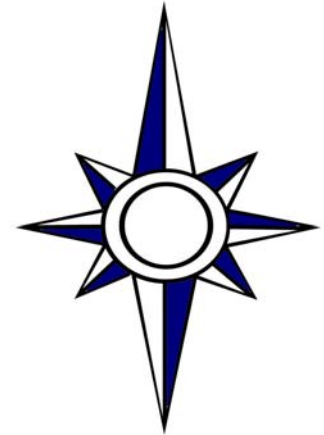




Pacific Forum CSIS



*Comparative  
Connections*



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

*edited by*

Carl Baker  
Brad Glosserman

4th Quarter (October-December) 2009  
Vol. 11, No.4  
January 2010

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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 annual budget. The Forum's studies are objective and nonpartisan and it does not engage in classified or proprietary work.

# **Comparative Connections**

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# Comparative Connections

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 US, 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 Carl Baker and Brad Glosserman, 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 US.

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

The last quarter of 2009 raised hopes for developments in China’s relations with both Koreas. Chinese Vice President Xi Jinping received head-of-state treatment during his visit to South Korea where he presented proposals to further the China-ROK strategic cooperative partnership, including pressing for a free trade agreement. President Lee Myung-bak and Premier Wen Jiabao held bilateral talks in Beijing on the sidelines of the China-ROK-Japan trilateral summit, which Lee used to promote his “grand bargain” on North Korean denuclearization. There were also several exchanges between China and the DPRK. Premier Wen led a large delegation to Pyongyang where he was warmly hosted by Kim Jong-il and proposed a comprehensive set of deals with North Korea. Following Wen’s visit, Kim Yang-gon, Pyongyang’s official in charge of inter-Korean relations, visited China. President Hu Jintao reportedly extended a formal invitation to Kim Jong-il to visit China “at a convenient time” at his meeting with Choe Thae-bok, secretary of the Workers’ Party of Korea Central Committee and one of Kim’s closest aides.

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Relations between Japan and the two Koreas were relatively uneventful in the final quarter of 2009. The new Hatoyama government quickly began to show more attention to its relations with its East Asian neighbors and hinted at a small change in priorities with respect to North Korea. South Korea and Japan said mostly all the right things, even while substantively it seemed fairly clear that they continued to have very different opinions about territorial and historical disputes. However, no real movement or dramatic changes came about during the quarter, setting the stage for 2010 – the 100<sup>th</sup> “anniversary” of Japan’s annexation of Korea.

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# Comparative Connections

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



*Regional Overview:*  
*They're Baaaack!\**

*Ralph A. Costa, Pacific Forum CSIS*  
*Brad Glosserman, Pacific Forum CSIS*

The US is back in Asia! This was the central theme of President Obama's major Asia policy speech, delivered in Tokyo on the first leg of a four-country swing through Asia this past quarter. North Korean "Dear Leader" Kim Jong-il also hinted that Pyongyang might come back to the Six-Party Talks after a visit to the North Korean capital by Special Envoy Stephen Bosworth. Kim did not meet Bosworth but he did meet with Chinese Premier Wen Jiabao at the beginning of the quarter, signaling that he too was back from the death bed many had placed him in.

While Washington's commitment to multilateral cooperation was renewed at the Asia Pacific Economic Cooperation (APEC) leaders meeting, whether or not APEC is back (or ever arrived), remains to be seen. Obama did revive and follow through on the Bush administration's earlier unrealized plan to convene the first-ever full ASEAN-US summit meeting. Historic rivalries within Southeast Asia also returned to the front-burner as Thailand and Cambodia turned up the heat against one another in a very un-ASEAN way. Asia's economies also appear to be returning from the dead while Australian Prime Minister Kevin Rudd's proposal for a new Asia-Pacific Community refuses to die, despite an apparent lack of enthusiasm for this idea within and beyond ASEAN.

## **North Korea: a light at the end of the tunnel?**

The third quarter ended with Pyongyang insisting that it would never come back to the Six-Party Talks, even while proclaiming that it was not abandoning the concept of denuclearization, only the means by which it could be accomplished: "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 [nuclear energy] development."

Pyongyang made it clear it was prepared to enter into direct bilateral negotiations with Washington – as one nuclear weapon state to another – but that it was "forever" abandoning the

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\* For those not steeped in American movie history, "they're baaaack" was a famous line proclaimed by a little girl (played by the late Heather O'Rourke) in *Poltergeist II*, the 1986 cult classic about evil spirits invading a suburban home. Hopefully America's "return" to Asia was a more welcome event but one can argue that there is still only a ghost of a chance that Pyongyang's return to the Six-Party Talks (if and when it actually occurs) will lead to Korean Peninsula denuclearization.

Six-Party Talks involving North and South Korea, China, Japan, Russia, and the United States since, to them, denuclearization was strictly an issue between the US and North Korea.

The first shift in the North's absolute rejection of a resumption of six-way talks came during Chinese Premier Wen Jiabao's visit to Pyongyang in early October. Wen proclaimed a breakthrough of sorts in announcing that the North was now "willing to attend multilateral talks, including the Six-Party Talks." This was predicated, however, on "progress" in US-DPRK bilateral negotiations – an official (North) *Korean Central News Agency (KCNA)* account of the discussion noted that the North "expressed our readiness to hold multilateral talks, *depending on the outcome of the DPRK-US talks*" [emphasis added] making it clear which was to come first.

Skeptics were quick to point out that even this small gesture seemed to be a costly one, with Wen announcing a new \$20 million aid and development package that many viewed as violating UN Security Council Resolution (UNSCR) 1984 mandatory sanctions. South Koreans further worried (as did your two authors) that the increased Chinese aid, apparently with no strings attached, undercut President Lee Myung-bak's "grand bargain" proposal, which promised a large package of economic and developmental assistance, but was predicated on a demonstrated commitment to denuclearization. If Washington was upset about this apparent reversal in China's approach toward Pyongyang (as it should have been) it did not say so publicly, instead praising Beijing's diplomatic initiative.

Prior to the Wen visit, Beijing had been following a more hardline approach, consistent with Washington, Seoul, and Tokyo. Some speculate that Beijing read (or, more accurately, misread) the visit to Pyongyang by former US President Bill Clinton to retrieve the two US journalists (see last quarter's issue for details) as a signal that the US was going to abandon its hardline approach and Wen's visit was aimed at keeping China ahead of this curve. Reports too numerous to discount revealed a fierce policy debate in China over the summer about how tough a stance Beijing should take toward Pyongyang. The softliners apparently won that debate.

Washington and Seoul continued to play hard to get, however, insisting that strictly enforced UNSC sanctions would remain until there was demonstrated progress toward denuclearization. For its part, Washington rejected Pyongyang's insistence on bilateral "negotiations," while not ruling out a visit to Pyongyang by Ambassador Bosworth to explain the necessity of returning to the Six-Party Talks. That visit took place in mid-December and resulted in an announcement from *KCNA* that both sides "reached a series of common understandings of the need to resume the Six-Party Talks and the importance of implementing the September 19 [2005] Joint Statement," which laid out the agreed-upon six-party denuclearization plan.

The North did not specify and has yet to agree to a date for the resumption of talks. It merely noted that "through working and frank discussion the two sides deepened the mutual understanding, narrowed their differences, and found not a few common points." Apparently they still found some uncommon points since *KCNA* announced that "both sides agreed to continue to cooperate with each other in the future to narrow down the remaining differences."

Bosworth was careful not to proclaim this positive step to be a real breakthrough and hinted that an additional bilateral meeting or meetings might be necessary before the Six-Party Talks

resumed. His three-day visit, which he insisted (without North Korean objection or correction) “took place within the framework of the six-party process,” was aimed solely at bringing Pyongyang back to the Six-Party Talks: “It is important to point out that these were exploratory talks, not negotiations,” Bosworth stressed to reporters upon his return from meeting DPRK Vice Foreign Minister Kang Sok Ju and senior nuclear envoy Kim Gye Gwan.

Pyongyang put a different spin on the meeting, insisting that “both sides had a long, exhaustive, and candid discussion on wide-ranging issues including the conclusion of a peace agreement, the normalization of the bilateral relations, economic and energy assistance, and the denuclearization of the Korean Peninsula.” During a post-visit press conference, Bosworth acknowledged that he underlined Washington’s willingness to help bring North Korea into the international fold and that discussion of a peace treaty could take place within the six-party framework: “As President Obama has made clear, the United States is prepared to work with our allies and partners in the region to offer North Korea a different future.”

There was an important caveat, however: “The path for North Korea to realize this future is to choose the door of dialogue in the Six-Party Talks and to take irreversible steps to achieve the denuclearization of the Korean peninsula.” He also made it clear that Washington was “not going to negotiate on any of these issues until we’re back at the table in the six-party framework” while noting that “there is ample opportunity for continued bilateral engagement and dialogue under the framework of the six-party process.”

Bosworth also made it clear that the lifting of UN sanctions was “a decision that was taken by the international community,” not by the U.S. alone and that “the formula for revision of the sanctions is quite clear.” The lifting of sanctions first requires Pyongyang not only to come back to the six-party process but to “resume significant progress on denuclearization.” At that point, “the Security Council will evaluate the status of the sanctions.”

The quarter ended on a potentially positive – dare we say hopeful? – note, with Pyongyang proclaiming in its annual New Year’s message that “it is the consistent stand of the DPRK to establish a lasting peace system on the Korean Peninsula and make it nuclear-free through dialogue and negotiations.” The *KCNA* statement noted that “the fundamental task for ensuring peace and stability on the Korean Peninsula and in the rest of Asia is to put an end to the hostile relationship between the DPRK and the USA.” It contained none of the invective or recriminations that often characterize *KCNA* statements regarding the US or South Korea and seemed to be extending an olive branch to Seoul as well: “Unshakable is our stand that we will improve the North-South relations and open the way for national reunification.” Of course, it also called on Lee Myung-bak to honor his predecessors’ agreements to send aid to North Korea and noted that its nuclear test and “successful” satellite launch (witnessed by no one else but themselves) “were a landmark event signaling the first victory in the building of a prosperous nation.”

### **Obama’s message to Asia: we’re back!**

Not surprisingly, the comments made by Ambassador Bosworth before, during, and after his Pyongyang visit were entirely consistent with the comments on North Korea made by President

Obama in his first major Asia policy address, delivered in Tokyo during his first visit to Asia in early November. His remarks included the promise of “a future of greater security and respect” if Pyongyang would return to the Six-Party Talks, uphold previous commitments, including a return to the Nuclear Non-Proliferation Treaty, and agree to “the full and verifiable denuclearization of the Korean peninsula.”

The president’s message to the rest of Asia was a simple one: “America is back!” Members of the George W. Bush administration could make the argument, convincingly in our view, that we never left, but there was a perception of benign neglect as the global war on terrorism and Iraq and Afghanistan reconstruction efforts seemed to divert Washington’s attention from East Asia. While one could see President Obama as equally preoccupied – with his efforts to push through a universal health care program added to the Afghanistan/Iraq/ counter-terrorism mix – his four-country swing through Asia, in conjunction with the APEC leaders’ meeting, provided an opportunity to build upon the fundamentals – the centrality of the US alliance network, the need for a cooperative, constructive relationship with China, and the growing importance of ASEAN in general and multilateral cooperation in general – that have been supported by past Democratic and Republican administrations alike.

With few exceptions, President Obama’s Asia policy pronouncements reflected “more of the same” and, hopefully, “much more of the same” when compared to the Bush administration’s Asia policies. Rather than reverse course, the focus was on building upon the existing base to take relations with Asia to the next level. We will leave it to the bilateral chapters to look in more detail at his visits to Japan, China, Korea, and with ASEAN and will focus here on the policy pronouncements contained in his Nov. 14 Tokyo speech.

In this major policy address, America’s self-described “first Pacific President” (based on his Hawaii roots) underscored both the central role of the US bilateral alliance structure in Asia – with Korea, Australia, the Philippines and Thailand, as well as “our close friendship with Japan – which will always be a centerpiece of our efforts in the region.” In an obvious rejoinder to frequently heard complaints in Beijing about the US alliance network being a “leftover” from history or representing a “Cold War mentality,” Obama pointed out that “alliances are not historical documents from a bygone era, but abiding commitments to each other that are fundamental to our shared security.”

Prior to his trip, President Obama had referred to the Japan-US partnership as one of “equals,” and “not a senior-vs-junior partnership,” clearly playing to Prime Minister Hatoyama Yukio’s proclamations about wanting a greater say in the alliance. In truth, a “more equal” relationship is exactly what Washington has been seeking, one in which Japan sees itself as playing a more active security as well as economic role globally in support of common objectives. He noted that he and Hatoyama had both been elected “on the promise of change,” and that both were “committed to providing a new generation of leadership for our people, and our alliance.” He even tried (unsuccessfully – see the U.S.-Japan chapter) to defuse the most contentious alliance issue by agreeing to a “high-level working group” to discuss Okinawa relocation issues, even while making it clear that he was committed to the overall Japan base restructuring plan negotiated under the direction of Bush’s and his defense secretary, Robert Gates.

President Obama also expressed support, both in his Tokyo speech and upon arrival at the APEC leaders meeting in Singapore, for Asia-Pacific multilateral institutions. It was here he distinguished his policies from those of his predecessor: “I know that the United States has been disengaged from these organizations in recent years. So let me be clear: those days have passed.”

In fairness, George W. Bush was a perfect eight-for-eight when it came to APEC, something his predecessor could not claim. But perceptions trump reality and Obama’s assertion reinforced the “America is back” message that he wanted to deliver (and that most of Asia wants to hear). He also reaffirmed the longstanding US preference for multilateral mechanisms that include the US: “the United States expects to be involved in the discussions that shape the future of this region, and to participate fully in appropriate organizations as they are established and evolve.”

He did not specifically address Prime Minister Hatoyama’s support for an East Asia Community that presumably would exclude the US. Nor did he address Australian Prime Minister Kevin Rudd’s earlier proposal for a more inclusive Asia-Pacific Community, which would presumably include the US. Rudd sponsored a major gathering in Sydney in December to further explore and refine his proposal but it is not clear how it differs from the ongoing East Asia Summit (EAS), absent the lack (thus far) of US participation and the apparent removal of ASEAN from the driver’s seat, a characteristic that has the countries of ASEAN less than fully enthused about the proposal.

