wins the Lower House election in a landslide victory.

Aug. 31, 2009: President Lee calls DPJ President Hatoyama to congratulate him for his party's victory in the Lower House election.

Aug. 31, 2009: Japan's Defense Ministry says that it seeks 176 billion yen to build up Japan's missile defense system, as part of an overall 4.846 trillion yen request in the fiscal 2010 budget.

Sept. 2, 2009: China, South Korea, and Japan agree to strengthen their cooperation in the area of cultural contents and creative industries.

Sept. 5, 2009: Japan's Social Democratic Party (SDP) requests that a coalition document stipulate the importance of holding dialogue with North Korea.

Sept. 7, 2009: Japan's chief delegate to the Six-Party Talks Saiki Akitaka and the U.S. Special Representative on the North Korean Policy Stephen Bosworth agree that the Six-Party Talks remain the key framework for the North's denuclearization process.

Sept. 9, 2009: The DPJ, SDP, and the People's New Party agree to form a coalition government.

Sept. 10, 2009: South Korea's Finance Ministry releases a report on the trading patterns between South Korea, Japan, and China and concludes that intra-regional trade in Northeast Asia falls behind that of the European Union and North America.

Sept. 10, 2009: North Korean official Kim Young-nam in an interview says that Pyongyang is ready to talk with Japan if Tokyo abandons its "hostile policy" against Pyongyang.

Sept. 11, 2009: North Korea's Ambassador-in-charge of Normalization Talks with Japan Song Il-ho says that Tokyo and Pyongyang need a new accord because the earlier agreement was invalidated due to Tokyo's hostile policy against the North.

Sept. 14, 2009: *Joongang Ilbo* reports the ROK plans to deploy a short-range supersonic guided missile in the next two years that can be launched from a destroyer to hit facilities on land.

Sept. 15, 2009: President Lee expresses hopes that Emperor Akihito will visit South Korea next year to "put an end to the sense of distance." Next year marks the 100th anniversary of Japan's annexation of the Korean peninsula, which ended in 1945.

Sept. 16, 2009: Hatoyama Yukio becomes prime minister of Japan and forms a Cabinet.

Sept. 16, 2009: Japan's Air Self-Defense Force successfully shoots down a mock ballistic missile in its second test of its *Patriot* missile interception system.

Sept. 18, 2009: Japan's new Foreign Minister Okada Katusuya expresses optimistic views on the future of Japan-South Korea relations in meetings with South Korean reporters in Tokyo.

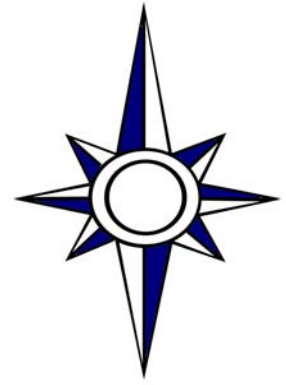
Sept. 22, 2009: Japan's Imperial Household Agency chief Haketa Shingo expresses caution in response to President Lee's invitation of Emperor Akihito to Seoul saying that the emperor and empress do not usually engage to solve international concerns or political issues.

Sept. 23, 2009: Prime Minister Hatoyama and President Lee meet on the sidelines of the UN General Assembly and agree to improve bilateral relations.

Sept. 23, 2009: Prime Minister Hatoyama says Japan will impose sanctions against Pyongyang if necessary and confirms Tokyo's comprehensive approach to dealing with North Korea.

Comparative Connections

A Quarterly E-Journal on East Asian Bilateral Relations



China-Russia Relations: *Market Malaise and Mirnaya Missiya*

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Perhaps more than any time in the past 10 years, the third quarter highlighted both the potential and the problems of this bilateral relationship. On the one hand, the two militaries successfully conducted their joint antiterrorism exercise, *Mirnaya Missiya* (Peace Mission) 2009, in China's Jilin Province. On the other hand, the closing of Moscow's huge Cherkizovsky market on June 29 uprooted tens of thousands of Chinese citizens doing business in Russia, while \$2 billion in goods were confiscated as "illegal" and "contraband." On the eve of the 60th anniversary of bilateral ties, Moscow and Beijing seemed to be stretching both the cooperative and conflictual limits of their strategic partnership.

Moscow blues

Russian authorities moved to close the sprawling Cherkizovsky market in Moscow at the end of June. It was done "without warning," according to China's *Xinhua News* on July 20. The closing directly affected 100,000 merchants, including 60,000 Chinese businessmen. For many, this was their "9/11," as a Chinese trader commented. In the initial process of closing the market, Russia's Federal Migration Service reportedly arrested 150 Chinese merchants who presumably tried to recover some of their confiscated goods.

China quickly reacted to the "incident." The day after the market was closed, China's Commerce Ministry urged Russia "to handle the issue in an appropriate manner and according to law," and that "the legal rights and interests of the Chinese businessmen in Russia need to be protected." It also called on Russia not to overreact against "illegal" and "counterfeit" goods in the Moscow bazaar. "The Chinese side pays deep attention to this and ... urges the Russian side to handle the issue with discretion," said Commerce Ministry spokesman Yao Jian. He also pointed out that it would take time to resolve the practice of "gray customs clearance," a historical tax loophole that traders have exploited to import goods more easily into Russia. "[China] hopes relevant Russian authorities and the Moscow city government take into account the historic factors ... avoid overreacting, and solve the problem via a friendly negotiation and in a gradual manner." Meanwhile, Chinese Foreign Ministry spokesman Qin Gang urged the Russians to "protect Chinese businessmen's interests in Russia." However, he also cautioned "all the Chinese entrepreneurs to abide by the local laws and regulations."

For those who did business in Russia, the laws and regulations regarding the market were vague and elusive at best. Over the past 20 years, much of Russia's foreign trade was conducted through the so-called "gray customs clearance," through which "clearance" companies in Russia

would “facilitate” imported goods into the market at a tax rate far lower than the official level. During the process, many, if not all, Russian Customs officials would be able to “benefit” by changing and distorting standard customs declaration procedures and documents.

Russian leaders were well aware of the problem and the damage that the “gray customs clearance” and its “outlets” (various large wholesale and resale markets in Russia) caused to the Russian economy. Efforts to curb such a practice, particularly after Vladimir Putin became president, did close some customs loopholes while leaving others untouched. Since 2001 the Russian government had tried three times but failed to close the Cherkizovsky market. What had happened, however, were periodic and random searches and crackdowns of Chinese merchants by the Russian authorities and individual law enforcement officers, culminating in September 2008 when the Moscow Auditing Office closed eight large storage facilities in Moscow holding \$2.1 billion worth of goods owned by the Chinese traders. The final shutdown of the Cherkizovsky market on June 29 suspended the operation of tens of thousands of Chinese merchants. Meanwhile, Russia appeared to continue to allow “gray customs clearance” in much of its trade with Spain, Italy, Germany, South Korea, Turkey, and others.

Concerns about what it characterized as the ongoing unfair treatment of its citizens in Russia prompted China to send to Moscow a large group of commerce, foreign affairs, customs, and provincial officials in late July led by Vice Commerce Minister Gao Hucheng. The Chinese delegation presented three issues:

- China does not object to Russia’s crackdown on smuggling and other criminal activities. However, in the course of law enforcement, Russia should protect the personal and property security, as well as the dignity of Chinese businessmen engaged in legal operation.
- The order to close the Cherkizovsky market without warning gravely damaged the normal operation of the Chinese businessmen because there was no time for them to sort out and transfer their goods. Russia needed to expeditiously help the Chinese businessmen transfer their goods to markets with safe standards to minimize losses.
- In June 2009, China and Russia had established a subcommittee on Customs operation and established a long-term mechanism for standardizing cooperation in trade. Proper settlement of this incident would be conducive to strengthening cooperation by stepping up the crackdown on “gray customs clearance” and helping Chinese businessmen adjust operational tactics and change the mode of trade, thereby promoting the healthy development of Sino-Russian economic relations.

Prior to the arrival of the Chinese government delegation in Moscow, most of the Russian media predicted that the Chinese group would be “coldly” received. Regardless, the Chinese group held a series of meetings with Russian immigration, commerce, foreign affairs, audit agency, customs agencies, as well as the Moscow city government. From these meetings, the two sides reached consensus regarding the proper handling of the market closure and its consequences, with the following points from the Russian side: First, Russia understood China’s concern and would do its best to handle the market closure and transportation of cargo out of the market. Second, the

Moscow government made arrangements for the closure and clearance of the market that would ensure the interests of Chinese traders would be protected. Third, the Moscow government would provide legal consultation and assistance for Chinese business people affected by the market closure. Fourth, the Moscow government would soon meet with representatives of the Chinese traders and merchants in Moscow to discuss follow-up measures regarding transportation, storage, and merchandises sales as well as the relocation of Chinese merchants in Moscow. Above all, the Chinese merchants reportedly felt positive and cooperative signs from the Russians during and after the Chinese government delegation's visit to Moscow.

It remains to be seen how these policies and promises will be implemented. The Chinese merchants have been allowed to retrieve some of their goods from the Cherkizovsky market, though not without random impediments from local officials and reports of irregular police behavior. Where to store the huge quantity of goods, however, remained an unsolved issue. In August, officials of the Lenin District in Moscow indicated that another place outside Moscow proper would be considered for a new market for those uprooted merchants. Moscow's Mayor Luzhkov, however, urged foreigners – mostly Chinese and Vietnamese – to leave Moscow for good. By the end of August, Chinese Commerce Minister Chen Deming was still telling his Russian counterpart Elvira Nabiullina that he hoped Russia would continue to properly handle problems relating to the rights of Chinese merchants. The actual damage to bilateral economic relations may not be significant in terms of the overall Sino-Russian trade. However, the psychological and emotional damage and the credibility and reputation of the Russian economic climate, however, are enormous.

The issue of how Chinese merchants will do business in Moscow in the future is preoccupying Chinese Ambassador to Russia Li Hui. Many in Russia, however, fear the prospect of a "Chinatown" in Russia's capital, which may well be a key intention behind the closing of Cherkizovsky. "It is necessary to emphasize that the Chinese side is not seeking at all to base a Chinese community in Russia like a 'Chinatown' where Chinese people live in a cluster," Ambassador Li told Russian journalists at the end of September. What China wanted was "to create a modern and ordered commercial site for showing and marketing high-quality Chinese goods for the benefit of the development of bilateral trade and economic cooperation."

The economic relationship, nonetheless, is always the "weakest link" in Russia-China relations. Bilateral trade is only a fraction of China's trade with the U.S. (\$56.8 billion vs. \$334 billion in 2008). Nevertheless, bilateral trade plunged about 37 percent in the first half of 2009 and Russian GDP shrank over 9 percent. In June 2009, when the Cherkizovsky market was closed, Russia's inflation was 11.9 percent, the highest among the 11 leading economically developed countries, as compared to the same month of 2008.

Peace Mission 2009

In contrast to the rather gloomy market situation, Sino-Russian military interactions seemed more dynamic. The two successfully conducted the *Peace Mission 2009* joint exercise in China's northeastern Jilin Province in late July, staged the first-ever joint emergency-incident-handling exercise in the Heilongjiang River in late August, and carried out a joint exercise named *Peace*

Blue Shield 2009 in late September in the west sea area of the Gulf of Aden in conjunction with naval escort missions there.

Peace Mission 2009 involved 3,000 military personnel, 300 items of ground equipment, and around 40 helicopters and fixed-wing aircraft. It was carried out in two separate areas and divided into three phases. The first phase involved Chinese and Russian Chiefs of Joint Staff (Chen Bingde and Nikolai Makarov) engaging in a “strategic consultation” in Russia’s far eastern city of Khabarovsk over a major terrorist “case” in China’s northeastern region. The scenario was that a terrorist group seized an administrative facility in China and “cracked down” on the local population. Following unsuccessful political negotiations, the Russian and Chinese military decided to use force with the two military chiefs announcing the beginning of the exercise maneuvers, which included the second phase (campaign preparation on July 23-25) and the third phase (execution on July 26).

The second phase was the longest as the two sides prepared and coordinated in the areas of planning, communication, and logistics in the Taoyuan training range near Baicheng City, Jilin Province. Russia sent a reinforced motorized rifle battalion, a tank company, a self-propelled howitzer artillery battery, and an airborne company along with 10 tanks, 37 BMPs, six self-propelled field guns, two SAM complexes, and eight 122-mm mortars. The Russian Air Force supplied five *Su-27* fighters; five *Su-24* bombers; five *Su-25* ground attack aircraft, four *Mi-8* combat helicopters, one search and rescue helicopter, and two *Il-76* military transports.

The Chinese fielded a combined-arms battle group consisting of a reinforced mechanized battalion, an artillery battery, an antitank battery, and a special-purpose company along with 10 tanks, 31 BMPs, nine 100-mm assault guns, 18 122-mm self-propelled howitzers, ten antitank missile complexes, four portable SAM complexes, 16 *Zhi-9* combat helicopters, eight *Mi-171* transport helicopters. The Air Force provided a fire support group consisting of six *JH-7A* (*Jianhong-7*) fighter-bombers, four *J-8 D/H* (*Jian-8*) fighters, four *Qiang-5B* ground attack aircraft, and four *HQ-6 Hongqi* ground-air systems.

In the final and execution phase of the exercise, the two sides practiced, for nearly two hours, joint blockade, air raid, ground direct bombardment, ground maneuvering, flanking operations, “vertical” (by helicopters) assault of terrorists’ stronghold, psychological warfare, pursuit of fleeing terrorists, etc. The exercise ended with a military parade by the two sides.

While the final phase of the exercise was brief, perhaps the most significant part was the joint training and preparation process. The two militaries lived, worked, practiced, socialized, and were entertained together for more than two weeks. In comparison, Russian and Chinese units simply performed separate missions for the *Peace Mission 2005* exercise with a rather low degree of interaction between the two militaries.

Although smaller in scale than its predecessors in 2005 (10,000, including 8,000 from China) and 2007 (6,500 personnel), *Peace Mission 2009* demonstrated a few new aspects of the bilateral military-to-military relationship. The officially defined goals by the Chinese side emphasized four major goals: to further China’s strategic cooperative partnership with Russia, to enhance mutual confidence in defense security and showcase the pragmatic cooperation between the two

armies, to demonstrate the will and ability of the two militaries for regional stability and peace, and to learn from each other's experience in order to increase the operational capability for joint military actions. Aside from these strategic goals, the operational size and nature of the forces were said to be far more suitable for combating terrorist targets than against any third state. The riots in China's Xinjiang area in early July were a clear reminder to both sides of the danger from terrorist and separatist activities.

Another noticeable aspect of the exercise was the beginning of some interoperability efforts between the two militaries. China offered to provide fuel to all Russian equipment including all aircraft, which was not an easy task given the complexities of Russian military equipment.

Third, this type of joint exercise is becoming routine and regular. Indeed, it took only a few months for the two militaries to work out the details and execute it after the decision to hold it was made in February 2009.

Finally, the drill offered the two militaries rare opportunities to observe (if not spy), learn from, and even compete with one another in both training and everyday life at close proximity and over a period of some three weeks. The Russians dispatched 38 Chinese-speaking military interpreters to work with Russian subunits and in command and control entities at company-level and higher. Most of these interpreters are military intelligence officers and cadets from the graduating class of Russia's Defense Ministry Military University, Combined-Arms Academy, and Novosibirsk Higher Military Command School, where military intelligence officers are trained. The Chinese side matched this with their own 50 military and civilian Russian-speaking interpreters.

The competitive aspect of the exercise, however, should not be over-emphasized. The three weeks of joint training prior to the July 26 final execution was full of Sino-Russian friendship and cooperation. The Chinese side tried very hard to accommodate the Russians with 8 tons of meat, 3.6 tons of fish, 27 tons of vegetables, and 3 tons of fruit, 45,000 liters of mineral water, and even currency conversion services for Russians to purchase Chinese goods.