The event that captured the most headlines in Singapore – for all the wrong reasons – was President Obama’s summit with the 10 members of ASEAN. Again, this is part of a continuing effort to build closer ties with Southeast Asia. A similar summit had been planned two years ago but was scrubbed when President Bush had to rush home to deal with Iraq rather than continue on to Singapore after the 2007 APEC leaders meeting in Sydney.

The first full ASEAN-US summit placed a US president and Burmese prime minister in the same room at the same time. It helped underscore one major policy difference with his predecessor: his willingness to outstretch his hand to those who are prepared to unclench their fist. In his Tokyo speech he noted: “We support a Burma that is unified, peaceful, prosperous, and democratic. And as Burma moves in that direction, a better relationship with the United States is possible.”

Even here, the objective remains the same as in previous administrations: promoting free and fair elections (as promised by the Burmese leadership) and obtaining the release from house arrest of Aung San Suu Kyi. This openness to dialogue with Burma also opens the door for Washington and the other nine members of ASEAN to craft a more unified policy toward Burma aimed at achieving these twin goals.

President Obama’s visit to Shanghai and Beijing helped set the tone for a “spirit of partnership” between China and the US. In his Asia policy address in Tokyo, President Obama defined the parameters of the relationship, noting that “in an inter-connected world, power does not need to be a zero-sum game, and nations need not fear the success of another.” He acknowledged that Washington and Beijing “will not agree on every issue,” and that his administration “will never waver in speaking up for the fundamental values that we hold dear.” But, he asserted, “the United States does not seek to contain China,” further noting that “the rise of a strong,

prosperous China can be a source of strength for the community of nations.” Obama seems determined to take China-US relations to the next level of cooperation on strategic as well as economic and environmental issues. It remains an open question, however, just how prepared Beijing is to take “yes” for an answer and truly cooperate on issues of importance to the Obama administration, such as nonproliferation (read: Iran and North Korea) and climate change.

President Obama’s above-referenced comments on North Korea, along with a stern warning that the US would continue to apply sanctions without movement on denuclearization, demonstrated that he remained in lock-step with ROK President Lee Myung-bak and helped set the tone for a constructive, largely non-contentious visit to Seoul. President Obama even hinted that there may finally be some progress on the one remaining sore point in US-ROK relations: the failure of his administration to deliver on the Korea-US (KORUS) Free Trade Agreement (FTA) negotiated by their predecessors and strongly supported by Lee. In his Tokyo speech he noted: “Together, with our South Korean friends, we will work through the issues necessary to move forward on a trade agreement with them.”

In sum, Obama’s first major Asia policy address sent the clear message that “America is back,” especially in preserving and strengthening its Asian alliance relationships, constructively engaging with China and with regional multilateral forums, and pursuing regional and global nonproliferation and disarmament agendas. Thus far, he seems to be practicing what he preaches.

As we approach the end of President Obama’s first year in office, we think it is fair to say that, with one important exception, US relations with the countries of East Asia are better today than when he took office. This is no small accomplishment since, again with one (different) exception, relations were already quite good; as argued earlier, the Bush administration left Asia in pretty good shape.

The two exceptions are obvious. The one relationship that has gotten worse under President Obama is perhaps the most important one, between Washington and Tokyo. The fault lies primarily (but not exclusively) with Japan; a new government took power, led for the first time ever by the Democratic Party of Japan (DPJ), which ran against the policies of the past. While Prime Minister Hatoyama still pays rhetorical allegiance to the US-Japan alliance relationship as the foundation of his foreign policy, in practice tensions have grown over his apparent decision to consider walking away from a base relocation agreement negotiated between the Bush administration and the prior Liberal Democratic Party-led government which was accepted – as any government-to-government agreement should have been – by the Obama administration. As we approach the 50<sup>th</sup> anniversary of the alliance (Jan. 19, 2010), both sides are trying hard to get the relationship back on track. This will require some patience on Washington’s part and some political courage on Tokyo’s. Putting off the decision on relocating Futenma Air Base until May solves little; bad news does not get better with age!

The Bush administration’s major Asian dark spot was North Korea, where efforts to craft a denuclearization agreement crumbled as Pyongyang walked away from earlier pledges to verifiably give up its nuclear weapons. Things quickly went from bad to worse as the North welcomed the Obama administration first with a long-range missile test and then with its second nuclear-weapon test (the first was in October of 2006) amid pledges to never return to the Bush-



initiated Six-Party Talks. In the face of strict United Nations sanctions and a consistent hardline approach from Washington and Seoul, the North now appears to be relenting at least on the latter point, and the prospects of a resumption of dialogue now appear good (even though the prospects of actual denuclearization are as low as ever).

In short, as President Obama looks back on his first year, he can be generally pleased with his Asia policy. But, his first order of business for the new year is getting US-Japan relations back on track, sustaining the positive momentum on both halves of the Korean Peninsula and in Southeast Asia, and then testing Beijing's sincerity about being a "responsible stakeholder," a term (and aspiration) left over from the Bush years and a hope still largely unfulfilled.

### **The joy of sassiness**

Relations between Thailand and Cambodia, troubled for some time now, erupted anew this quarter. In 2009, the longstanding dispute over the demarcation of the border near the Preah Vihear temple complex again triggered violence, as the two militaries exchanged fire on a couple of occasions. Fortunately, the incidents were contained and tamped down. The tension reflected efforts to use the dispute for domestic political purposes in each country. Cooler heads prevailed and the two governments put the dispute in perspective and moved on to other issues.

Passions were inflamed again in the last quarter of 2009 when Cambodian Prime Minister Hun Sen named Thaksin Shinawatra his personal advisor and a government economic advisor. Few moves could have been more provocative. Thaksin is the former prime minister of Thailand who was ousted in a coup in 2006 and subsequently sentenced to a two-year jail term for abuse of power after being tried by a Thai court in absentia in September 2008. Thaksin twice visited Cambodia last quarter; each trip triggered an extradition request from Thailand, and both were ignored by Hun Sen, who seems to have delighted in poking Thai authorities in the eye.

His provocations worked. Bangkok responded to Thaksin's appointment by withdrawing its ambassador from Phnom Penh; Cambodia reciprocated the next day. Bangkok also tried to void a memorandum of understanding on a maritime boundary settlement signed when Thaksin was prime minister and suspended joint cooperation projects in the Gulf of Thailand. Thaksin added insult to injury by securing the pardon of a Thai air traffic control employee in Cambodia who had been convicted of spying after providing Thaksin's flight schedule to the Thai embassy. That triggered a round of tit-for-tat expulsions by the two governments.

The consensus is that Cambodia is "winning" this tiff. Hun Sen looks like a defiant leader fending off a powerful neighbor and he is ready to exploit Thaksin's business connections for both his country and his own personal gain. Thaksin has a platform to thumb his nose at Bangkok, and every Thai reaction gives him more publicity. For its part, the Thai government looks weak and ineffectual. Having withdrawn its ambassador and frozen talks, it is unclear what leverage Thailand has or how it can resolve the situation without losing face. ASEAN is another loser: the organization's unwillingness to address a contretemps of this nature makes it look feckless, exposing its noninterference policy as an excuse for shying away from substantive issues. This inaction only adds to the chorus of complaint that ASEAN is weak and has lost its sense of purpose. Meanwhile, the ASEAN Regional Forum (ARF), which is supposed to be

transitioning from a confidence building mechanism to a more proactive diplomatic role, remains silent on an issue that seems ideally suited for a preventive diplomacy intervention, provided both parties agree. To date, there is no indication they have even been asked.

## **Forever APEC**

The annual APEC leaders meeting convened in Singapore Nov. 14 and 15. The final declaration looks a lot like its predecessors. It reiterates the commitment to free trade, rejects protectionism, and recognizes the need for a long-term growth strategy that respects the diversity of APEC's members. In a departure from earlier documents, it endorsed the G20 Framework for Strong, Sustainable and Balanced Growth, a sign of the prominence that group now enjoys. APEC leaders promised to continue economic stimulus packages until there is a durable and sustainable recovery. And, like the G20, the leaders acknowledged that "growth as usual" is no longer an answer. "We need a fresh growth paradigm. We need a fresh model of economic integration."

Expectations for more than rhetoric were bound to be frustrated. The leaders called for "an ambitious outcome in Copenhagen," while dropping a proposal from early drafts that embraced sharp cuts in greenhouse-gas emissions to half their 1990-levels by 2050. They anticipated the outcome of the December climate talks in Copenhagen by calling for a political commitment to tackle climate change and leaving the details for negotiations in 2010 – after the original deadline for a deal had expired.

For a forum that is ostensibly devoted to economic and trade issues, the leaders' declaration was disappointing. Of course, they rejected "all forms of protectionism" and reaffirmed their "commitment to keep markets open and refrain from raising new barriers to investment or to trade." They pledged – stop us if you've heard this one before – to press for the successful conclusion of the Doha Round of trade talks by the end of 2010. But a group that accounts for 54 percent of global economic output must offer more than the same old rhetoric as the world grapples with the worst economic crisis since the Great Depression and trade talks remain deadlocked.

Instead the group will continue to explore an Asia-Pacific free trade area. In theory, that remains the APEC goal. This year's declaration noted the group will "continue to explore building blocks towards a possible Free Trade Area of the Asia Pacific (FTAAP). ... We look forward to the progress update from Ministers and officials next year on the outcomes of the exploration of a range of possible pathways to achieve FTAAP." Differences among the 21 APEC member economies mean progress toward that end will be fitful at best. To move them along, President Obama told the APEC leaders that his administration would pursue the Transpacific Partnership with a group of seven like-minded countries – Singapore, Chile, New Zealand, Brunei, Australia, Peru, and Vietnam – "to craft a platform for a high-standard, comprehensive agreement – one that reflects US priorities and values – with these and additional Asia-Pacific partners." Consider that as one more strand in the Asia-Pacific "noodle bowl" of economic agreements.

This list of complaints should look familiar. We – and others – roll them out after each summit. On the other hand, the APEC meeting does provide an opportunity for regional leaders to meet trans-Pacific counterparts: A substantial number of bilateral meetings occur on the sidelines of

the forum. While the benefits of this process can't be quantified, it would be churlish to say it doesn't have its benefits. And, if nothing else, the readiness of the US president to engage at APEC demonstrates the ongoing US commitment to the region. (Of course, when he doesn't show, it makes an equally powerful statement.)

### **Ever upward**

The economies of East Asia continue to post impressive results, prompting all sorts of commentary about the region's status as the pacesetter for the global economy and breathless speculation – again – about the coming Pacific Century. The premises are correct, even if the conclusions are not. The Asian Development Bank explained the reasons for optimism in a December update of the regional economic outlook, noting “The prospects for much of the region look rosier than they did in September when we last did a full study of the region. Fiscal and monetary stimulus policies and a moderate improvement in the G3 economies of Europe, Japan and the U.S. helped East Asia and Southeast Asia in particular.”

According to the bank, East Asia – China, Hong Kong, South Korea, Mongolia, and Taiwan – will register 5.1 percent growth in 2009 and 7.3 percent in 2010; those numbers represent upward revisions from 4.4 percent and 7.1 percent respectively. Southeast Asia will grow 0.6 percent in 2009 and 4.5 percent in 2010, an increase from the September forecasts of 0.1 percent and 4.3 percent. China's numbers are unchanged: the ADB expects 8.2 percent growth in 2009 and 8.9 percent in 2010. India's outlook is also bright: it is expected to register 7.0 growth in 2009, 1 percentage point higher than previously expected. The 2010 figures are unchanged, remaining at 7.0 percent.

The IMF's World Economic Outlook, published in October, provides an equally bullish picture for Asia. Overall, “Emerging Asia” will grow 5.0 percent in 2009 and 6.8 percent in 2010. China is a driving force in that expansion. Its economy is anticipated to show 8.5 percent growth in 2009, and 9 percent growth in 2010. India's picture is a little less bright: 5.4 percent in 2009 and 6.4 percent in 2010. The ASEAN 5 – Indonesia, Malaysia, Philippines, Thailand, and Vietnam – should grow 0.7 percent in 2009 and 4 percent this year. After shrinking 5.4 percent in 2009, the Japanese economy is forecast to expand 1.7 percent in 2010. South Korea's economy will shrink 1.0 percent in 2009, and grow 3.6 percent in 2010; that is fourth among “advanced economies,” lagging only Singapore and Taiwan in Asia.

In comparison, Morgan Stanley anticipates 10 percent GDP growth in China in 2010, and 8 percent growth in India. The ASEAN four economies – Singapore, Malaysia, Thailand and Indonesia – are expected to register no growth in 2009 and 4.8 percent in 2010. That is a little below the go-go years, but it is still impressive when compared to the rest of the world.

### **More noodles in the bowl**

Another important development last quarter was the inauguration of several free trade agreements. The *India-ASEAN FTA* in goods was signed on the sidelines of the ASEAN summit that convened in Bangkok Oct. 13. The deal will create an FTA of 1.7 billion people with a combined GDP of \$2.3 billion. It eliminates tariffs on more than 4,000 products, ranging from

electronic goods and textiles to chemicals and capital goods over six years. With bilateral trade between India and ASEAN already reaching \$48 billion in 2008, the FTA is expected to boost trade by \$10 billion in the first year alone. Beyond its economic significance, the FTA is symbolic as well. It is India's first multilateral trade agreement and a highpoint for Delhi's "Look East" policy, which is designed to tie India more tightly to East and Southeast Asia.

On Oct. 15, South Korea and the European Union (EU) initialed a free trade deal that could be worth as much as \$149 billion to both economies. South Korea is the EU's fourth largest trade partner, with the EU exporting a little more than \$38 billion in goods in 2008 and importing \$58.7 billion the same year. It is estimated that the agreement will quickly eliminate \$2.4 billion worth of Korean import duties annually for EU exporters of industrial and agricultural products, while the EU will eliminate around \$1.64 billion of duties. The deal is one of the most ambitious that the EU has ever signed – and could well reflect the boost given to South Korean negotiators after they concluded a deal with the US (even though the KORUS FTA has not been ratified by either legislature.) Seoul is reportedly contemplating a delay in ratifying the EU deal until after local and regional elections scheduled for June 2010 to bypass domestic opposition.

Jan 1, 2010 was the big day, though. The new year saw the *China-ASEAN Free Trade Area (CAFTA)* go into effect. By size – 1.9 billion people – CAFTA is the world's largest trade area; in terms of GDP (\$6 trillion, with \$4.5 trillion in inter-regional trade), it is number three, trailing NAFTA and the EU. Trade between the parties comprises 13.3 percent of global trade and half the total trade of Asia in 2008. The two regions attracted a combined 10 percent share of global foreign direct investment (\$167.3 billion) in 2008. The FTA will remove tariffs on 90 percent of traded goods in two phases: the six original ASEAN members (Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand), will cut the average tariff on Chinese goods from 12.8 percent to 0.6 percent. By 2015, the newer ASEAN members (Cambodia, Laos, Myanmar, and Vietnam) will follow suit. Of course, there are provisions that insulate some industries from competition. High-tariff items listed as "highly sensitive" (such as rice, cars, and petrochemical products) are subject to a slower schedule: the original ASEAN six have until 2015 to cut tariffs below 50 percent and the new members have until 2018.

Negotiated in 2003, signatories had seven years to prepare. During that time, China has surpassed the US to become ASEAN's third largest trade partner, trailing Japan and the EU. Trade between the two has exploded, expanding from \$59.6 billion in 2003 to \$193 billion in 2009. China's share of Southeast Asia's total commerce has nearly tripled during that time, increasing to 11.3 percent from 4 percent.

The deal has had unanticipated follow-on effects. While it couples China and ASEAN more tightly and allows Southeast Asian industry to benefit from China's voracious demand, it has also meant that ASEAN economies are feeling more directly the impact of Chinese competition. That has in some cases increased resentment of China in Southeast Asia. Ironically, it has also underscored the desire of ASEAN nations to see the US (and Japan) more deeply engaged with the region to balance China's growing weight and influence.

On Jan. 1, the *ASEAN-Australia-New Zealand Free Trade Agreement* also went into effect, creating a group of 600 million people with a combined GDP of \$2.8 trillion. The agreement will

cover about 70 percent of Australian trade with ASEAN (Australia and New Zealand have had an FTA since 1983) and will eliminate tariffs on 96 percent of Australian exports to ASEAN by 2020. ASEAN accounted for 15 percent of Australia's trade, and equals Canberra's trade with China, its largest trading partner. The FTA is Australia's first multi-country FTA. For New Zealand, ASEAN collectively is the country's fifth largest export market and fifth largest source of imports. The deal has entered into force for Brunei, Burma, Malaysia, the Philippines, Singapore, and Vietnam; Indonesia, Cambodia, Laos, and Thailand are expected to ratify the agreement in the first half of 2010.

We'll leave it to the professional economists to determine whether such arrangements are good for the global trade system. For our purposes, the proliferation of FTAs has profound consequences. The web of connections among various Asian associations is thickening. Economic ties are being strengthened. A community is emerging. If an Asian community is being created, economic links will shape its membership. It will be harder to exclude countries from a "political" community when they are intimately linked via economic agreements. In addition, there are security concerns that arise from the increasing permeability of borders. It may prove difficult to reconcile the need for stricter management of trade – a result of fears about proliferation of weapons of mass destruction, but also stemming from worries about transnational crime and various forms of illegal trafficking – with tariff-free trade. In theory, the two notions aren't contradictory. Practice may prove otherwise.

## **Regional Chronology**

### **October - December 2009**

**Oct. 1, 2009:** China celebrates the 60<sup>th</sup> anniversary of the Communist Party's victory in China's civil war with a massive parade in Beijing.

**Oct. 2, 2009:** Kurt Campbell, assistant US secretary of state for Asian and Pacific affairs, meets Burmese Health Minister U Thaung on the margins of the UN General Assembly.

**Oct. 4-6, 2009:** Chinese Premier Wen Jiabao visits North Korea and meets Kim Jong-il.

**Oct. 9-10, 2009:** Premier Wen, Japanese Prime Minister Hatoyama Yukio, and South Korean President Lee Myung-bak hold talks in Beijing on ways to boost economic cooperation and bring North Korea back to the negotiating table.

**Oct. 12, 2009:** North Korea fires five surface-to-surface *KN-02* missiles off its east coast.

**Oct. 12-14, 2009:** Russian Prime Minister Vladimir Putin visits China and meets Premier Wen Jiabao. They agree to increase coordination on global challenges, promote a new international financial order, and improve representation of developing countries and emerging economies.

**Oct. 13-29, 2009:** The US and India conduct a joint military exercise codenamed *Yudh Abhyas (Preparation for War)* in Uttar Pradesh, India.

**Oct. 15, 2009:** North Korea accuses South Korea of sending warships across their sea border and said the “reckless military provocations” could trigger armed clashes.

**Oct. 15, 2009:** The European Union and South Korea sign a free trade agreement. The agreement is expected to come into force in the second half of 2010.

**Oct. 23, 2009:** The US freezes the assets of North Korea’s Amrogang Development Bank, which it says is controlled by previously sanctioned Tanchon Commercial Bank. It also designates Tanchon bank president Kim Tong Myong as a proliferator of weapons of mass destruction and freezes his assets.

**Oct. 23, 2009:** The 15<sup>th</sup> ASEAN summit is held in Hua Hin, Thailand.

**Oct. 24, 2009:** Indian Prime Minister Manmohan Singh and Chinese Prime Minister Wen Jiabao meet on the sidelines of the East Asia Summit to discuss tensions between the two countries over their unresolved border dispute.

**Oct. 24, 2009:** ASEAN Plus 3 summit is held in Hua Hin, Thailand.

**Oct. 25, 2009:** East Asia Summit is held in Hua Hin, Thailand.

**Oct. 27-30, 2009:** Singapore hosts a Proliferation Security Initiative exercise named *Deep Sabre II*, which involves military and civil agencies from 22 countries practicing maritime interdiction strategies targeting vessels that transport weapons of mass destruction.

**Oct. 30, 2009:** *Yonhap* reports that the ROK National Intelligence Service (NIS) has identified the DPRK Telecommunications Ministry as the origin of a series of cyber attacks in July on state and private websites in the ROK and the US.

**Nov. 3, 2009:** North Korea announces that it has completed reprocessing spent fuel rods and that “noticeable successes have been made in turning the extracted plutonium weapons-grade [sic] for the purpose of bolstering up the nuclear deterrent in the DPRK.”

**Nov. 3-4, 2009:** Assistant Secretary of State Campbell and deputy Scot Marciel visit Burma ending a US policy of isolating the regime. During the visit they meet Premier Thein Sein and Aung San Suu Kyi.

**Nov. 4-6, 2009:** Cambodia announces that it has appointed former Thai Prime Minister Thaksin Shinawatra as economic adviser to Prime Minister Hun Sen. Thailand responds on Nov. 5 by recalling its ambassador to Cambodia. On Nov. 6, Cambodia announces the withdrawal of its ambassador to Thailand.

**Nov. 6-7, 2009:** Japanese Prime Minister Hatoyama hosts the leaders of Southeast Asia’s five Mekong River nations to discuss a range of regional issues.

**Nov. 6-7, 2009:** China hosts an international conference on efforts to protect shipping in the Gulf of Aden from Somali pirates. Attendees reportedly include representatives from “Russia, Japan, India, the European Union, and other countries’ marine forces, including NATO.”

**Nov. 9, 2009:** The eighth round of START replacement consultations between Russia and the US begins in Geneva.

**Nov. 13-14, 2009:** President Barack Obama visits Japan and meets Prime Minister Hatoyama.

**Nov. 14-15, 2009:** Asia Pacific Economic Cooperation (APEC) leaders meeting is held in Singapore.

**Nov. 15, 2009:** President Obama meets the leaders of the 10 ASEAN countries for the first-ever summit involving that group of countries.

**Nov. 15-18, 2009:** President Obama visits China with stops in Shanghai and Beijing and meets President Hu Jintao.

**Nov. 18-19, 2009:** President Obama visits Seoul and meets President Lee Myung-bak.

**Nov. 22-26, 2009:** China’s Defense Minister Liang Guanglie visits North Korea and pledges with Defense Chief Kim Yong-chun to strengthen the military alliance between the two countries. He also meets Chairman Kim Jong-il.

**Nov. 24-25, 2009:** Indian Prime Minister Manmohan Singh visits Washington and meets President Obama.

**Nov. 28, 2009:** Japan launches a satellite that has the ability to monitor DPRK military facilities through high-definition imagery.

**Dec. 8-13, 2009:** US Special Representative for North Korea Policy Stephen Bosworth visits Pyongyang, Seoul, Beijing, Tokyo, and Moscow in an effort to bring North Korea back to nuclear disarmament negotiations.

**Dec. 12, 2009:** Thai authorities seize 35 tons of weapons including explosives, rocket-propelled grenades, and components for surface-to-air missiles from North Korea and arrest five crewmembers of an *IL-76* aircraft for illegal possession of arms.

**Dec. 14-22, 2009:** Chinese Vice President Xi Jinping visits Japan, South Korea, Myanmar, and Cambodia.

**Dec. 15, 2009:** Prime Minister Hatoyama announces that he will postpone a decision on relocating an American military base on Okinawa until next year.

**Dec. 14-15, 2009:** Vietnamese Prime Minister Nguyen Tan Dung visits Russia and announces that contracts worth billions of dollars to purchase Russian submarines, fighter jets, and other military hardware were signed while he was in Moscow.

**Dec. 17, 2009:** Japan announces that it will suspend new funds for its missile defense system and delay the deployment of new *Patriot Advanced Capability-3 (PAC-3)* surface-to-air interceptors until after April 2011.

**Dec. 18, 2009:** Presidents Obama and Medvedev meet at the conclusion of the Copenhagen climate talks to discuss the negotiations on the replacement of START-1.

**Dec. 19, 2009:** Cambodia deports 20 Muslim Uighurs, who had fled the Xinjiang region after unrest erupted there in July and were seeking asylum in Phnom Penh.

**Dec. 21, 2009:** China signs pacts worth \$1 billion in aid to Cambodia and thanks Phnom Penh for its decision on Dec. 19 to deport a group of Uighurs seeking refuge back to China.

**Dec. 23, 2009:** Russia announces that Burma will purchase 20 *MiG-29* fighter jets.

**Dec. 25, 2009:** Liu Xioabo, a veteran Chinese human rights activist is sentenced to 11 years in prison “for inciting subversion of state power.”

**Dec. 27-30, 2009:** Japanese PM Hatoyama and a high-level delegation visit India to strengthen economic and security cooperation. He meets Prime Minister Singh and Sonia Gandhi, chief of the ruling Congress Party.

**Dec. 28, 2009:** Thailand begins repatriating 4,000 Hmong refugees to Laos despite pleas from the US, UN, and human rights groups.

**Dec. 30, 2009:** Former Indonesian President Abdurrahman Wahid dies.

**Jan. 1, 2010:** ASEAN-Australia-New Zealand Free Trade Agreement goes into effect, creating a group of 600 million people with a combined GDP of \$2.8 trillion.

**Jan. 1, 2010:** China-ASEAN Free Trade Area (CAFTA) goes into effect, creating a group of 1.9 billion people with a combined GDP of \$6 trillion.





*US-Japan Relations:*

*Adjusting to Untested Political Terrain*

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In the last quarter of 2009, the US-Japan alliance entered one of the greatest periods of uncertainty in recent memory. Many of the populist policy proposals of the Democratic Party of Japan (DPJ) fell by the wayside as the party settled into power after trouncing the Liberal Democratic Party (LDP) in August elections. Fiscal and political realities forced Prime Minister Hatoyama Yukio to shelve several key domestic pledges. On the foreign policy front, the new government announced Japan would terminate a naval refueling mission supporting coalition operations in Afghanistan, as it had pledged during the campaign, but unveiled a \$5 billion aid package focused on infrastructure and vocational training. President Obama and Prime Minister Hatoyama met in Tokyo in November to discuss Afghanistan and several other issues including North Korea, nonproliferation, and climate change. However, the summitry did little to conceal Washington's frustration with Tokyo's conflicting messages about the US-Japan alliance. Obama came away from the summit believing that Hatoyama had promised to implement the current bilateral agreement on realigning bases in Okinawa; instead, Hatoyama announced that he would make a decision on how to proceed in the late spring after exploring other options that the Obama administration and Hatoyama's own ministers of foreign affairs and defense had already dismissed as unrealistic. The Obama administration was also chagrined to see Hatoyama pledge to other Asian leaders that Japan would move forward with an ill-defined "East Asia Community" in order to reduce Tokyo's "dependence" on the United States. Public opinion polls in Japan revealed dissatisfaction with Hatoyama's approach to the Okinawa issue and his leadership skills overall, while opinions toward the US hit their highest mark ever. Nevertheless, the difficulties managing the alliance cast a shadow over bilateral discussions on how to mark the 50<sup>th</sup> anniversary of the bilateral security treaty in 2010.

**Domestic policy: easier said than done**

The new DPJ-led government tried to translate campaign rhetoric into reality by introducing a draft budget, a high-profile panel to cut wasteful spending, a commission on tax reform, and an economic stimulus package. In mid-October the Hatoyama Cabinet released a record-high ¥95 trillion (\$1 trillion) budget blueprint for fiscal year 2010, the unprecedented price tag attributed mainly to debt servicing obligations and campaign pledges to increase social welfare spending. Finance Minister Fujii Hirohisa then announced the government would trim ¥3 trillion from the budget proposal and form a panel known as the Government Revitalization Unit (*gyosei sasshin kaigi*) tasked with identifying targets for cuts. In an effort to demonstrate a more transparent form of governance led by politicians (*seiji shudo*), the panel sessions in November were broadcast live on television and online from a gymnasium in central Tokyo. Parliamentarians

grilled bureaucrats on their budget requests and demanded greater accountability on the part of government agencies. The bureaucrats came away deploring the DPJ's "Jacobin show trials." This was a remarkable political drama, but the panel only managed to identify potential budget cuts amounting to about one-third of the original goal. The public didn't seem to mind as 74 percent of respondents to a Nov. 30 *Nikkei Shimbun* poll expressed satisfaction with government attempts to cut wasteful spending. But this effort at fiscal constraint contrasted sharply with other pledges to reduce the tax burden on the public and increase government spending, a dilemma Hatoyama could not resolve.