A mixed and a "mature" relationship

In sharp contrast to this Sino-Russian "happy hour" for the two militaries, 60,000 Chinese merchants were struggling to salvage their business and to survive both the coming Russian winter and the end of their Russian dream. All of this was happening when everything else between China and Russia seemed to be business as usual: leaders meeting whenever there was a chance (four times by the end of the third quarter between Hu Jintao and Dmitry Medvedev), diplomats vowing to work together on issues from Iran to North Korea, "language years" unfolding, 550 Chinese children from the earthquake region in Sichuan spending three weeks in Vladivostok where just six months before a Chinese cargo ship was chased and sunk by the Russian coastal guard, presumably a victim of Russia's "gray customs clearance" practice.

All of this – cooperation, conflict, and contradiction – may be what Li Hui, China's new ambassador to Moscow, meant when he commented on the eve of the 60th anniversary of diplomatic ties that the China-Russia relationship had become "increasingly mature," a rather sober and accurate description of the state of Sino-Russian relations.

Chronology of China-Russia Relations July-September 2009

July 1, 2009: China and Russia hold the third round of consultations of the military expert teams for the *Peace Mission 2009* led by Ma Xiaotian, People's Liberation Army deputy chief of General Staff and Lt. Gen. Antonov, deputy chief of army staff of the Russian Armed Forces.

July 7, 2009: Chinese Foreign Minister Yang Jiechi calls Russian counterpart Sergei Lavrov about the situation in China's Xinjiang-Uighur Autonomous District. The two also discuss key bilateral and international issues.

July 22-26, 2009: *Peace Mission 2009* is held in China's Jilin Province.

July 22, 2009: Foreign Minister Lavrov meets Chinese counterpart Yang Jiechi to discuss the Korean nuclear issue on the sidelines of the ASEAN Regional Forum held in Phuket, Thailand.

Aug. 18, 2009: Foreign Minister Yang telephones his Russian counterpart Lavrov.

Aug. 28, 2009: The newly appointed Chinese Ambassador to Russia Li Hui arrives in Moscow.

Aug. 31, 2009: Russian and Chinese border guards hold a first-ever joint emergency-incident-handling exercise named *Guomen Lijian (Country-Gate Sharp Sword)*, in the Heilongjiang River. Some 14 vessels and more than 240 personnel join the one-hour joint exercise.

Sept. 4, 2009: The finance ministers and central bank governors of Brazil, Russia, India, and China (BRIC) gather in London to discuss the current situation of the world economy and their fiscal and monetary policy responses. They call for enhancing and consolidating the role of the Group of 20 major developed and developing countries (G20) in managing world economy.

Sept. 6, 2009: While patrolling the Gulf of Aden, eight Russian naval officers board the Chinese missile frigate *Zhoushan* at the invitation of the third Chinese naval escort taskforce.

Sept. 9-10, 2009: Chinese Supreme People's Court President Wang Shengjun and Russian Supreme Court President Vyacheslav Lebedev participate in the Shanghai Cooperation Organization's 4th Conference of Presidents of the Supreme Courts in Cholpon-Ata, Kyrgyzstan.

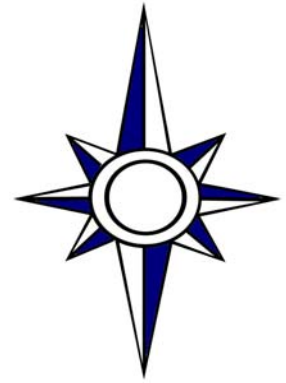
Sept. 10, 2009: *China Central Television (CCTV)* opens a broadcast in the Russian language. The channel is expected to serve a potential 300-million person audience in the 12 nations of the Commonwealth of Independent States, Eastern Europe, and the Baltic states.

Sept. 18, 2009: The Chinese and Russian naval escort taskforces carry out a joint exercise named *Peace Blue Shield 2009* in the west sea area of the Gulf of Aden.

Sept. 23, 2009: President Medvedev meets President Hu Jintao in New York at the annual UN General Assembly.

Comparative Connections

A Quarterly E-Journal on East Asian Bilateral Relations



Australia-East Asia/U.S. Relations:
Australia Adjusts to New Realities

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Australia's government swung from the right to the left of the political spectrum in 2007. The U.S. did the same in 2008. Yet, not much changed in the fundamentals of the 57-year-old U.S.-Australia alliance. The assertion of alliance continuity, however, comes with a major caveat: the tectonic effects being exerted by China's rise. As with the rest of the Asia-Pacific, Australia is adjusting significant aspects of its foreign and security policy to the magnetic pull of China, which was dramatized for Canberra through the middle of 2009 by an outburst of Chinese official anger directed at Australia. Other important influences to consider include the so-called "Kevin Rudd" effect, the global economic crisis, and the ongoing conflicts in the Middle East.

The Kevin Rudd effect

A Mandarin-speaking former diplomat who once served in Australia's embassy in Beijing, Australia's Prime Minister Kevin Rudd has the professional credentials to navigate the confluence of Australia's continuing interest in the U.S. alliance and the changes in regional power dynamics. During his period as the Opposition Foreign Affairs spokesman from 2001 to 2006, Rudd developed what he described as the "three pillars" of the Labor Party's approach to international relations, which he presented, and numbered, in this order:

1. Alliance relationship with the U.S.
2. Membership in the United Nations
3. Comprehensive engagement with Asia

Unfortunately for Rudd's structure, Labor reshuffled the order of the pillars when it enshrined them in the Labor policy document for 2004 – and in later platforms – with the UN first and the U.S. second. The switch was demanded in 2004 by then Labor Leader Mark Latham, who was more skeptical than Rudd about the value of the U.S. alliance.

The Rudd approach reflects his personal belief in the U.S. as "an overwhelming force for good" and the importance of the U.S. strategic presence in East Asia and the West Pacific for "the necessary strategic stability to underpin the economic (and in part political) transformation of East Asia." Those words are from a speech Rudd delivered in 2006, but similar sentiments can be found throughout the foreign policy speeches he has given since winning office and in his government's Defense White Paper.

With a career as a diplomat and five years in Opposition as the shadow foreign minister, Rudd came to office with a clear mental framework for his government's approach to international relations. The prime minister dominates his government's approach to foreign and security policy in both broad outline and in specific detail. For instance, the 2009 Defense White Paper was an accurate reflection of the questions posed by Rudd about China's challenge to U.S. economic and military power. Defense Minister Joel Fitzgibbon was forced to resign as a minister shortly after the release of the policy paper. But this resignation has had no implications for implementing the White Paper because of Rudd's ownership of the document. Equally, Rudd often functions as his own foreign minister, constantly working the phone with other leaders to pursue his agenda in such areas as the G20 and climate change. In its annual survey of power in Australia, the *Financial Review* newspaper put Rudd in the number one spot in politics, foreign affairs, and defense. Rudd may well be the most personally powerful Labor prime minister since Australia became a federation in 1901. Certainly, he is less bound by the traditional rules of his parliamentary party than any previous Labor leader. To speak of Australian policy in this era, then, is to speak of Kevin Rudd's policy.

Iraq and Afghanistan

In winning the 2007 election, Rudd campaigned for the U.S. alliance but against George W. Bush and the Iraq war. One of the strongest applause lines in Rudd's campaign launch speech was the promise that Labor would withdraw Australian troops from Iraq and shift military resources to Afghanistan. In office, Labor negotiated a gradual Iraq withdrawal timetable with the U.S. The build-up of Australian forces in Afghanistan has been equally gradual.