Government data revealed that the economy had grown in the second and third quarters of 2009, but declining tax revenue and an admission by the Cabinet Office in late November that the economy was in deflation placed Hatoyama's economic policy agenda under increased scrutiny. Hatoyama announced an \$81 billion stimulus package on Dec. 8 after coalition partner Kamei Shizuka of the People's New Party (PNP) fought for additional public works spending. Meanwhile, Hatoyama had established a commission on tax reform to consider key campaign initiatives including the elimination of the provisional gasoline tax and other measures, such as an environment tax proposed by the Ministry of the Environment. Soon after hearing recommendations from his DPJ, presented by Secretary General Ozawa Ichiro, Hatoyama reneged on a key campaign pledge by announcing that the gasoline tax would be retained in a different form. He also decided to abandon a plan to place an income limit on payments to households in contrast to his previous statements on the issue. Ozawa recommended both of these decisions and several media reports surfaced suggesting Hatoyama had given in to pressure from Ozawa. The trade-off between fiscal restraint and welfare spending was again front and center, along with speculation about the extent of Ozawa's influence and Hatoyama's ability to push his own agenda.

The frequent contradictions in Hatoyama's statements and policy decisions did not sit well with the public and his failure to fully explain a funding scandal that surfaced back in June also damaged his standing. Hatoyama looked particularly weak and vulnerable to the small coalition partners he needs to maintain a majority in the Upper House – the SDP and the PNP. The *Asahi Shimbun* released a poll on Dec. 21 showing Hatoyama's approval rating had fallen to 48 percent compared to 62 percent in November and upward of 70 percent when he first took office in September. Seventy-four percent of respondents disapproved of his leadership skills. Luckily, the election last summer had weakened the opposition and the DPJ remained more popular than the LDP by a margin of 84 percent to 13 percent. But this poll and others also revealed concern about his handling of the US-Japan relationship, which ironically dominated the headlines after an election that centered on economic issues.

### **Afghanistan and Futenma**

The Hatoyama government moved quickly to derail two key security policy initiatives of previous LDP-led governments. In mid-October the Cabinet announced the Maritime Self-Defense Forces (MSDF) would no longer participate in an eight-year-old refueling mission in the Indian Ocean supporting coalition operations in Afghanistan once the authorizing legislation expires in January 2010. This decision was expected but nonetheless proved disappointing to Washington, which had considered the mission emblematic of Japan's global leadership role.

The Hatoyama government subsequently announced a five-year \$5 billion aid package for Afghanistan including funds for education, infrastructure, and vocational training for former Taliban soldiers. The Obama administration, bracing for the MSDF withdrawal, welcomed the contribution and tried to cast Afghanistan as a positive area of bilateral cooperation.

The other major decision taken by the Hatoyama government was to review a bilateral agreement reached in 2006 regarding the relocation of US forces on Okinawa, specifically a plan to close Marine Air Station Futenma and build a replacement facility near the town of Henoko. The Futenma closure was part of a larger package to transfer 8,000 Marines from Okinawa to Guam and thereby reduce the burden of the US troop presence on Okinawa residents. Secretary of State Hillary Clinton had signed a document formally authorizing the Guam transfer and the construction of a replacement facility for Futenma during her visit to Tokyo in February 2009, but Hatoyama's DPJ and its coalition partners had pledged to reexamine the agreement during the Lower House election campaign last summer and Hatoyama felt obligated to put everything on hold. The Obama administration stated its desire to implement the existing agreement as soon as possible, but resigned itself to the new government's review of the issue.

The Futenma issue intensified, however, when Hatoyama and his Cabinet members began to float alternatives to the 2006 agreement in public and openly disagreed about the proper course of action. A daily media circus ensued with Cabinet members contradicting each other as well as Hatoyama. Three options were debated: implementing the existing agreement, moving Futenma operations to Kadena Air Base on Okinawa instead of Nago (due to local opposition), or moving Futenma outside Okinawa prefecture or even to Guam (favored by the SDP, one of Hatoyama's partners in the ruling coalition). The Obama administration dispatched Defense Secretary Robert Gates to Japan in late October to repeat the US preference for the existing agreement and explain the lack of viable alternatives. Gates articulated the message clearly and bluntly, first to reporters en route to Japan and again during a press conference with Defense Minister Kitazawa Toshimi. (Gates repeated his message publicly only because the Foreign Ministry had given the entire transcript of his message to the foreign minister to the press before the press conference.)

Soon after the Gates visit, Hatoyama announced that he would not reach a decision on the agreement before President Obama's scheduled visit to Tokyo in mid-November. Hatoyama addressed the Diet on Oct. 29 and noted that his government would conduct a "comprehensive review" of the US-Japan alliance including the realignment plan for US forces in Japan, host nation support, and the bilateral status of forces agreement. The gap between the two sides appeared to widen with Hatoyama interested in studying alternatives for Futenma and the US government repeatedly arguing the merits of the existing agreement. The two governments agreed to establish a bilateral working group on Okinawa, presumably to pave the way for a smooth Hatoyama-Obama summit and move the debate on Futenma behind closed doors. The group included Foreign Minister Okada Katsuya, Defense Minister Kitazawa, US Ambassador to Japan John Ross (representing Secretaries Clinton and Gates) and senior Pentagon officials.

### **The "trust me" summit**

Prime Minister Hatoyama and President Obama met in Tokyo on Nov. 13 and covered a wide range of issues including the bilateral security relationship, Afghanistan, Pakistan, North Korea,

Iran, nonproliferation, energy, and climate change. The governments also produced two statements addressing the “global issues” pillar of alliance cooperation highlighting collaborative efforts on nuclear nonproliferation and clean energy technology. President Obama referenced the Futenma issue during a joint press conference and in a speech outlining the administration’s Asia policy the next day, noting on both occasions that the two had agreed through the bilateral working group to implement the existing agreement expeditiously. Japanese media reported (confirmed later by Hatoyama himself in his electronic newsletter) that Hatoyama asked Obama to trust him and that he would work to resolve the issue. But he soon put that trust at risk when he told reporters on the margins of the Asia-Pacific Economic Cooperation (APEC) leaders meeting in Singapore that the bilateral working group was meaningless if organized merely to implement the existing agreement and not negotiate changes. In the end, Obama’s visit to Japan seemed only to reinforce the status quo on Futenma and a resolution did not appear imminent. For the Obama administration, concern deepened that Hatoyama would lose control of the Futenma politics, putting the entire plan for relocation of Marines to Guam in jeopardy and damaging mutual confidence in the alliance. The administration’s confidence in Hatoyama was further shaken when other Asian leaders at APEC reported in their meetings with Obama that he had been promoting an East Asia Community concept designed to reduce Japan’s “dependence” on the US; an explanation that raised far more concern than support in the region.

### **The alliance vs. domestic politics**

Hatoyama appeared to move even further away from the US position in December after Fukushima Mizuho, head of the SDP, threatened to quit the ruling coalition if the government did not advocate the transfer of Futenma outside Japan. Hatoyama needs the support of the SDP and the other member of the coalition, the PNP, to pass his first budget in the spring and secure a majority for the DPJ in Upper House elections next summer. Implementing the existing agreement was too risky from a political perspective and it therefore became increasingly clear that an immediate solution was unlikely. On Dec. 8, Foreign Minister Okada announced that the bilateral working group had been temporarily suspended, and a week later the government announced that a decision on Futenma would be postponed until May 2010 after consultations with coalition partners. Hatoyama explained his rationale to Secretary of State Clinton during a dinner at the UN climate talks in Copenhagen a few days later and told reporters he had obtained her full understanding of the situation. (Hatoyama wanted to brief President Obama in Copenhagen but that did not materialize.) This encounter was followed by a meeting between Secretary Clinton and Japanese Ambassador to the US Fujisaki Ichiro on Dec. 21 at the State Department in Washington. The media characterized the meeting as a demarche over Futenma.

The Hatoyama government did include funding in its draft budget for fiscal year 2010 that could be used for implementing the Futenma replacement facility. Supporters of the current plan in the coalition explained that this would allow full implementation once the budget passed, but coalition politics had clearly trumped alliance management for the near term. The Japanese press was critical of the move, with all the major daily newspapers editorializing against Hatoyama on the issue (with only the Communist Party’s organ *Akahata* attacking him from the other side for being too accommodating to the US). The Japanese public also appeared to take a negative view of Hatoyama’s approach. A *Mainichi Shimbun* poll published Dec. 21 found that

51 percent of the public disapproved of his announcement to delay a decision on the Okinawa base issue, and 68 percent expressed concern about his diplomacy with the US.

### **Some positive signs**

While the Futenma issue continued to raise questions about the DPJ-led government's ability to manage the US-Japan alliance, Washington and Tokyo did succeed in strengthening other aspects of the alliance framework. The US and Japan participated in the Proliferation Security Initiative (PSI) maritime interdiction exercise *Deep Sabre II* in Singapore from Oct. 27-30. Both governments were active participants in the November APEC forum in Singapore and are positioned to develop a two-year agenda for regional economic integration focused on low carbon/green growth as Japan prepares to host the forum in Yokohama in November 2010 and the US a year later in Hawaii. On Dec. 11, the two governments initialed the text of an open skies agreement expected to be signed in October 2010 that would liberalize civil aviation between the two countries. Tokyo and Washington continued to consult closely on North Korea policy and Ambassador Stephen Bosworth, special representative for North Korea policy, briefed counterparts in Tokyo on his visit to Pyongyang in December. And, Ambassador John Roos addressed the Japan Institute of International Affairs in Tokyo on Dec. 4 and identified several promising areas for cooperation including renewable energy.

Public support for the US-Japan relationship also remained strong. A poll taken by the Cabinet Office in October showed that 78 percent of Japanese harbored positive feelings toward the United States. Fifty-one percent of Americans considered the current state of the US-Japan relationship good and 66 percent said they trusted Japan in a joint poll by *Yomiuri Shimbun* and Gallup released on Dec. 11.

### **Things to watch**

The last quarter of 2009 was a rocky one for the US-Japan alliance and the question still remains whether this was the result of a new government's growing pains in Japan, or some more fundamental structural problems in the relationship. Some key developments in the first quarter of 2010 will provide some clues about the answer. In January, a mayoral election in Nago, the district that would host the proposed Futenma replacement facility on Okinawa, could further complicate Hatoyama's political calculations on the relocation plan (polls suggest a wide-open race at this point). The Hatoyama government also will have to defend its first budget in the Diet in January, which will be a key test of coalition politics and the ability of the smaller PNP and SDP to continue shaping DPJ policies on foreign and economic policy. Investigations into illegal or improper reporting of campaign contributions by the staffs of Hatoyama and Ozawa will also be a critical variable. The Ministry of Foreign Affairs is expected to conclude its investigation into a classified bilateral agreement on the introduction of nuclear weapons into Japan that reportedly began in the 1960s. Both Hatoyama and Obama will begin to prepare for elections in their respective legislatures later next year. Finally, the two governments will demonstrate how they will use the 50<sup>th</sup> anniversary of the US-Japan Security Treaty to chart a future vision for the relationship.

## **Chronology of U.S.-Japan Relations**

### **October - December 2009**

**Oct. 1, 2009:** US Deputy Secretary of State James Steinberg meets Foreign Minister Okada Katsuya in Tokyo to discuss Six-Party Talks, Afghanistan, Pakistan, and bilateral security issues.

**Oct. 2, 2009:** US Ambassador to Japan John Roos tells reporters the 2006 agreement concerning the realignment of US forces in Japan is the solution to reducing the US footprint on Okinawa, but suggests the Hatoyama administration should be given time to review the issue.

**Oct. 4, 2009:** A *Kyodo News* poll finds 73 percent of Lower House Democratic Party of Japan (DPJ) lawmakers think the Self-Defense Forces should be limited to operations supporting peacekeeping or humanitarian relief.

**Oct. 4, 2009:** US Ambassador John Roos visits Hiroshima.

**Oct. 5, 2009:** Prime Minister (PM) Hatoyama Yukio posts a 71 percent approval rating according to a *Yomiuri Shimbun* poll. Seventy percent of the public expressed dissatisfaction with Hatoyama's explanation of a funding scandal that surfaced back in June.

**Oct. 7, 2009:** FM Okada tells the Foreign Correspondents' Club of Japan that the Hatoyama administration is considering alternatives to the 2006 realignment for US troops on Okinawa.

**Oct. 8, 2009:** Japan's Minister of Agriculture, Forestry and Fisheries, Akamatsu Hirotaka, meets US Trade Representative Ron Kirk to discuss reviving trade negotiations at the World Trade Organization, cooperation on the agenda for the Asia-Pacific Economic Cooperation (APEC) forum, and the US desire for greater access to the Japanese beef market.

**Oct. 11-12, 2009:** US Assistant Secretary of State for East Asian and Pacific Affairs Kurt Campbell visits Tokyo for consultations with Hatoyama government officials.

**Oct. 13, 2009:** Defense Minister (DM) Kitazawa Toshimi states that the Indian Ocean refueling mission will not be extended beyond January 2010.

**Oct. 14, 2009:** Minister for Financial Services and Postal Reform Kamei Shizuka says the US and Japanese governments should seriously consider whether US bases are necessary in Japan.

**Oct. 16, 2009:** The Hatoyama government announces a record budget request of ¥95 trillion (\$1 trillion) for fiscal year 2010, attributed in large part to debt servicing obligations and proposals for social welfare spending.

**Oct. 16, 2009:** PM Hatoyama suggests he may postpone a decision on whether to accept the existing bilateral agreement on the relocation of US forces on Okinawa until mid-2010.

**Oct. 19, 2009:** Japan's Finance Minister Fujii Hirohisa announces the government's intention to slash ¥3 trillion from the ¥95 trillion budget request for fiscal year 2010.

**Oct. 20-21, 2009:** US Defense Secretary Robert Gates visits Japan and meets PM Hatoyama, DM Kitazawa, and FM Okada to discuss the realignment plan for US forces in Japan, specifically the relocation of Futenma, and other security issues.

**Oct. 21, 2009:** Ambassador Roos pays a courtesy call to Democratic Party of Japan (DPJ) Secretary General Ozawa Ichiro.

**Oct. 22, 2009:** PM Hatoyama announces that a decision on the relocation plan for US Marines on Okinawa would not be reached before President Obama's visit to Japan in November.

**Oct. 23, 2009:** FM Okada states that moving Futenma off of Okinawa is unrealistic and suggests moving its operations to Kadena, another base on the island.

**Oct. 23, 2009:** US Chairman of the Joint Chiefs of Staff Adm. Michael Mullen meets FM Okada and other senior officials in Tokyo and emphasizes the need to move forward with the existing agreement on the realignment of US forces in Japan.

**Oct. 27, 2009:** DM Kitazawa says the existing agreement to relocate Futenma on Okinawa would not violate the DPJ election pledge to move the facility out of Okinawa or overseas. Both PM Hatoyama and FM Okada later dispute Kitazawa's claim.