Rudd said the pullout from Iraq would happen in consultation with coalition partners and would not be an immediate one. The withdrawal started in mid-2008 and was completed by July 2009. Combat forces came out first, marking the formal fulfillment of Labor's policy. Australia formally concluded its military commitment Iraq on July 31, 2009, with the withdrawal of 11 Defense members, working in various U.S. coalition headquarters. With the military commitment in Iraq closed, Kevin Rudd and Canberra's defense establishment are now thinking about what a generational war in Afghanistan might mean for Australia. After seeing President Bush in March, 2008, Rudd said, "We're in Afghanistan for the long haul." At a similar White House press conference 12 months later, Rudd said he and President Obama discussed "our common challenges in Afghanistan."

Both Obama and Rudd fought their way into office describing Afghanistan as the good war, compared to Iraq. Now they have to confront the weight of those arguments. For Rudd, that translates as staying engaged but not increasing the Afghanistan commitment much beyond the troop levels he inherited from the Howard government. As Rudd told Australian journalists in Washington just before his first meeting with Obama: "Our view about Afghanistan, and I've said this repeatedly since becoming prime minister, is that Australia's commitment is not a blank cheque." The same phrases recur when Rudd speaks about Afghanistan.

The Afghanistan mission is a major task for Australia's military, but is also seen in the broader context of alliance management. The former chief of Australia's Army, Peter Leahy, has spoken in favor of doing more in Afghanistan but expressed a widely shared concern about "mission

confusion” in Afghanistan. A former director of the Defense Intelligence Organization, Frank Lewincamp, has argued that the real issue for Canberra is not terrorism or the humanitarian situation in Afghanistan – it is the alliance. The Canberra debate is about whether Australia is ready to commit to another decade in Afghanistan. What would that do to the alliance, to Australia’s military, and what would that mean for Australian politics? Afghanistan is not seen as an alliance buster any more than the troop withdrawal from Iraq. But Australia’s response and contribution to the U.S. strategy will influence its standing as an alliance partner.

Australia sent Special Forces troops to Afghanistan in 2001 to support the overthrow of the Taliban regime. When Labor took office, there were more than 1,100 Australian military personnel in Afghanistan. The figure has been increased to 1,550, but Labor was well into its second year of office before it made that troop increase, insisting that this was about the upper limit of Australia’s military role. To use the phrase that Rudd prefers, the Australian commitment of 1,550 personnel is “about right.”

When announcing the extra troops, Rudd pointed to the political and alliance balance he is attempting: “I think this is going to become progressively an unpopular war. I accept that for the reality that it is. I am also seized of the fact that we have a responsibility to prevent Afghanistan from becoming a training base again for terrorists to go out and kill more Australians. And that we have a responsibility to our American ally consistent with our Treaty obligations.”

The Australian military effort is concentrated in the province of Uruzgan as part of the provincial reconstruction effort led by the Dutch. The Dutch are due to relinquish their command role in Uruzgan next August and withdraw most of their 2,000-strong force. Australia is telling the U.S. that it does not want to send the extra troops necessary to take the leadership role in the province. In talks in Washington in September, Smith conveyed that Australia’s commitments in its own region meant it could not do more in Afghanistan: “It’s clear that the Dutch will give up the leadership in Uruzgan Province, but what is also clear is that Australia will not take up the lead.”

Australia and the U.S.

The Rudd government outlined a broad agenda for its relationship with the incoming Obama administration, ranging over global economic governance, the future role of the G20, climate change, nuclear disarmament, and the evolution of security architecture in the Asia-Pacific. Militarily, the aim was to stress the enduring value of the alliance while resisting pressures to make a bigger contribution in Afghanistan. The range of Rudd’s ambitions for the relationship with the U.S. was displayed concisely in his statement announcing his first visit to Washington after Obama took office.

Sentence 1 - The “grip-and-grin” would be at the White House on March 24, 2009.

Sentence 2 - Top of the agenda: “A coordinated international response to the global economic crisis and how we can work together in Afghanistan.”

Sentence 3 - The second-layer issues would be climate change, nuclear disarmament, and the future shape of the Asia Pacific.

Sentences 4/5 - The oft-repeated rhetoric Canberra always hopes a U.S. president will buy or at least give some credence to: “Our alliance with the United States is the bedrock of our foreign and security policy. A strong relationship with the United States is critical for Australia’s future.”

The Australian fixation on Washington is shown by the caliber of the men (and always, so far, they have been men) sent as ambassadors to the U.S. The Australian ambassador to Washington since June, 2005, Dennis Richardson, is to return to Canberra to be secretary of the Department of Foreign Affairs and Trade. His replacement in Washington is Kim Beazley, twice leader of the Labor Party, and a former deputy prime minister and defense minister, who will take up the post in February 2010. Beazley said Australia always has an “immense and complex” agenda with the U.S., but the alliance enables Australia to speak “with the authority of a friend.” He said the Washington post “is just about the toughest ambassadorial job that we have – China, I suppose, is up there with it.”

The U.S. tradition is to send Canberra a friend of the president. Obama followed precedent by announcing in September that his ambassador to Canberra would be a friend of 20 years, Jeff Bleich, who was co-chair of Obama’s California campaign, a member of Obama’s national finance committee, and a member of his higher education group.

Bleich will quickly discover that fretting about the state of the relationship with the U.S. is a Canberra constant. One way of presenting this is to show how the U.S. figures in a couple of the key government documents of 2009 – the Defense White Paper and the Federal Budget Papers. The documents offer maps of how Australia sees the world. One way of presenting these maps is to seek the topography offered by the typography. In other words, see how countries rank by checking how often they are mentioned. This is the count of how many times the White Paper mentions these countries:

1. United States (79 mentions)
2. China (34)
3. India (30)
4. Indonesia (21)
5. Japan (18)
6. South Pacific (18)
7. New Zealand (15)
8. PNG (8)

Crude, yes, but a reasonable rundown on how Australia’s defense planners structure the world in their cogitations.

Now, apply the same test to the equivalent document in the Federal Budget Papers. The budget statement is the economic version of the Defense White Paper and expresses the Treasury view about the economic outlook for Australia and the world. A different order emerges:

1. China (17 mentions)
2. Japan (12)
3. United States (9)
4. ASEAN (7)

5. India (4)
6. Indonesia (2)
7. New Zealand (1)
8. South Pacific (0)

Apply the same measure to Australia's international development assistance budget and the horizon of the map comes much closer:

1. Pacific Islands (135 mentions)
2. Indonesia (55)
3. PNG (34)

China pops up seven times in AusAid's view of the world but the U.S. seems to miss out completely. The military and economic maps are one guide to the way the Rudd government has approached multilateral institutions such as the G20 and the prime minister's push for an Asia-Pacific Community.

The G20

Australia was an early advocate for using the G20 as the key institution to respond to the global financial crisis. Such a realignment would cement Australia's position at the top table. Canberra has always dismissed the G7/G8 as too Eurocentric. This disdain for the G8 is presented as part of Australia's advocacy for Asia, but also reflects a certain bitterness dating back to the unsuccessful effort by Prime Minister Malcolm Fraser to join the G7 back in the 1970s. After the Pittsburgh G20 summit, Prime Minister Rudd wrote: "Before the G20, global economic decision-making was dominated by the G8 – a small group of major economies mostly in Europe and North America. Australia was left out in the cold, cut off from the major economic decisions of our time."

The G20 grew out of the meetings convened by President Clinton in 1998 to discuss the Asian financial firestorm. A decade later, Asia went to Washington to talk about solutions to the American crisis. The Asian crisis was a chance for Australia to claim a place in a new grouping such as the G20. Rudd has used the global crisis of 2008 to elevate the G20 from a ministerial to a leaders' level. Rudd views the G20 as giving Australia a voice in decisions on the global economy: "The G20 brings together the established and the emerging powers ... The G20 bridges therefore the strategic and economic weight of the present and of the future. It is small enough to have efficiency but large enough to have legitimacy."

An Asia-Pacific Community

The Rudd argument for the G20 to provide global economic leadership echoes the approach he has taken in pushing for the creation of an Asia-Pacific Community. In seeking a new peak leadership structure for the Asia-Pacific, Rudd sparked a clash of wills with ASEAN, which has always claimed the driving role in the creation of Asian political and security institutions.

The first step in this argument was for Rudd to suggest that the Six-Party Talks could become a broad security mechanism for Asia to deal with the region's complex and fragile security future. And Australia, always keen to help, should be an early member of such a new security structure.

Rudd said the hard security problems in Asia needed a Northeast Asian flavor, in contrast to some of the approaches based in Southeast Asia, led by the 10 nations of ASEAN. He worried that ASEAN was creating new institutions that excluded the U.S. even though the U.S. and its alliance system had provided strategic stability in Asia for 30 years, allowing the region to focus on economics – to compete for market share rather than regional strategic superiority. In pushing for a new security mechanism, with roots in Northeast not Southeast Asia, Rudd put the ASEAN Regional Forum (ARF) in second place in his hierarchy, saying it could focus on broader issues such as energy security and natural disasters.

As he prepared to make his first visit as leader to Japan in May, 2008, he set out the challenges facing the creation of a new institution which he named the Asia-Pacific Community:

- Enhancing a sense of security community (“we have something to learn from Europe where centuries of animosity have been transformed into an unparalleled degree of transnational cooperation”);
- Developing a capacity to deal with terrorism, natural disasters and disease – problems that transcend national boundaries;
- Enhancing non-discriminatory and open trading regimes across the region in support of global institutions; and
- Providing long-term energy, resource, and food security.

Rudd said that APEC, the ARF, ASEAN Plus 3, and the East Asia Summit all had a positive role to play, but did not offer “the long-term vision for our region's architecture.” A new Asia-Pacific Community should include the U.S., Japan, China, India, Indonesia, and the other states of the region and should be able to go beyond dialogue and cooperation to agree on “action on economic and political matters and future challenges related to security.”

To try to persuade ASEAN it had to share the regional driver's seat, Rudd appointed a special diplomatic envoy with impeccable ASEAN credentials, former Secretary of the Foreign Affairs Department Richard Woolcott, who played a similar role in 1989 in the creation of APEC.

The vision for a Community by 2020 had quite a few moving parts, including a Free Trade Area of the Asia Pacific. While the European Union was not “an identikit model,” the region could learn from Europe's example. Woolcott's journey around the region as the prime minister's envoy produced one big conclusion: nobody was going to agree to create a new institution. Yes, an Asia-Pacific community or Community is a fine long-term aim. But whatever is to be created is going to spring from the institutions already on the stage. Woolcott said he found “enthusiasm” for the idea of a broader body for the region to deal with economic, political and strategic concerns, but “no new institutions,” was the primary response.

Twelve months after launching his regional conversation, Prime Minister Rudd had to refine his vision. When Rudd addressed the Shangri-La Security Dialogue in May 2009, the time had come to concede some points to ASEAN and re-shape the sales pitch. The speech was an excellent example of how a politician cuts his or her losses while moving on proclaiming progress. Throughout the printed text, the reference was to an Asia-Pacific community (APc), not his original Community. As Rudd put it, “No one wants more meetings. There is no appetite for additional institutions.”

The speech put ASEAN back at the center where it holds some veto rights. Rudd explicitly expressed this ASEAN role: “An APc could be seen as a natural broadening of the processes of confidence and community building in Southeast Asia led by ASEAN, while ASEAN itself would of course remain central to the region and would also be an important part of any future Asia Pacific community.” According to Rudd, the best way forward for an Asia-Pacific Community would be to build on to APEC or the EAS. The ASEAN refrain about Asian institutions being created by Asia suggests that the EAS is the leading candidate for expansion and leadership.

ASEAN free trade and the ASEM summit

The Rudd government has been forced to rediscover an old lesson of Australian diplomacy: you might not be able to do much with ASEAN, but without ASEAN you can do even less. Despite Rudd’s sparring with ASEAN over architecture, the relationship with Southeast Asia achieved two long-sought goals in 2009.

On Feb. 27, 2009, trade ministers met to sign the ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA), which will cover an area with a combined population of 600 million and GDP in 2008 estimated at A\$3.2 trillion. In many cases, the agreement locked in low or zero tariff rates and was described by Australia as “introducing a new safeguard against protectionism.”

AANZFTA is Australia’s first multi-country (plurilateral) FTA. It was the first time Australia and New Zealand have been involved jointly in negotiating an FTA with third countries. It was the first time ASEAN has embarked on comprehensive FTA negotiations covering all sectors including goods, services and investment, and intellectual property simultaneously. Australia claims the treaty is the most comprehensive trade agreement that ASEAN has ever negotiated. It also forced Australia and New Zealand to act together as a single economic entity in ways they’ve never had to attempt in dealing with the South Pacific. The Closer Economic Relations between Australia and New Zealand provided a starting base. But getting a common position between Canberra and Wellington pales compared with the 10-dimensional chess involved with getting a deal with ASEAN.

As always with ASEAN, this nominal trade deal is heavily weighted with political history. One ghost at the signing was former Malaysian Prime Minister Mahathir Mohamad. His skepticism about APEC hardened from the “recalcitrance” label applied by Paul Keating into an outright veto of any new ASEAN linkages with Australia throughout the 1990s. That’s why Australia was absent from the Asian side when the Asia-Europe summits started in 1996. And the

Mahathir veto prevented any effort to build a free trade agreement between ASEAN, Australia, and New Zealand. Mahathir's departure from office opened the way for work to start on the creation of AANZFTA.

The trade breakthrough was also crucial in getting the leaders of Australia and New Zealand through the door into the East Asia Summit. The prime ministers of Australia and New Zealand were invited to attend the ASEAN summit in Laos in 2004 to launch negotiations on an FTA. Attending the summit in Laos helped lay the ground for Australia and New Zealand to be on board the following year for the first East Asia Summit held – oh, joyous irony – in Malaysia.

Beyond the trade deal, the absence of a Malaysian veto also cleared the way for Australia to complete a 14-year quest to get a seat on the Asian side at the Asia-Europe summit. Australia will become part of the Asian team at the 8th ASEM summit in Brussels next year. Russia will join the European side. Foreign Minister Smith said ASEAN's invitation to Australia to join ASEM "reflects the Government's commitment to the strongest possible relations with our Asian neighbours" but also showed Australia's "strong and modern partnership with Europe."

ASEM happens every two years. For Asia, it ranks well below the annual gatherings of the East Asia Summit (EAS) and APEC. So the strange thing for Australia in getting to the top of the ASEM mountain is that it is really a case of conquering one of the lower peaks. Still, the symbolism of Australia lining up on the Asia side matters. There will be a moment of quiet triumph for Australia's leaders and diplomats in sitting with Asia to deal with Europe. For these purposes, Australia is now Asian.

Ah, but history can be messy. Australia's prime minister could use this first ASEM summit to lobby the European leaders for votes in support of Australia's quest for a seat on the UN Security Council. Whatever its Asian hankerings, Australia is still categorized as belonging to Europe when running in UN races. Australia is campaigning for a nonpermanent seat on the UN Security Council in 2013-14, trying for one of the two spots reserved for members of the Western European and Others Group. Thus, Australia's opponents for a Security Council seat are Luxembourg and Finland.

Defense and the "crucial" U.S.-China relationship

For the first time in Australia's history, its most important market is not also an alliance partner. Instead, it will be its major ally's strategic competitor, perhaps even challenger. The fear, as Rudd expressed it in early 2009, is of "a U.S.-China strategic fault line through East Asia. How well the U.S. and China manage their strategic relationship will be the single most important determinant of stability in East Asia."

Over the course of this year, the Rudd government has experienced some of the difficulties that an angry China can present. A series of economic and political problems arose between Beijing and Canberra. There was also a suspicion that China had decided that Australia had to be punished for signing up too publicly to a military hedging strategy aimed at China. In July and August, Beijing delivered a series of diplomatic cuts to drive home its displeasure with Canberra.

Chinese ministerial visits were called off, Australian ministers going to China were snubbed, and the Chinese media frothed about Australia's less-than-friendly attitudes.