**Oct. 27-30, 2009:** Japan participates in the Proliferation Security Initiative (PSI) maritime interdiction exercise *Deep Sabre II* in Singapore.

**Oct. 28, 2009:** In an interview with *Asahi Shimbun*, Commander, US Forces in Japan Lt. Gen. Edward Rice rejects FM Okada's proposal to move Futenma operations to Kadena Air Base, repeating the US preference to move forward with the existing agreement.

**Oct. 29, 2009:** PM Hatoyama notes during a question and answer session in the Lower House of the Diet that his government will conduct a comprehensive review of the US-Japan alliance including host nation support, the bilateral status of forces agreement, and the realignment plan for US troops in Japan.

**Nov. 1, 2009:** *Kyodo News* poll posts a 61 percent approval rating for PM Hatoyama.

**Nov. 5, 2009:** Assistant Secretary Campbell meets FM Okada in Tokyo to discuss the relocation plan for US Marines on Okinawa.

**Nov. 8, 2009:** Approximately 20,000 Okinawa residents protest the presence of US forces on the island and call for Futenma to be relocated outside the prefecture.

**Nov. 9, 2009:** Police in Okinawa confiscate an automobile with a license plate number indicating the vehicle is owned by US military personnel in connection with a suspected hit-and-run accident that resulted in the death of a man in the village of Yomitan.

**Nov. 10, 2009:** Japan announces a new aid package for Afghanistan of \$5 billion over five years.

**Nov. 10, 2009:** The US and Japan agree to establish a bilateral working group to discuss the relocation plan for US Marines on Okinawa.

**Nov. 10, 2009:** US Treasury Secretary Timothy Geithner meets Finance Minister Fujii in Tokyo to reaffirm a commitment to a strong US dollar and discuss ways to revive the global economy.

**Nov. 10, 2009:** US military officials detain a soldier who was driving the car that may have been involved in a suspected hit-and-run incident on Nov. 7.

**Nov. 10, 2009:** PM Hatoyama addresses the US-Japan relationship in his e-mail magazine *Yuai*, noting that he will study all options for the relocation of Futenma both inside and outside Okinawa prefecture before reaching a final decision.

**Nov. 11, 2009:** FM Okada meets Secretary of State Hillary Clinton on the margins of the APEC forum in Singapore to confirm plans to establish a bilateral working group on Okinawa.

**Nov. 13, 2009:** President Obama and PM Hatoyama meet in Tokyo to discuss bilateral security relations, Afghanistan, Pakistan, North Korea, nonproliferation, and energy and climate.

**Nov. 14, 2009:** President Obama delivers a speech in Tokyo outlining his administration's Asia policy and expresses a desire for the bilateral working group on Okinawa to move expeditiously to implement the agreement for the realignment of US forces.

**Nov. 15-16, 2009:** FM Okada visits Okinawa to meet the governor and other local leaders.

**Nov. 16, 2009:** PM Hatoyama tells reporters there is no point in holding bilateral working group discussions on Okinawa if changes to the agreement are not possible.

**Nov. 16, 2009:** The government announces the Japanese economy grew at an annual rate of 4.8 percent in the third quarter.

**Nov. 17, 2009:** The bilateral working group on Okinawa convenes its first meeting in Tokyo.

**Nov. 18, 2009:** Okinawa police determine that a US serviceman was involved in a hit-and-run accident on Nov. 7 that killed a man in the village of Yomitan and ask the US military for cooperation in urging the soldier to present himself to local authorities.

**Nov. 19, 2009:** In his e-mail magazine *Yuai* Prime Minister Hatoyama stresses his desire for an unwavering relationship of trust with the US and reveals that he asked President Obama to trust him during their meeting on Nov. 13 in Tokyo.

**Nov. 23, 2009:** *Mainichi Shimbun* publishes a survey indicating a 64 percent approval rating for PM Hatoyama. Fifty percent of respondents favor the relocation of Futenma outside Okinawa or outside Japan, while 22 percent support implementing existing agreement.



**Nov. 23, 2009:** Fifty-six percent of the public disapproves of the way PM Hatoyama is handling the issue of US forces on Okinawa, according to a *Fujisankei* poll.

**Nov. 26, 2009:** FM Okada speaks with Secretary Clinton on the telephone to discuss the Obama administration's new strategy on Afghanistan.

**Nov. 27, 2009:** A group of experts organized by Japan's Foreign Ministry meets for the first time to study the existence of a secret nuclear agreement between Japan and the US in the 1960s.

**Nov. 27, 2009:** The Government Revitalization Unit completes its budget review, cutting about one-third of the ¥3 trillion it sought to remove from the draft budget for fiscal year 2010.

**Nov. 30-Dec. 2, 2009:** Adm. Robert Willard, commander of US Pacific Command, visits Tokyo to discuss the US-Japan alliance with counterparts.

**Dec. 3, 2009:** Fukushima Mizuho, head of the SDP, says her party might leave the ruling coalition unless PM Hatoyama decides to move Futenma outside Okinawa.

**Dec. 4, 2009:** Kamei Shizuka, head of the PNP, which belongs to the ruling coalition, refuses to accept the government's stimulus package.

**Dec. 4, 2009:** In a speech to the Japan Institute of International Affairs (JIIA), Ambassador Roos outlines potential areas for US-Japan cooperation including the field of renewable energy.

**Dec. 4, 2009:** The bilateral working group on Okinawa convenes in Tokyo.

**Dec. 7, 2009:** A *Yomiuri Shimbun* poll finds PM Hatoyama's approval rating at 59 percent. Among those who do not support his Cabinet, 27 percent cited a lack of leadership. Eighty-five percent of respondents were unhappy with his explanation of a funding scandal.

**Dec. 8, 2009:** FM Okada says the bilateral working group on Okinawa has been suspended.

**Dec. 8, 2009:** PM Hatoyama's ruling coalition agrees on an \$81 billion stimulus package focused on support for families and small businesses.

**Dec. 11, 2009:** The US and Japanese governments initial the text of an open skies agreement liberalizing civil aviation between the two countries.

**Dec. 12-13, 2009:** Ambassador Stephen Bosworth, special representative for North Korea Policy, meets FM Okada and other officials to discuss his trip to Pyongyang.

**Dec. 12, 2009:** Cabinet Office releases data from a poll conducted in October showing that 78 percent of Japanese harbor positive feelings toward the United States.

**Dec. 13, 2009:** Over a thousand people gather in Yomitan, Okinawa to urge the US military to hand over custody of a US serviceman allegedly involved in a hit-and-run incident in November.

**Dec. 15, 2009:** FM Okada announces the government will put off a decision on the relocation of Futenma. Chief Cabinet Secretary Hirano cites the need to consult further with the SDP and PNP. PM Hatoyama denies the decision to delay is irresponsible, stressing the need to consider the feelings of the Okinawan people and says a decision could be reached in a few months.

**Dec. 18, 2009:** PM Hatoyama's approval rating falls below 50 percent for the first time to 46 percent according to a poll released by *Jiji Press*.

**Dec. 18, 2009:** FM Okada expresses doubt about a proposal by the SDP to relocate all US Marines from Okinawa to Guam, citing the potential impact on deterrence.

**Dec. 18, 2009:** PM Hatoyama tells the media he explained the rationale behind delaying a decision on the Okinawa base issue to Secretary Clinton during a banquet at the global climate talks in Copenhagen, and that Secretary Clinton expressed her understanding of his position.

**Dec. 21, 2009:** Secretary Clinton meets Japanese Ambassador to the US Fujisaki Ichiro at the State Department to reiterate the Obama administration's desire to quickly implement the existing agreement on the realignment of US forces in Japan.

**Dec. 22, 2009:** Defense Minister Kitazawa tells reporters that the government would like to resolve the Okinawa base issue by May 2010.

**Dec. 24, 2009:** PM Hatoyama apologizes to the public after two of his aides are charged with falsifying donations.

**Dec. 25, 2009:** The government agrees on a record \$1 trillion budget for fiscal year 2010 to stimulate domestic demand. PM Hatoyama outlines the budget in an address to the nation and states the government will issue \$485 billion in debt.

**Dec. 26, 2009:** PM Hatoyama rules out relocating Futenma to Guam.

**Dec. 26, 2009:** *Kyodo News* poll reports PM Hatoyama's approval rating fell 16 percentage points to 47 percent compared to a previous survey in November.

**Dec. 28, 2009:** Finance Minister Fujii Hirohisa is hospitalized after suffering from high blood pressure and fatigue.

**Dec. 29, 2009:** FM Okada says that if a better alternative to the relocation plan for Futenma cannot be found the government will proceed with the existing agreement.

**Dec. 30, 2009:** The Hatoyama government unveils a 10-year economic growth strategy focused mainly on boosting environment-related industries and the health sector.

# Comparative Connections

A Quarterly E-Journal on East Asian Bilateral Relations



US-China Relations:

*Obama-Hu Summit: Success or Disappointment?*

Bonnie Glaser  
CSIS/Pacific Forum CSIS

President Obama's first-ever trip to China was the main attraction of the fourth quarter. In addition to meeting Chinese leaders, Obama held a town hall-style assembly with Chinese students in Shanghai. The two sides signed a joint statement, the first in 12 years, which highlighted the depth and breadth of the relationship and promised greater cooperation. Nevertheless, the US media mostly faulted the president for not making sufficiently concrete progress on a number of problems. The Copenhagen climate talks garnered much attention in December. As the two largest emitters of CO<sub>2</sub>, negotiations between China and the US not only occupied the meeting's spotlight, but also ultimately decided its outcome. Trade friction continued to intensify with both countries launching new investigations and imposing duties on several products. The bilateral military relationship took a step forward with the visit to the US by Xu Caihou, vice chairman of China's powerful Central Military Commission.

## Obama travels to China

This quarter's biggest event was President Barack Obama's November trip to China. Intensive preparations preceded the visit – which marked the first formal summit between Obama and Hu Jintao – including several advance trips to Beijing by the National Security Council's Senior Director for Asian Affairs Jeffrey Bader to hammer out a joint statement. The US media set low expectations for the visit, with the *Wall Street Journal* describing the trip's prospects as “less than epochal.” This estimation was encouraged by statements from White House officials indicating that the president would focus on relationship building, rather than seek concessions on banner issues such as CO<sub>2</sub> emissions and economic rebalancing.

In China, there also was a deficit of enthusiasm for the visit. Although Obama enjoys celebrity status in China – presidential memorabilia sold briskly in Beijing and Shanghai in the weeks prior to the US president's arrival – the *Global Times*, an English-language newspaper published by China's Communist Party newspaper *People's Daily*, conducted a poll that found 86 percent of Chinese were not interested in Obama's visit. Chinese media coverage was mixed, alternating between glowing praise for the China-US relationship and broadsides on US policies on trade and Tibet. The popular website Netease, for example, bemoaned Obama's determination to eventually meet the Dalai Lama, an issue often cited by Chinese as a key obstacle to building strategic trust and further improving Sino-US relations.

Under this cloud of low expectations, Obama arrived in Shanghai Nov. 15, after stopping first in Japan and then Singapore to attend the annual APEC leaders meeting. The trip's first full day

was spent in Shanghai, where Obama met Mayor Han Zheng before holding a town hall meeting with a group of Chinese students. Obama's speech to the youth touched on issues ranging from freedom of speech to the economy and was followed by a Q&A session that included a broad range of queries posed by attending students, as well as several questions selected by the Chinese government from submissions by Chinese netizens. One exception was a pointed two-part inquiry that was selected by US Ambassador to China John Huntsman from among hundreds that had been submitted by Chinese to the US embassy website prior to the event: 1) "In a country with 350 million Internet users and 60 million bloggers, do you know of the firewall?" 2) "Should we be able to use Twitter freely?"

The Shanghai meeting was subjected to intense scrutiny by the US media. Several commentators noted that the majority of participants were members of the Communist Youth League who had been handpicked by the government. The Chinese media gave the meeting comparatively little attention. Although the event was broadcast on local TV in Shanghai and made available online, its content was censored and reporting on the president's comments on free speech was quickly removed from *Xinhua*, the government's official news service, and popular websites such as sina.com. Nevertheless, Chinese netizens were impressed by Obama's sanguine attitude toward public criticism and widely quoted his remark on the subject: "I actually think that [public criticism] makes our democracy stronger and it makes me a better leader." US government officials estimated that the town hall meeting was eventually viewed or read by as many as 80 million Chinese viewers.

Upon completing the scheduled events in Shanghai, Obama headed to Beijing, where he had a lengthy discussion with Hu Jintao followed by dinner. The next day, the two leaders resumed discussions, which totaled six hours. At an event for the press that was held to report on their achievements, Hu described the talks as "candid, constructive, and very fruitful." He reported agreement "to continue to adopt a strategic and long-term perspective," "increase the dialogue exchanges and cooperation" and "take concrete actions to steadily grow a partnership between the two countries to meet our common challenges." Hu noted that he had stressed to Obama that both countries "need to oppose and reject protectionism in all its manifestations," a reference to tit-for-tat disputes in the World Trade Organization (WTO) triggered by Obama's September decision to impose tariffs on imports of Chinese tires.

In his comments to the press, President Obama welcomed China's "efforts in playing a greater role on the world stage," while adding that such a role is "joined by growing responsibilities." He highlighted "progress" on the issue of climate change and common ground on stopping the spread of nuclear weapons, including eliminating North Korea's nuclear weapons program and ensuring that Iran's nuclear program remains peaceful, and on increasing stability in Afghanistan and Pakistan. Obama also lauded "the Chinese commitment, made in past statements, to move toward a more market-oriented exchange rate over time." In addition, he expressed US respect for the sovereignty and territorial integrity of China and called for "the early resumption of dialogue between the Chinese government and representatives of the Dalai Lama," while recognizing that Tibet is part of the People's Republic of China. On the issue of Taiwan, Obama applauded steps taken by Taipei and Beijing to ease tensions, and noted that US policy, "based on the three US-China communiqués and the Taiwan Relations Act, supports the further development of these ties."