The sore points include Tibet, a visit by a Uighur leader to Australia, tensions over the rejection or failure of Chinese investment bids in Australia, China's arrest of an Australian citizen on spying charges, and Australia's description of the military implications of China's defense modernization. Rudd's Chinese language skills may even cause difficulties, because of his ability to speak directly to China's citizens. *Lu Kewen*, as Rudd is known in Mandarin, gave a speech in Mandarin at Beijing University in April, 2008. He spoke of himself as a *zhengyou*, a true friend who "offers unflinching advice and counsels restraint" to engage in principled dialogue about matters of contention. On that occasion, the unflinching advice was about Tibet.

China has poured A\$34 billion dollars in investment into Australia's minerals sector over the past 18 months. But one spectacular takeover failure and a number of formal rejections of Chinese bids on national interest grounds have contributed to the perception of problems. China was upset at the defeat of what would have been its biggest overseas acquisition, a A\$19.5 billion bid by Aluminum Corp of China's for the mining company Rio Tinto. Chinalco's attempt to double its equity stake in Rio to 18 percent was defeated at the last moment by a counter bid by the Australian mining giant, BHP.

Almost exactly one month after the Chinalco bid crashed, Rio's Shanghai executive, the Australian citizen Stern Hu, and three Chinese colleagues were arrested on July 5 by China for suspected bribery and espionage. Australia has looked beyond the timing coincidence and urged China to follow due process and give Hu all his legal rights. In September, Rio Tinto suspended iron ore price negotiations with China, partly because of the continuing detention of Stern Hu. Rio had reached agreement with Japan and Korea for a 33 percent cut in the iron ore price for the year ahead, but China was pressing for a 40 percent cut on what it paid in 2008 contracts.

In September, Australia's foreign investment watchdog, the Foreign Investment Review Board, told China that its state-owned companies should set their investments in Australia's major mining producers at no higher than 15 percent. Reflecting the views of its political masters in Canberra, the Board said it wanted Australian mining assets to stay mostly in private hands, not in bodies controlled by the Chinese government.

Board director Patrick Colmer said one of the board's big concerns was maintaining a "market-based system" in Australia's major export industries. To emphasize its concerns – and its powers – the Investment Board has rejected a number of Chinese investment proposals. Some of those rebuffs have been because the Australian Defense Department declared that proposed mines were too close to strategically important sites in Australia.

Australia still has a big appetite for Chinese investment, as Colmer made clear: "In the last 18 months though we have processed around 90 separate Chinese investment proposals for a total of some A\$34 billion...Most of them have gone through without any problems, without any concerns." In the previous period Chinese investment had reached only A\$7.5 billion. The trend means China is set to be the third-largest investor in Australia, behind the U.S. and Britain.

Just after its first birthday, the Rudd government offered a formal picture of how it views the world through its first National Security Statement. The biggest departure from the Howard Government in language and tone was the relative demotion of terrorism and the promotion of climate change as security issues. The language in the statement seemed to put terrorism on par with a range of other scourges, from people smugglers and organized crime down to the need for E-security against cyber attacks. Terrorism, Rudd said, was “likely to endure as a serious ongoing threat for the foreseeable future,” posing a direct threat to Australia. But there was no “likely” qualification about global warming. Climate change was “a most fundamental national security challenge,” calling for “the formal incorporation of climate change within Australia’s national security policy and analysis process.”

The prime minister used the security statement to lay out the principles his government will use in confronting a rapidly changing global order:

1. Australian self-reliance.
2. The U.S. alliance as “fundamental” and the “key strategic partnership.”
3. Regional engagement so that the Asia-Pacific century is marked by a culture of cooperation, not a default to conflict.
4. Global institutions and a rules-based international order.
5. Australian creative middle power diplomacy.
6. A risk-based approach to setting priorities for defense, diplomacy and intelligence.

Rudd then offered an Australian geographic order for the “dawn of the Asia Pacific century.” The likelihood of conflict was low, but the future stability of the Asia-Pacific would rely on the continuing presence of the U.S. and the “crucial relationship” was between the U.S. and China. On the second tier reside Japan and India. The third tier encompasses Southeast Asia. On the fourth tier, the South Pacific (when he was in opposition, Rudd adopted the “arc of instability” label for the Islands).

The National Security Statement was a policy warm-up for the main event: the Defense White Paper issued on May 2, 2009, which gave formal sanction to the identification of China as the potential bogey. Or to put it another way, Australia’s military planners have decided to stop worrying about Indonesia and start worrying about China. The big strategic changes identified by Australia this decade were picked out in one sentence in the preface to the White Paper by the Defence Minister, Joel Fitzgibbon: “the rise of China, the emergence of India and the beginning of the end of the so-called unipolar moment; the almost two-decade-long period in which the pre-eminence of our principal ally, the United States, was without question.”

The minister’s description of the U.S. fall from its sole seat on top of the mountain becomes a discussion in the White Paper about how U.S. primacy will be tested. Australia describes the dilemma that would be posed by a U.S. that becomes preoccupied, stretched or constrained in its ability to project power: “While currently unlikely, a transformation of major power relations in the Asia Pacific region would have a profound effect on our strategic circumstances. Of particular concern would be any diminution in the willingness or capacity of the United States to act as a stabilising force.”

China keeps popping into the frame – implicitly and explicitly – as the unlikely-but-conceivable great power threat. The White Paper worries that over the next 20 years, major powers will clash dramatically in the approaches to Australia “as a consequence of a wider conflict in the Asia Pacific.” The language marked an official toughening of the Australian strategic assessment of China’s military expansion.

To chart this hardening of judgement, compare the previous White Paper in 2000 with the new effort. In 2000, China was the “fastest growing security influence in the region.” All that was envisaged were frank discussions with Beijing about “hard issues...such as different perceptions of the value and importance of the US role in the region.” Viewpoints might differ, but lots of talking was the solution. The 2009 version is much darker in its detail and direction. China is to be the “strongest Asian military power by a considerable margin.” China will develop the power projection capabilities of a “globally significant military.” The “pace, scope and structure” of China’s military modernization worries everyone else in the neighborhood. And, so far, nobody is convinced by Beijing’s explanations. Australia sees China developing a military machine going “beyond the scope of what would be required for a conflict over Taiwan.”

The U.S. and Australia are going to try to answer some of those questions by inviting China to take part in defense exercises. The Commander of U.S. Pacific Command Adm. Timothy Keating and Chief of the Australian Defence Force Angus Houston agreed during talks in Sydney on Sept. 1, 2009 to separately approach China’s Ministry of National Defense to hold exercises and develop military relations. “We are anxious to engage with them,” Adm. Keating told the *Melbourne Age* newspaper. “We would say, don’t stand in isolation in the Asia Pacific.” He said the exercises would start with small-scale naval and land activities, followed by personnel exchanges, and would mark a breakthrough for improving ties with China. He said Australia could play a “pivotal role” in encouraging greater Chinese openness and strengthening ties between Beijing and Washington. Australia and China held naval search-and-rescue exercises in 2007, along with New Zealand.

The Defense White Paper says that by 2030, the Australian Defense Force will have:

- 12 future submarines, doubling the current force of six. This would be Australia’s largest ever single defense project. The submarines will be capable of anti-ship and anti-submarine warfare, strategic strike, intelligence collection and support for special operations forces;
- Air-warfare destroyers and a new class of frigates to replace the ANZAC class ships, to provide enhanced anti-submarine warfare and air defense capabilities;
- New maritime-based land-attack cruise missiles to enhance the capabilities of the air warfare destroyers and future combat ships and submarines;
- New naval combat helicopters;
- Around 100 joint strike fighters;

- Around 1,100 new armored combat vehicles;
- Establish a cyber security operations centre.

Doubling the submarine force is about increasing an existing capability. Committing to cruise missiles changes Australia's offensive arsenal. Canberra has long agonized over the perception problems in Asia if it introduced cruise missiles to the equation. The White Paper acknowledges that this was once a deep concern to Australia's strategic thinkers with some lawyerly justifications. Acquisition of land attack cruise missiles is "fully consistent with Australian treaty obligations and customary international law." If that does not convince, then the clincher offered is that cruise missiles "will act as a hedge against longer-term strategic uncertainty."

As China rises, the White Paper lays to rest many of the nightmares about Indonesia that have haunted Australian military planning for decades. In the 2000 White Paper, Canberra's vision of Jakarta was clouded by tumultuous events: the fall of Suharto and the bloody birth of East Timor. Australia hoped to reach beyond past difference and "lingering misunderstandings." In the 2009 version, Australia can hardly believe its luck at the way the defense relationship "has broadened and matured into a sophisticated partnership." Even better, Australia's most important neighbor is, for the first time in its history, offering a democratic lead to the rest of ASEAN: "Indonesia has made remarkable gains in the past decade. It has managed a successful transition to multiparty democracy, embarked on the long journey of economic reform, and proven to be a strong partner in the fight against terrorism."

The White Paper is a reminder that the Labor Party always obsesses about geography and strategy in different ways than Liberal-National Coalition governments. The title of the document says a lot: *Defending Australia in the Asia Pacific Century: Force 2030*. The title of Labor's previous White Paper in 1994 was *Defending Australia*. This built on what is still a seminal document for the ALP, *The Defence of Australia* in 1987. The Howard government's White Paper in 2000 was geography-free, in the title anyway: '*Defence 2000: Our Future Defence Force*.'

The regionalist flavoring is spiced with a Labor swipe at the idea, which gained currency during the Howard government, of a globalist view of the U.S. alliance: "The Government recognises that Australia can and should play its part in assisting the United States in dealing with global and regional security challenges... However, we must never put ourselves in a position where the price of our own security is a requirement to put Australian troops at risk in distant theatres of war where we have no direct interests at stake." The tension between the protection of the alliance and its demands always runs through Australia's thinking about the U.S.

The eternal alliance questions, 30 years on

In 1978, the U.S. Vice President Walter Mondale visited Canberra and confronted a cockatoo chorus. He was standing on the terrace of the U.S. embassy, facing the row of television cameras to discuss his talks with the Fraser government. Behind the cameras stood a row of trees, holding dozens of cockatoos, big white birds with a yellow crest and a raucous cry. Midway through the press conference, something set off the cockies. Wave after wave of squawks rolled through the

chill May air. A couple of the TV cameras swung off Mondale to focus on the trees to get a shot of the screeching birds. Even at the end, as he turned and headed back inside the embassy, Mondale gave no hint that he was enveloped by a cacophony of cockatoos. Maybe Mondale was unmoved because the loud Australian birds merely reminded him of the ear bashing he had received the day before from Australian Prime Minister Malcolm Fraser.

The image of Mondale and the cockatoo chorus came to mind in January, 2009, as I read the 1978 Australian Cabinet papers, made public after 30 years when their secrecy classification was lifted. A cascade of documents had been prepared for Fraser to deal with Mondale – a 20-page Cabinet submission, plus 19 pages of talking points, plus another 35 pages of background briefing. If Fraser got through only a fraction his talking points, those cockatoos must have seemed to Mondale one of the milder forms of Canberra political wildlife.

The Mondale trip to Canberra was part of an Australian policy-panic about what was happening inside the polity of the great and powerful ally. The world shifts when administrations change in Washington, as Obama is again reminding both friends and foes. For Australia, there are useful lessons to be disinterred from the Cabinet discussions of 30 years ago as the Fraser government grappled with another surprising Democrat, President Jimmy Carter. The U.S. defeat in the Vietnam War changed many Canberra perspectives. The abiding message from 30 years ago, though, is the simple insight that a big ally can cause big surprises. And new presidents bring new administrations that try new things. The shock can cause the cockies to cry in far away capitals like Canberra.

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Nov. 24, 2007: Labor Party wins office in Australia's federal election.

Dec. 3, 2007: The first official act of the new Rudd government is to sign the instrument of ratification of the UN Kyoto Protocol on Climate Change.

Dec. 19, 2007: Australia announces a Special Envoy on Whale Conservation as part of the effort to urge Japan "to end the slaughter of whales in the Southern Ocean."

Jan. 18, 2008: For the first time, the Royal Australian Navy takes part in the biennial exercise, *MILAN*, hosted by India's Joint Military Command, located on the Andaman and Nicobar Islands in the Bay of Bengal.

Feb. 4, 2008: China and Australia hold their first bilateral Ministerial Strategic Dialogue to consider global issues and strategic outlooks in the Asia-Pacific.

Feb. 7, 2008: Indonesian and Australia bring into force the Australia-Indonesia Framework for Security Cooperation (the Lombok Treaty), a framework for security cooperation and defense, law enforcement, counter-terrorism, maritime security and emergency preparedness.

Feb. 11, 2008: East Timor rebels seriously wound President Jose Ramos Horta and attack a convoy carrying Prime Minister Xanana Gusmao. Ramos Horta is evacuated to Darwin Hospital and Australia sends extra troops to Dili.

Feb. 12, 2008: Papua New Guinea and Australia agree to extend the moratorium on mining and drilling in the Torres Strait for an indefinite period.

Feb. 15, 2008: Prime Minister (PM) Rudd flies to East Timor for talks with PM Gusmao.

Feb. 18, 2008: Defense Minister (DM) Joel Fitzgibbon announces a review of the adequacy of planning for Australia's Air Combat Capability.

Feb. 23 2008: Annual AUSMIN talks in Canberra involving Australia's Foreign Minister (FM) Stephen Smith and Defense Minister Fitzgibbon with the U.S. Secretary of Defense Robert Gates and Deputy Secretary of State John Negroponte.

March 6-8, 2008: PM Rudd visits Papua New Guinea and Solomon Islands. In Port Moresby, he announces "a new era of cooperation with the island nations of the Pacific."

March 27-April 1, 2008: PM Rudd visits the U.S. to meet President Bush and visit the UN.

March 27, 2008: Indonesia's DM Juwono Sudarsono meets DM Fitzgibbon for talks on the Australia-Indonesia Lombok Treaty on security cooperation.

April 3, 2008: PM Rudd attends a summit meeting of NATO Heads of Government in Bucharest to decide on ways to improve the International Security Assistance Force (ISAF) strategy and mission in Afghanistan.

April 9-12, 2008: PM Rudd visits Beijing to meet President Hu Jintao, Premier Wen Jiabao, and the new generation of leadership emerging from the 17th Party Congress.

April 13, 2008: The Queen announces that her new representative in Australia is to be Quentin Bryce. She is Australia's first female governor-general.

April 23, 2008: The 18th Australia-Papua New Guinea Ministerial Forum held in Madang.

April 26, 2008: Australia withdraws the additional 200 troops deployed to East Timor following the attack in February on President Ramos-Horta.

May 5, 2008: Australia's ambassador to Burma makes a plea directly to Burmese ministers to allow in international help to deal with the aftermath of Cyclone *Nargis*.

May 20, 2008: Australia expresses deep concern at "serious and credible threats" directed at the Australian High Commission in Suva and calls on Fiji's military regime to meet its obligations to protect diplomatic staff.

June 1, 2008: Australia's 550-strong battle group at Tallil in southern Iraq ceases operations.

June 23, 2008: The Australia-India Foreign Ministers Framework Dialogue is held in Canberra.

June 27, 2008: FM Smith, Japan's FM Koumura Masahiko, and Secretary of State Condoleezza Rice meet in Kyoto for the third ministerial meeting of the Trilateral Strategic Dialogue.

June 29-July 31, 2008: Australia participates in Exercise *RIMPAC 2008* in waters off Hawaii.

July 15, 2008: Secretary of Defense Gates meets DM Fitzgibbon to sign a treaty extending the U.S. use of the Harold E. Holt Naval Communication Station at Exmouth in Western Australia for another 25 years. The station provides communications for U.S. and Australian submarines.

July 24-25, 2008: Secretary of State Rice visits Perth.