The list of concrete deliverables from the leaders' discussions was short. During the press conference, Hu announced the signing of a memorandum of understanding on "enhanced cooperation on climate change, energy and [the] environment," and an initiative to establish a China-US clean energy research center. Obama cited a Chinese commitment to hold another round of the US-China dialogue on human rights in February 2010. Hu also noted the two countries would deepen cooperation on a range of issues from agriculture to law enforcement and added two notable new areas of collaboration: space exploration and high-speed rail. In a different press briefing later in the day, Ambassador Huntsman supplemented the remarks made at the joint press conference by noting that in private talks between the two leaders Obama had been considerably more forceful and had also achieved "a little bit of traction ... [on] issues that really do matter in terms of regional stability as it relates to Afghanistan and Pakistan."

The joint statement that was released following the leaders' meetings was the first issued by the two countries since 1997. The areas of US-Chinese cooperation covered in the statement across a broad spectrum of bilateral, regional, and global issues underscored the depth and breadth of the relationship and its importance to both countries' interests. Senior US officials privately pointed to two particular lines from the statement as major accomplishments. The first was a statement on the US's regional role in Asia: "China welcomes the United States as an Asia-Pacific nation that contributes to peace, stability and prosperity in the region." The last time a Chinese leader had commented on the subject was when former President Jiang Zemin told President Bush in October 2001 that China viewed US presence in the region as stabilizing and did not seek to expel US military forces from the region. Whether the new language is a step forward remains uncertain, however, since the Chinese version of the statement used a slightly different and more qualified formulation, noting that "China welcomes the *efforts* of the United States as an Asia-Pacific nation to contribute to peace, stability and prosperity in the region. [emphasis added.]

The second notable point in the joint statement from the US perspective was the sentence on Sino-US military relations, which emphasized that the two countries would "take concrete steps to advance sustained and reliable military-to-military relations in the future." Senior US officials voiced their hopes that this indicates a willingness by China to continue mil-mil exchanges regardless of any concerns that might arise from a soon to be announced US arms sale to Taiwan. According to Chinese sources, Beijing's priority in negotiating the joint statement was gaining US agreement to include references to respecting each other's "sovereignty and territorial integrity" and "core interests" as "extremely important to ensure steady progress in US-China relations." This was achieved and enabled China to consider the joint statement a great success.

The next day, President Obama visited the Great Wall, before making one final stop at the offices of the newspaper *Southern Weekend* for an exclusive interview. The paper had been chosen by the US due to its reputation for tackling difficult issues that are often avoided by China's cautious and mostly conservative press. In the brief interview, Obama tried to connect with the Chinese public through comments touching on his passion for basketball and described the emergence of a "more strategic relationship" between the two countries. The White House hoped that the interview would provide an opportunity for Obama to speak directly to the Chinese people – a goal he sought to achieve in Shanghai, but didn't accomplish to full satisfaction. Nothing controversial was included in the published article. Nevertheless, the

article ran afoul of China's information control apparatus. The interview was approved by the Foreign Ministry, but apparently angered the Central Propaganda Department, which reportedly intervened to restrict the questions, cut the transcript approved for publication hours before it went to press, issued an order that the interview not be reproduced on other websites, and then attempted to remove, by hand, the article from the paper's pages. The result was a haphazard effort, with the interview included in editions available at some newsstands and delivered to most subscribers, but absent from the paper's official website (yet accessible on another *Southern Weekend* site). Also banned from distribution was a personal note from President Obama to the newspaper, which congratulated the *Southern Weekly* and its readers for contributing to the "flow of vital policy information" and noted that "An educated citizenry is the key to an effective government, and a free press contributes to that well-informed citizenry." In the wake of the incident, the top editor of *Southern Weekend* was demoted.

In the Western media, the trip's post-mortem was, for the most part, unfavorable. In the days immediately following Obama's return from the region, many commentators cited the lack of concrete results as proof of failure. An article in the *Washington Post*, for example, noted that Obama was returning from Asia without "any big breakthroughs or any evidence that he has forged stronger personal ties with regional leaders." Pundits across the political spectrum bemoaned Obama's "timid" stance on a wide range of issues from economic policy to Tibet. Writing in the *National Review*, Seth Leibsohn of the Claremont Institute contended that Obama's performance had made him look weak and would embolden the Chinese. A *Washington Post* editorial questioned the wisdom of welcoming a dictatorship to global influence. Unflattering comparisons of the China trip to those of Presidents Bill Clinton and George W. Bush were also abundant. The *Economist*, for example, noted that Obama's speech in Shanghai seemed bloodless compared to Clinton's 1998 speech delivered at Beijing University, which had been broadcast live on *CCTV*, China's leading government television network.

A minority of commentators went against the conventional wisdom. In an interview with *Xinhua*, David Shambaugh argued that Obama's visit had qualitatively enhanced "the overall tone and substance of [Sino-U.S. relations]." This assessment complemented an administration official's own view of the trip – as reported by the *Atlantic Monthly*'s James Fallows in his blog – as a chance "[to show the Chinese] that we know what we're doing, and understand that we are dealing from a position of strength." Fallows himself argued that the press' analysis of the trip had "manufactured failure," when in fact the results were at least as good as if not better than what the White House and informed commentators had predicted. In support of his argument, Fallows pointed to the slow, but steady, stream of Chinese concessions that appeared in the weeks following the president's return to Washington.

Among these concessions was Beijing's decision in late November to support an International Atomic Energy Agency (IAEA) resolution demanding Iran halt its attempts at uranium enrichment. The decision was said to have been prompted, in part, by a trip to Beijing by two senior NSC officials, who persuaded China that Iran's nuclear program would destabilize the Middle East and, consequently, China's oil supply. Subsequent reports on the matter, however, suggested that the decision was made in response to a personal request by Obama to Hu Jintao in which Obama characterized the Iranian nuclear issue as a core US interest. This interpretation is

supported by the fact that China has, thus far, resisted further movement on the issue, even refusing, for example, to accept a Saudi-US offer to reduce China's dependence on Iranian oil.

Next on the list of concessions was the Nov. 25 announcement by the People's Bank of China that fine-tuning of the *yuan's* exchange rate would be possible, a development that suggested progress toward achieving one of the administration's major goals. Hopes for such a move in the near term were dashed a month later, however, when Premier Wen Jiabao told *Xinhua* in an interview that China would "absolutely not yield" to calls for revaluing its currency. Finally, a few days after Obama's departure, Beijing announced that it would lower its carbon emissions relative to the size of its economy by as much as 45 percent by 2020, more than many commentators had expected, although less than governments and environmentalists had hoped. As with the commitments on Iran and the hints about *yuan* revaluation, however, this position soon proved to have limited value. At the Copenhagen climate talks, Chinese negotiators proved unmovable on the question of making CO<sub>2</sub> cuts subject to verification, an outcome that undermined President Obama's ability to sell a deal to Congress.

While these examples may indicate small progress was made on a few important issues, none of these was likely a direct result of Obama's talks in China, nor are they unqualified successes. Nevertheless, the trip seems to have played an important role in the broader White House strategy that made even these modest successes possible. The trip's emphasis on relationship building and quiet diplomacy is consistent with the administration's approach to the relationship as one focused on long-term gains, not "eureka moments" or baskets of deliverables.

The Chinese media's views on the visit were mixed. Much of the coverage focused on seemingly minor symbolic moments, rather than substantive issues. The image of Obama carrying his own umbrella during his arrival at a rainy Pudong International Airport became a national sensation. Netizens and commentators alike felt that the image demonstrated a humility that stood in stark contrast to Chinese leaders, who depended on underlings to handle their rain gear. Several Chinese experts opined that the visit underscored that US-China relations are more balanced than ever before, as well as interdependent. Writing in Shanghai's *Dongfang Zaobao*, Fudan University Professor Wu Xinbo maintained that even though a big gap still exists between China and the US in terms of national power, "reciprocity between the two countries has been enhanced." Speaking with the journal *Liaowang*, Ni Feng of the Chinese Academy of Social Sciences noted that "the China-US relationship of interdependence has become deeper and deeper." Writing in *China Daily*, People's University Professor Jin Canrong viewed the trip as a success for China-US relations: "[it] strengthened bilateral trust and [the president's] working relationship with Chinese leaders."

In the final analysis, the summit's success will be judged by whether it succeeded in building a foundation for resolving problems and producing genuine cooperation between the two nations. On the US side, the White House's nuanced position on the relationship has not satisfied US politicians who are hungry for red meat on the economy and human rights. The perception that Obama played softball with Chinese leaders is only likely to embolden legislators who have become increasingly quick to express their resentment over China's policies, especially on trade. Following the talks, Senate Majority Leader Harry Reid sent a letter to Hu Jintao, demanding that he personally address problems with intellectual property rights controls and the *yuan*. This

contentious atmosphere is likely to worsen significantly if China uses its upcoming presidency of the UN Security Council to block sanctions on Iran. With arms sales to Taiwan and a meeting with the Dalai Lama both likely to inflame nationalistic sentiments in China early next year, it remains to be seen whether the modest ambitions of the president's trip will be sufficient to guide the relationship through its upcoming challenges.

### **The US-China face off at Copenhagen**

In the last month of the quarter, the Copenhagen climate talks, which were held Dec. 7-18, occupied center stage in China-US relations. As the two largest emitters of CO<sub>2</sub>, negotiations between China and the US not only occupied the meeting's spotlight, but also ultimately decided its outcome.

The question of how to reduce CO<sub>2</sub> emissions has been a topic of discussion between the US and China since the second Bush administration, but has only emerged as a central issue in their relations in the wake of President Obama's election. Disagreements on the issue have focused on questions of how much responsibility China and other developing nations should take for reducing emissions. As the largest historical emitters of CO<sub>2</sub>, Beijing argues, developed nations, especially the US, should bear the bulk of the responsibility for funding and implementing climate change solutions. Whereas, developing nations, like China, should be allowed to build their economies and improve living standards for their citizens, even if that means their emissions increase. The Chinese have insisted that countries follow the principle of "common but differentiated responsibilities," which was included in the Kyoto protocol to the United Nations Framework Convention on Climate Change.

Despite these and other areas of disagreement, talks between the US and China helped to produce a number of successes in the lead-up to Copenhagen. During the first meeting of the Strategic and Economic Dialogue in July, the two countries issued an MOU on climate change, energy, and the environment, and at the September UN Summit on Climate Change, Hu Jintao announced China's first commitment to reducing emissions, although the details were left vague. Beijing's announcement after Obama's visit that China would reduce its carbon intensity by 45 percent by 2020 suggested that China had recognized the need to accept targets, even though the target declared would only slow, not stop the increase in overall carbon emissions. The offer failed to meet the expectations of the US and other developed countries, but senior US officials held out hope that it was only a starting bid and could be bargained up during the climate talks.

Representing the US and China in the early stages of the conference were US Special Envoy for Climate Change Todd Stern and Xie Zhenhua, vice minister of China's National Development and Reform Commission. Through the conference's final days, talks between the two remained deadlocked over whether emissions cuts should be subject to independent verification and how much funding should be provided to developing nations to deal with climate change. "There ought to be some measure of international consultation or review or dialogue," said Stern in reference to China's refusal to accept oversight. Emotions ran high and then boiled over on Dec. 16, when Stern announced that the US saw no reason that China should be provided with public funds to control emissions. Later in the day, Chinese Vice Foreign Minister He Yafei retorted



that Stern “lacks common sense” and then questioned “the sincerity of developed countries in their commitment [to provide public funding].”

US sincerity was demonstrated the following day, when Secretary of State Hillary Clinton arrived in Copenhagen with a response to He’s criticism: an offer to contribute to a \$100 billion dollar international assistance fund for developing states. Contributions would be contingent on the agreement of “all major nations” to binding emissions standards and a verification regime. Writing in *Foreign Policy* magazine, John Lee described the offer as a “clever trap for Chinese Premier Wen Jiabao” that “put the onus ... on Beijing to agree to standards of ‘transparent verification’” or accept responsibility for blocking the entire deal. Clinton’s offer was reiterated later in the day by Sen. John Kerry, who was in attendance at the talks. At a press conference following the announcement, Secretary Clinton suggested China was renegeing on the commitments it had made in the Sino-US joint statement, saying “Time and time again ... [they] have committed themselves to pursuing an agreement that met the various standards, including transparency.” A delegation of US congressmen headed by Speaker of the House Nancy Pelosi also emphasized the importance of China’s participation in a verification scheme to the overall success of the Copenhagen efforts.

On Dec. 18, the meeting’s final day, President Obama arrived in Copenhagen to address the conference and participate in a meeting with world leaders, including Premier Wen Jiabao. To the surprise of the other heads of state, including Obama, Wen did not attend a morning gathering, instead sending a lower-level official in his place. The reasons for that decision remain unclear, but the move was viewed by some as an attempt to slight President Obama. *Mother Jones* suggested that the Chinese premier was offended by the statement in Obama’s speech that the Copenhagen accord must be more than “empty words on a page.” A senior US official familiar with the on-scene events, insisted, however, that the failure of Wen to appear at key meetings was not intended as an insult to Obama.

As the final day progressed, tempers heated up. At one point in the early afternoon, the Indian and Chinese delegations walked out of the talks and headed for the airport. However, they returned later in the day for a meeting with Brazil and South Africa. According to reports, that meeting was interrupted by President Obama, who arrived for a scheduled bilateral session with Premier Wen and found that the leaders of the BASIC nations (Brazil, South Africa, India and China) were assembled, possibly planning a way to pin the failure of the conference on the developed countries.

With Obama in the room, the BASIC countries continued to insist that emissions cuts must remain a “voluntary action” based on each country’s own national conditions. For Beijing, this insistence was partly related to China’s firm views on state sovereignty, a position made clear by Xie Zhenhua’s blunt assessment of what China believed was at stake during the talks: “For the Chinese, this [is a matter of] our sovereignty and our national interest.” An agreement was finally brokered when Obama reportedly suggested replacing the call for “examination and assessment,” language that Beijing saw as promoting an overly intrusive verification regime, with the more anodyne “international consultation and analysis” that did not intrude on sovereignty. The BASIC countries also agreed that the developing countries would report every two years on their progress in mitigating emissions. Insider accounts stress that the congenial and

collegial efforts by Obama and Wen were indispensable in persuading the leaders of the other three countries to agree to a compromise. An outcome in which the US would have blamed China and China would have blamed the US was narrowly averted.

Beijing later expressed satisfaction with the resulting accord, citing it as an important first step on the journey toward addressing climate change. Chinese Foreign Minister Yang Jiechi described the outcome as “significant and positive.” Wen Jiabao remarked, “[China] has played an important and constructive role in pushing the Copenhagen climate talks to earn the current results, and demonstrated its utmost sincerity and made its best effort.”