Aug 2-3, 2008: Australia participates as an observer to the South Asian Association for Regional Cooperation (SAARC) in Colombo.

Aug. 18, 2008: Australia launches a three-year Pacific Seasonal Worker Pilot Scheme for 2,500 workers from Kiribati, Papua New Guinea, Tonga and Vanuatu, to do horticultural labor in regional Australia.

Aug. 26, 2008: The 6th Australia-Vietnam Human Rights Dialogue is held in Canberra.

Aug. 30, 2008: In Vietnam, an investigation team finds the grave and ID tags of the last Australian soldier unaccounted for from the Vietnam War.

Sept. 5, 2008: Gillian Bird, a deputy secretary of Foreign Affairs, is appointed Australia's first ambassador to ASEAN.

Sept. 24, 2008: Australia has defense talks with NATO's Defense and Security Committee on developments in Afghanistan.

Sept. 24, 2008: FM Smith chairs a meeting at the UN of member States of the Comprehensive Nuclear Test Ban Treaty.

Oct. 9, 2008: Philippines-Australia Ministerial Meeting in Manila.

Nov. 12, 2008: The 9th Australia-Indonesia Ministerial Forum in Canberra.

Nov. 15, 2008: G20 summit in Washington.

Nov. 25, 2008: Indonesia and Australia announce the creation in 2009 in Jakarta of the Australia-Indonesia Disaster Reduction Facility to support Southeast Asia disaster management. The facility will cost U.S.\$42 million over its first five years.

Nov. 27, 2008: The Asia Pacific Centre of Excellence for Civil-Military Cooperation opens near Canberra.

Dec. 4, 2008: Australia's first National Security Statement is published. Maj. Gen. (ret.) Duncan Lewis appointed to the new position of national security adviser to the prime minister.

Dec. 4, 2008: Australia signs Treaty on Cluster Munitions.

Dec. 10, 2008: Indonesian President Yudhoyono and PM Rudd co-chair Bali Democracy Forum.

Dec. 10, 2008: The Pacific Islands Forum Ministerial Contact Group visit Fiji for "talks aimed at restoring democracy and the rule of law to Fiji."

Dec. 18, 2008: PM Rudd visits Australian troops serving in Tarin Kowt, Afghanistan.

Dec. 18, 2008: Australia-Japan Joint Foreign and Defense Ministerial Consultations in Tokyo.

Dec. 23, 2008: Fiji expels the Australian South Pacific Defense Advisor based at Australia's embassy in Suva.

Dec. 24, 2008: Bangladesh and Australia sign a Counter Terrorism Agreement.

Jan. 27, 2009: Australia announces Pacific Partnerships for Development with Solomon Islands and Kiribati.

Feb. 26, 2009: The UN Mission mandate in East Timor is renewed until Feb. 26, 2010.

Feb. 27, 2009: Trade ministers meet to sign the ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA).

March 3, 2009: Annual talks between prime ministers of New Zealand and Australia agree on strengthened trans-Tasman cooperation.

March 5, 2009: South Korean President Lee Myung-bak visits Canberra for the Australia – Republic of Korea Joint Statement on Enhanced Global and Security Cooperation.

March 24, 2009: President Obama and PM Rudd meet at the White House.

April 2, 2009: G20 summit in London.

April 9, 2009: FM Smith and DM Fitzgibbon in Washington for annual AUSMIN talks with Secretary of State Hillary Clinton and Secretary of Defense Gates.

April 14, 2009: Allan Gyngell, founding executive director of the Lowy Institute for International Policy, becomes director-general of the Office of National Assessments in the Prime Minister's Department.

April 14, 2009: Indonesia and Australia co-chair Bali meeting on regional cooperation to strengthen borders to combat people smuggling.

May 1, 2009: Fiji suspended from the Pacific Islands Forum.

May 2, 2009: Australian Defense White Paper released.

May 8, 2009: The inaugural Australia-Thailand Joint Commission on Bilateral Cooperation meets in Perth.

May 19, 2009: Australia's signs the United Nations Optional Protocol to the Convention Against Torture and announces it will enact a specific Australian law against torture.

May 26, 2009: ASEAN announces that Australia will join the Asian side at the Asia-Europe summit to be held in Brussels in 2010.

May 27, 2009: Australia announces Pacific Partnership for Development with Vanuatu.

May 29, 2009: PM Rudd addresses the Shangri-La Dialogue in Singapore.

April 2, 2009: G20 summit in London.

April 29, 2009: Australia adds an extra 450 troops to its force in Afghanistan.

June 10, 2009: The 19th Australia-Papua New Guinea Ministerial Forum in Brisbane.

July 5, 2009: Mining executive and Australian citizen Stern Hu and three Chinese colleagues are arrested by China for suspected bribery and espionage.

July 7, 2009: PM Rudd accompanies FM Smith to Kuala Lumpur to mark the inaugural Australia-Malaysia Foreign Ministers' Meeting.

July 12, 2009: Australia implements new UN sanctions against North Korea.

July 22-23, 2009: In Thailand, the 16th ASEAN Regional Forum (ARF), the ASEAN-Australia Post Ministerial Conference, the East Asia Summit (EAS) Foreign Ministers' Consultations, and the Trilateral Strategic Dialogue among Australia, Japan, and the U.S.

July 27, 2009: Australia's foreign affairs, defense, and trade ministers in Singapore for the Joint Ministerial Committee with Singapore.

Aug. 5, 2009: Annual Pacific Islands Forum in Cairns.

Aug. 10, 2009: Australian Forces in southern Afghanistan kill Mullah Abdul Karim, "a tactical-level insurgent commander active in the Khaz Oruzgan area and known to be directly responsible for numerous attacks against Australian and Afghan forces."

Aug. 12, 2009: Australia ratifies the Third Additional Protocol to the Geneva Conventions.

Aug. 15, 2009: PM Rudd speaks to the Australian-American Leadership Dialogue in Melbourne.

Aug. 22, 2009: The first Australia-New Zealand Joint Cabinet Meeting is held in Sydney, chaired by the two prime ministers.

Sept. 1, 2009: U.S. and Australia agree to invite China to take part in trilateral defense exercises.

Sept. 1, 2009: Fiji is suspended from the Commonwealth because of the military regime's refusal to commit to a prompt return to democracy.

Sept. 7, 2009: General Secretary of the Central Committee of the Communist Party of Vietnam Nong Duc Manh has talks in Canberra with the Australian Cabinet.

Sept. 12, 2009: President Obama's nominates Jeff Bleich as new U.S. ambassador to Australia.

Sept. 17, 2009: Former Labor leader Kim Beazley is appointed Australia's ambassador to the United States. Former Liberal leader and Defense Minister Brendan Nelson is appointed ambassador to the European Communities (and to Belgium and Luxembourg), Australia's representative to NATO, and Special Representative to the World Health Organization.

Sept. 21, 2009: Trilateral Strategic Dialogue Ministerial Meeting in New York among FM Smith, Japanese FM Okada Katsuya, and Secretary of State Clinton.

Sept. 22, 2009: Trilateral Ministerial Meeting between Indonesia, Australia, and East Timor.

Sept. 24–25, 2009: G20 summit in Pittsburgh.

About The Contributors

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Graeme Dobell has been reporting on Australian and international politics, foreign affairs and defense, and the Asia Pacific since 1975. He currently writes The Canberra Column for The Interpreter, the blog of the Lowy Institute. Previously, he was the ABC's South East Asia radio correspondent in Singapore and was the Canberra-based Foreign Affairs & Defense Correspondent for Radio Australia from 1978 to 2008, reporting also for ABC radio news and current affairs programs. In April 2008 became Radio Australia's Associate Editor for the Asia Pacific. Assignments in his career as a correspondent have included the Falklands War, coups in Fiji, Thailand, and the Philippines, Beijing after the Tiananmen Square incident, and the return of Hong Kong to China. He is the author of "*Australia Finds Home — the Choices and Chances of an Asia Pacific Journey*," published in 2000.

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