Others took issue with this rosy assessment, faulting China for the disappointing outcome. Great Britain’s Climate Secretary Ed Miliband, for example, lambasted Beijing for “hijacking the talks.” Thomas Friedman of the *New York Times* viewed the result as proof of a de facto G2 and labeled the conference a China-US power struggle. Echoing that assessment, numerous delegates from the G77 complained that their voices were not represented in the final document. Even the US was not completely satisfied. Speaking on the *PBS News Hour*, President Obama said that “people are justified in being disappointed about the outcome in Copenhagen.”

Some articles in the Chinese media sought to stave off blame and lay the culpability for a less than successful result at the feet of the US. *Xinhua* published several articles rejecting the claims of Miliband and others, highlighting negative remarks by the presidents of Brazil and Egypt about Washington’s role in the talks. Some Chinese commentators portrayed the conference’s strained negotiations as representative of a growing rift between China and the developed world. Liu Junhong, an analyst at the China Institutes of Contemporary International Relations, concluded that the talks had “intensified the North-South contradiction.” Echoing this theme, US commentators noted that Beijing sees pressure to reduce its CO<sub>2</sub> emissions as an attempt by developed nations to contain China’s economic growth, a fear that has been reinforced by growing trade pressure and perceived protectionist policies of the Obama administration.

The fact that US measures to curb CO<sub>2</sub> emissions and provide aid to developing nations remain stalled in the Senate may reinforce Beijing’s resistance to further reduce its emissions since it is not assured of the US’s willingness to do so. In an unfortunate Catch-22, US legislators may well insist on proof of China’s commitment as a precondition for making their own. Speaking on the issue, Rep. Edward Markey said, “... other governments and industries, including those in America, will be hesitant to engage with ... countries [that have not demonstrated their commitment] ... on global warming.”

### **Trade spats escalate**

Despite public commitments at the highest levels to avoid trade protectionism, trade friction between the US and China intensified this quarter, a trend that has been on the rise since the onset of the current economic crisis. After flare-ups over tires and chicken parts in September, the drumbeat of protective trade actions continued in October with an announcement by the US that it would begin an investigation into imported Chinese steel pipes for use in the oil industry. At the end of the month, China’s Ministry of Commerce responded with an inquiry into US auto industry subsidies. Shortly thereafter, Beijing imposed duties on US exports of nylon fibers used

in brushes and similar products. This was followed, in turn, by US requests for investigations into the WTO consistency of Chinese export duties on a wide range of raw materials used in the metals and chemicals industries.

In late December, in the biggest US trade action to date against China, the United States imposed final duties of nearly 16 percent on imports of Chinese steel pipes, imports of which, in 2008, totaled \$2.6 billion. Also in December, China announced that it would levy anti-dumping and countervailing duties on certain types of US steel. China's Ministry of Commerce indicated that the move was China's first countervailing duty investigation on imports and the first time the country had imposed anti-dumping and countervailing duties simultaneously. US industry analysts expressed surprise at the decision, noting that U.S. steel exports to China comprised less than one-tenth of 1 percent of the total Chinese market. *Bloomberg Financial*, for example, described the move as a "PR stunt."

In the last week of December, the Office of the US Trade Representative released its annual report on China's compliance with its WTO commitments, which chastised China for "continuing to pursue industrial policies ... that seek to limit market access for non-Chinese origin goods and foreign-service suppliers." These include, for example, policies that are designed to limit the ability of the US to export automobiles to China. On China's currency, although the US government remained mum, calls by pundits and experts for a revaluation of the *yuan* grew louder. Paul Krugman, for example, accused China in the *New York Times* of following a mercantilist policy, keeping its trade surplus artificially high, which benefits its export-oriented state-industrial complex.

Certainly, the US is not the only country that is experiencing increasing trade tensions with China. Over the last several months, other WTO members, especially the European Union (EU) and countries in Southeast Asia, have expressed growing dissatisfaction with China's economic and trade practices, with particular emphasis on China's exchange rate policies. Recently, the EU has engaged China in tit-for-tat trade skirmishes similar to those apparently being waged between Washington and Beijing, with China answering EU tariffs on Chinese shoes with duties on steel fasteners. According to the UK-based Centre for Economic Policy Research, China is now targeted for more protective trade measures than any other country, 47 out of 297 since November 2008. It has also been the biggest target of anti-dumping and countervailing duty investigations, which reached a record high this year.

To be sure, the US and China have become familiar with bilateral trade friction since China joined the WTO in late 2001. Many commentators suggest that the increasing intensity of those disputes simply reflects the maturation of one of the world's largest and most sophisticated trade relationships. In an interview with *Xinhua*, Chen Dongxiao, vice president of the Shanghai Institutes for International Studies, maintained that trade skirmishes highlight the two countries increasing mutual dependence: "It might be a zero-sum game for ... specific industrial sectors, however, it is a positive-sum game for ... overall [Sino-US] economic relations."

Despite the negatives, economic activity between the two countries shows no sign of abating, even as Washington and Beijing engage in an apparent game of "chicken" on trade issues. Moreover, not all of the China-US trade news has been bad. Chen's point about growing

interdependence is illustrated by this quarter's announcements of increased cooperation between Chinese and US companies. In December, for example, GM announced it would launch an initiative with Chinese state-owned auto manufacturer Shanghai Automotive Industry Corporation to develop cars for the Indian market. In the clean energy sector, GE has started a joint venture with the Shenhua Group to introduce its coal gasification technology to Chinese coal plants. In recent months Chinese enterprises have also won a number of large contracts for building wind and solar farms in the United States.

### **Xu Caihou's visit advances military ties**

Vice Chairman of the People's Liberation Army's Central Military Commission Xu Caihou made a weeklong visit to the US from Oct. 24 to Nov. 3. The trip had originally been planned for December 2008, but was postponed by Beijing in response to a US decision to sell \$6.4 billion in arms to Taiwan two months prior. Xu was hosted by Defense Secretary Robert Gates for a dinner at the Pentagon and for talks that focused on ways to further develop and improve the military-to-military relationship. They reached agreement on the following steps: 1) promote high-level visits, including a visit by Gates to China next year; 2) enhance cooperation in the area of humanitarian assistance and disaster relief; 3) deepen exchanges of experts in military medicine; 4) expand service-level exchanges between the two armies; 5) increase exchanges of mid-grade and junior officers; 6) promote cultural and sports exchanges between the armed forces; and 7) invigorate the existing diplomatic and consultative mechanisms in order to improve military maritime operation and tactical safety.

In their closed-door talks, Gates stressed the need to break the "on-again, off-again" cycle of the US-China military-to-military relationship and instead maintain "continuous" dialogue – a reference to US displeasure with China's decision to suspend bilateral military contacts and exchanges for six months beginning last October. The two defense leaders also discussed Iran, North Korea, Afghanistan, and Pakistan.

According to Chinese media accounts, Xu stated that the bilateral military relationship has shown "positive momentum for development" and offered China's willingness to work with the US to further enhance strategic mutual trust. However, he portrayed the smooth development of future military ties as contingent on the handling of four obstacles. First, the US-Taiwan military relationship, including US arms sales to Taipei, which Xu maintained should be gradually reduced and eventually ended. Second, the intrusion of US military aircraft and ships into China's maritime exclusive economic zone, which Xu insisted should be terminated. Third, US legislation that restricts the development of US-China military ties, notably the 2000 Defense Authorization Act, should be revised, Xu said. Fourth, the US lack of strategic trust in China, which is evidenced, according to Xu, in US official reports.

In a meeting with President Obama, Xu stated that China attaches "great importance" to the bilateral military relationship and "is ready to work closely with the United States and respect and take care of each other's interests and concerns while continuously increasing strategic mutual trust and strengthening pragmatic exchanges and cooperation." Obama reiterated his administration's commitment to building a positive, cooperative, and comprehensive relationship with China, which he noted requires the development of strong military ties.

A highlight of Xu's visit was a public speech delivered at the Center for Strategic and International Studies entitled "The Chinese Military that Accomplishes Diverse Military Tasks." In his speech, Xu expounded on the Chinese military's efforts to prepare for military missions other than war. The speech was followed by the showing of a documentary film depicting the PLA's relief operations after the 2008 Wenchuan earthquake. In the Q&A session, Xu maintained that China's research and development of "limited" weapons and equipment "is entirely to meet the minimum requirement for maintaining national security." Discussing the incidents between the US and Chinese navies in China's exclusive economic zones earlier in the year, Xu pinned blame on the "intensive reconnaissance missions conducted by US naval ships in China's EEZ," but said he was encouraged that "both sides have recognized that we should not allow such incidents to damage our state-to-state and mil-to-mil relations."

During his visit, Xu toured the US Naval Academy in Maryland, US Strategic Command in Nebraska, Nellis Air Force Base in Nevada, the US Army's Fort Benning in Georgia, the North Island Naval Air Station in San Diego, and the US Pacific Command in Hawaii.

### **Wrapping up 2009 and looking ahead to 2010**

2009 witnessed the elevation of China-US relations to the global stage in response to the twin challenges of the financial crisis and climate change. Presidents Obama and Hu agreed to pursue a positive, cooperative, and comprehensive relationship and set out to address the problem of a strategic trust deficit between their two countries. As the year comes to a close, the scorecard for the Obama administration's China policy is mixed, with high marks for frequent consultations and relationship building, medium scores for enlisting China's contribution to eliminating nuclear weapons in North Korea and preventing Iran from going nuclear, and low grades for failing to convince Beijing to go beyond making selfish decisions and contribute as a positive stakeholder on economic issues and climate change. It is premature to pass final judgment, however; Obama has only been in office for one year and a good foundation has been laid for future cooperation. Time will tell if greater achievements can be made.

Planned highlights for 2010 include a state visit to the US by Hu Jintao, possibly in mid-April when Obama will host a nuclear security summit, although a planned US arms sale to Taiwan and Obama's meeting Dalai Lama early in the year may result in postponement of Hu's trip until June when the G20 gathers in Toronto. In the summer, the second round of the Strategic and Economic Dialogue will be held in Beijing. Military ties are slated to further expand with a visit to China by Secretary of Defense Gates and an exchange of visits between the Chairman of the Joint Chiefs of Staff Adm. Michael Mullen and his Chinese counterpart. Once again, arms sales to Taiwan could delay those visits and other planned military exchanges. Trade and economic issues, climate change, nonproliferation, Iran, North Korea, Afghanistan, and Pakistan will remain at the top of the China-US agenda. With wise leadership and careful management, there is potential for a closer and more productive US-China relationship.

## **Chronology of U.S.-China Relations**

### **October - December 2009\***

**Oct. 1, 2009:** China celebrates the 60<sup>th</sup> anniversary of the Communist Party's victory in China's civil war with a massive parade in Beijing.

**Oct. 2, 2009:** US State Department names Maria Otero the new US coordinator for Tibet.

**Oct. 9, 2009:** Sichuan Tengzhong Heavy Industrial Machinery Co. announces a deal with US automaker GM for the purchase of GM's Hummer brand of vehicles.

**Oct. 10, 2009:** Congressional-Executive Committee on China releases its annual report. The key findings focus on the limits on freedom of speech imposed by the Chinese government.

**Oct. 12, 2009:** Six Uighur men are sentenced to death and one to life in prison for their role in rioting in Xinjiang's capital of Urumqi in early July.

**Oct. 12, 2009:** Retired US diplomats, including Henry Kissinger and George Shultz, travel to Beijing to meet their Chinese counterparts for the inaugural China-US Track Two High-Level Dialogue. Topics include the global financial crisis and US-China bilateral relations.

**Oct. 12, 2009:** Kurt Campbell, assistant secretary of state for East Asian and Pacific Affairs, arrives in China for talks in preparation for President Obama's November visit.

**Oct. 14, 2009:** Li Yuanchao, head of the CCP Central Committee's Organization Department, meets National Security Adviser James Jones and Deputy Secretary of State James Steinberg.

**Oct. 15, 2009:** Chinese courts sentence six more men to death for their role in the Xinjiang riots.

**Oct. 15, 2009:** The 13th biannual Joint Commission Meeting on Science & Technology Cooperation convenes at the National Academy of Sciences in Washington. The meeting marks the 30<sup>th</sup> anniversary of the US-China Science and Technology Cooperation Agreement.

**Oct. 20, 2009:** The Chinese Ministry of Commerce announces it will impose anti-dumping duties on exports of nylon-6 from the US, Russia, and the European Union.

**Oct. 21, 2009:** In a phone conversation, Presidents Barack Obama and Hu Jintao exchange views on bilateral issues and the upcoming Copenhagen climate talks.

**Oct. 22, 2009:** The Fourth China-US Relations Conference opens in Beijing. Former President George H.W. Bush makes a speech by satellite video. Ambassador Jon Huntsman and Chinese Foreign Minister Yang Jiechi also deliver speeches.

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\* Chronology by CSIS intern Ben Dooley, who also provided invaluable research assistance

**Oct. 22, 2009:** Chinese Vice Premier Wang Qishan phones US Secretary of Commerce Gary Locke and US Trade Representative Ron Kirk to discuss the upcoming 20<sup>th</sup> China-US Joint Commission on Commerce and Trade (JCCT) meeting to be held in China on Oct. 29.

**Oct. 23, 2009:** Speaking to retired US and Chinese generals, Secretary of State Hillary Clinton discusses the importance of increasing US-China military ties. The Chinese delegation is headed by Xiong Guangkai, former vice chief of the general staff of the People's Liberation Army.

**Oct. 23, 2009:** Foreign Minister Yang Jiechi and Secretary Clinton talk by phone about climate change, the Korean and Iranian nuclear issues, and President Obama's visit to China.

**Oct. 24, 2009:** Vice Chairman of China's Central Military Commission Xu Caihou arrives in the US for a one-week tour.

**Oct. 26, 2009:** The Bureau on Democracy, Human Rights, and Labor releases its 2009 report on International Religious Freedom in China. The report is criticized by the Chinese government for its negative assessment of Chinese policies.

**Oct. 28, 2009:** US Trade Representative Kirk, Commerce Secretary Lock, and Agriculture Secretary Tom Vilsack arrive in China to attend the US-China JCCT. Topics of discussion include agricultural cooperation and food security.

**Oct. 28, 2009:** General Xu Caihou meets President Obama in Washington. The discussion focuses on improving US-China military relations.

**Oct. 29, 2009:** China agrees to lift its ban on imports of US pork beginning on Dec. 1, 2009. The ban was established in April 2008 in response to growing concerns about H1N1.

**Oct. 29, 2009:** Chinese Ministry of Commerce announces it will begin an anti-dumping probe into US-made autos. The probe is being requested by the Chinese auto industry.

**Oct. 31, 2009:** US Justice Department announces that it has sent six Uighur detainees from Guantanamo Bay to Palau, ignoring Chinese demands that they be returned to stand trial in China on terrorism charges.

**Nov. 1, 2009:** China imposes an anti-dumping duty on adipic acid, a chemical used in the manufacture of nylon. The move targets products made in the US, EU, and South Korea.

**Nov. 4, 2009:** US Commerce Department announces it will impose punitive tariffs on Chinese imports of steel wire decking.

**Nov. 4, 2009:** USTR requests the WTO to open an investigation into Chinese export restraints on raw materials including restrictions on bauxite, manganese, zinc, among others.

**Nov. 5, 2009:** US Commerce Department sets preliminary anti-dumping duties on imports of Chinese oil country tubular goods (OCTG), steel pipes used in the oil and gas industry.

**Nov. 5, 2009:** The US and the European Union request a WTO investigation into Chinese taxes on exports of raw materials used in the metals and chemical industries including magnesium, fluorspar, silicon metal, silicon carbide, yellow phosphorous, and zinc.

**Nov. 5, 2009:** US Coast Guard Cutter *Rush* conducts a joint search and rescue exercise with its Chinese counterpart off Shanghai.

**Nov. 6, 2009:** US International Trade Commission imposes penalties on imports of coated paper and salts from China and announces a negative determination in the preliminary investigation into the need for countervailing and anti-dumping duties on Chinese standard steel fasteners.

**Nov. 10, 2009:** A US Air Force delegation headed by Lt. Gen. Herbert Carlisle visits China for the 60th anniversary of the Chinese Air Force.

**Nov. 12, 2009:** The first Sino-US Provincial/State Legislative Leaders Conference concludes in Beijing and is attended by approximately 200 representatives from both countries' business and legislative communities. Topics included the need for cooperation on climate change issues and the financial crisis.

**Nov. 15-18, 2009:** President Obama makes his first official visit to China.

**Nov. 16, 2009:** Secretary Clinton visits the site of the US Pavilion at the 2010 Shanghai Expo and gives a speech calling on US donors to increase their support.

**Nov. 19, 2009:** The US-China Economic and Security Review Commission releases its annual report on economic and security trends. The report includes accounts of increased cyber-espionage attacks on the US from locations in China.

**Nov. 20, 2009:** The US Embassy in Beijing calls for the release of Chinese born US citizen Xue Feng, who is being held in a Chinese prison on charges of espionage.

**Nov. 23, 2009:** Chinese Foreign Ministry rejects the US-China Economic and Security Review Commission's annual report as "full of prejudice," rejecting its accusations of cyber-espionage and currency manipulation.

**Nov. 23, 2009:** US Consumer Product Safety Commission concludes there is a strong link between imported Chinese drywall and damage to US homes across the country.

**Nov. 24, 2009:** Foreign Minister Yang Jiechi and Secretary of State Clinton talk by phone about the Iranian nuclear issue and other matters.

**Nov. 25, 2009:** China's Ministry of Commerce labels US imposition of anti-subsidy tariffs on steel oil well pipes "discriminatory."



**Nov. 29, 2009:** Chinese Ministry of Commerce begins review of import duties against chloroform from the EU, ROK, and the US. Levies have been in place for five years and will remain in place until the ministry finishes its review.

**Dec. 3, 2009:** China sentences five men to death for their participation in riots in Xinjiang. All five were Uighurs accused of committing acts of violence against bystanders and police.

**Dec. 3, 2009:** President Obama addresses the National Committee on US-China Relations and notes that US China relations are more important than ever.

**Dec. 9, 2009:** At the Copenhagen climate talks, the US delegation announces that China will receive no funding from the US government for combating climate change.

**Dec. 10, 2009:** Chinese Ministry of Commerce announces the China will impose duties on imports of oriented steel from the US and Russia.

**Dec. 18, 2009:** President Obama and Premier Wen Jiabao hold a bilateral meeting at the Copenhagen climate talk to discuss how their countries can cooperate to combat climate change.

**Dec. 21, 2009:** China's Ministry of Commerce asks the WTO to lift US tariffs on imported Chinese tires. The US imposed the tariffs in September.

**Dec. 30, 2009:** US International Trade Commission imposed punitive penalties to imports of some \$2.6 billion of OCTG from China.



# Comparative Connections

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



*US-Korea Relations:*

## *The New Old Reliable*

*Victor Cha, Georgetown University/CSIS  
Ross Matzkin-Bridger, CSIS*

The final quarter of 2009 included a number of significant developments in US-Korea ties. President Barack Obama made his first trip to Seoul in November, and Special Envoy for North Korea Policy Stephen Bosworth traveled to Pyongyang in December. The summit between Presidents Obama and Lee Myung-bak marked the continuation of an historical high in relations between the two countries. On issues affecting the alliance, Obama and Lee found common ground on North Korea, while they inched forward with the Korea-US free trade agreement. Meanwhile, Bosworth's three days of talks with North Korean officials brought the most encouraging signs of a return to the six-party process since talks broke down at the end of 2008. The Obama administration is faring well on the Korean Peninsula, even as relations with other major powers of the region become more complicated. Those accompanying Obama on his trip to Asia informally acknowledged that Korea was the "best stop" on the trip and sensed a personal connection between the two leaders.

### **The "good ally"**

President Barack Obama's trip to Seoul in November marked the third time in as many months that he met President Lee Myung-bak. After somewhat uneasy visits to Japan, Singapore, and China, the South Korean leg was clearly the easiest and most enjoyable portion of the trip for Obama, according to members of the traveling party. The North Korean nuclear issue and pending KORUS free trade agreement (FTA) dominated the agenda. On North Korea, the two leaders agreed to work toward a return to the Six-Party Talks while vowing to break the failed negotiating patterns of the past. Obama and Lee clearly understand the tired North Korean tactic of taking one step forward followed by two steps back and they have pledged not to tolerate such behavior. While neither president was willing to lay out a timetable or concrete roadmap for the return to talks, both stressed that new negotiations would hinge on whether Pyongyang makes a serious commitment to the six-party denuclearization agreement or reverts to its old tactics of stalling and demanding concessions. During the trip, Obama announced that Ambassador Stephen Bosworth would go to Pyongyang in early December. This advance notice reflected deliberate attempts by the administration to maintain tight policy coordination with allies in Seoul and in Tokyo about next steps with the DPRK.

The KORUS FTA has emerged as an issue that will help define the US-ROK alliance. Signed in 2007, the agreement has yet to be ratified by either country, mainly due to concerns in the US Congress. During the trip, President Obama stated that he would like to see KORUS ratified in 2010, however, he also noted that the highest unemployment rates in recent history and a trade deficit in the hundreds of billions of dollars make it very difficult to push a trade agreement that

is still “flawed” in certain sectors such as autos. President Lee made clear that the FTA, if passed, would lead to an increase in net jobs in the US through increased trade. Moreover, he clarified that the bulk of the US trade deficit is with China, not Korea. Obama seemed to acknowledge the latter point when, during his joint press conference with Lee, he noted that, “There is obviously also a concern within the United States around the incredible trade imbalances that have grown over the last several decades. Those imbalances are not as prominent with Korea, but there has been a tendency I think to lump all of Asia together when Congress looks at trade agreements and says it appears as if this is one-way street.” FTA “optimists” saw this as Obama’s way of acknowledging the great difficulties that the agreement will face in Congress but also instilling hope by suggesting that many of the concerns toward Korea specifically may be erroneous. FTA “pessimists” took the comment to announce the death of the agreement if it meant that it needed to wait until the trade deficit with China was rectified. One of the major sticking points is over nontariff barriers that allegedly keep US automobiles from entering into the Korean market. During the summit, Lee offered that Seoul is willing to “talk again” about autos; mixed signals out of the Korean government leave it unclear whether there can be any renegotiation.

In the end, most informed observers believe the road ahead looks like this: The two sides will have to work quietly over the course of 2010 on a side agreement of some sort on autos. Even if this is done early (and even if health care is off the agenda in Congress), it is not likely that the administration will push the FTA forward until after the mid-term elections in November. This sort of timeline, protracted as it is, will not face much pressure from pro-FTA proponents in Congress or from the private sector. This is largely because all groups are awaiting some sign from the White House of a decision to push forward on the agreement. Without this signal, pro-FTA proponents see too much Congressional opposition to start rallying support. Ironically, even though no substantive progress was made on the FTA, the conversation between Obama and Lee, observers have said, really cemented a bond between the two leaders. They were able to relate to each other as politicians, each explaining the domestic political pressures they faced on the agreement.

More broadly, Obama showed an ease and sense of closeness to Lee that was apparently not evident with other Asian leaders. US ties with South Korea have grown relatively stronger compared to relations with Tokyo. It is too early to assess the long-term implications, but it is clear that both President Obama and Secretary of Defense Robert Gates were more comfortable in Seoul than in any of the other destinations on their respective Asia tours. This was readily apparent both on the surface and inside the issues. It is hard to think of any time in recent history that the US and South Korea are in so much agreement on key issues such as North Korea, the military alliance, and free trade. Meanwhile, the opposite can be said of Washington’s ties with Tokyo. The Futenma base realignment debacle is creating seriously sour feelings, and it is uncertain how this might end up affecting the future of the US-Japan alliance. For decades, Japan served as the unwavering ally and stalwart partner for the US in the region. This is now being tested as the new Democratic Party of Japan (DPJ) government calls for a “more equal” relationship. In any case, there is a distinctly cool tone between the Obama and Hatoyama administrations that we have not seen in the relationship in at least the last couple of decades. If Secretary Gates’ body language is any indicator, the smiles and backslapping in Seoul certainly

convey a different impression than his gruff scowls in Tokyo. At least for the time being, Seoul is the new “good ally” in Asia for President Obama and his administration.

### **Pyongyang calling**

Ambassador Stephen Bosworth, the US special envoy for North Korea policy, made his first trip to Pyongyang in early December. The visit marked the first by a senior US official since October 2008. Bosworth’s goal was to use this bilateral meeting as a means to coax Pyongyang back to the multilateral negotiating table of the Six-Party Talks. The US delegation met with North Korea’s Vice Foreign Minister Kang Sok-ju and chief Six-Party Talks negotiator Kim Kye Gwan. Kang is more closely involved in Pyongyang’s strategic planning process than most North Korean officials that US diplomats have had access to in recent history, so there was some hope that this meeting would allow Bosworth to reach higher into the DPRK decision making structure. In order to achieve that objective, Bosworth carried with him a personal letter from President Obama to Kim Jong-il. The fact of a letter was not made public before the trip and even after press reports confirmed its existence, US officials would not comment on the contents. This was in contrast to the Bush administration when White House spokesperson Dana Perino provided a full readout of the contents of a letter then-President George W. Bush sent to Kim.

Despite the secrecy surrounding the letter, it apparently did not contain any new proposals and was a basic restatement of the deal in the 2005 Six-Party Talks Joint Statement coupled with President Obama’s personal commitment to live up to his side of the bargain. The talks between Bosworth and Kim Kye Gwan were cordial, but many uncertainties still remain. While the dialogue was characterized as “quite positive” and the atmosphere described as “very matter of fact, very businesslike,” Pyongyang did not explicitly agree to return to the Six-Party Talks. According to Bosworth, the North Koreans agreed in principal to a role for the Six-Party Talks, but the two sides could not come to a conclusion regarding when and how the talks would be started. As usual, the core hurdle is that the North wants sanctions (i.e., UN Security Council (UNSC) Resolution 1874) relaxed in return for their reappearance at the Six-Party Talks in Beijing, without taking any real steps on denuclearization. Washington, in response, wants: 1) the North to return to Six-Party Talks (not just bilateral ones with the US); 2) the continuation of UNSC Resolution 1874 sanctions; and 3) verifiable and irreversible denuclearization steps – a three-pronged strategy that is quite similar to that of the Bush administration. The Obama administration deserves credit for steering clear of the stalling tactics that North Korea has employed in the past. Observers stated that Bosworth was not authorized to offer a second bilateral meeting while he was in Pyongyang. Looking to the first quarter of 2010, North Korea will have to start making real decisions about its commitment to the six-party process.

### **Sanctions not for sale**

Just days after Ambassador Bosworth left Pyongyang, Thai officials seized an airplane that had departed from North Korea and was allegedly flying to Iran with a cargo of munitions. Acting on a tip from US intelligence, Thai authorities uncovered the 35-ton cache that reportedly included explosives, rocket-propelled grenades, and missile components. North Korea is forbidden from trading such weaponry under UNSCR 1874, adopted in June, 2009. This was a troubling, if not entirely surprising, signal from Pyongyang after the encouraging talks with

Bosworth. But from the perspective of policymakers in the US in charge of North Korea this was an opportune development that reinforced the message sent by Bosworth in Pyongyang: counterproliferation sanctions are not bargaining chips to be traded for meetings in Beijing, but are part of the North's new reality as long as it holds nuclear weapons. The close cooperation with Thai authorities is an indication of how successful and widespread implementation of UNSC Resolution 1874 has been. Besides the December incident in Thailand, the United Arab Emirates uncovered a cache of alleged banned arms from a cargo ship in July. Even Burma was coaxed into evoking the resolution this past July, forcing a suspicious North Korean cargo vessel that was bound for Rangoon to return to North Korean waters. While it is true that UNSCR 1874 calls for voluntary, not mandatory, enforcement of the arms embargo, a combination of genuine concern and diplomatic pressure from the world community seems to be moving things in the right direction.

Also in mid-December, a group of US business leaders responded to an invitation from the North Korean government and made a visit to Pyongyang to discuss possible investment opportunities. Much to the chagrin of the North Korean officials, the delegation insisted that investment would hinge upon North Korea abandoning its nuclear weapons program. They were predictably outraged by the precondition, and the whole affair may further indicate just how strapped for cash Kim Jong-il's regime is. Most experts estimate that the government receives at least hundreds of millions of dollars, if not over a billion dollars, a year from illicit arms trading. But with broader enforcement of UNSCR 1874, this source of income is becoming less and less reliable. As even private sector investors are hinging their commercial ventures on denuclearization, Kim Jong-il's options are becoming fewer. North Korea may be realizing that there are more consequences to their nuclear program than originally calculated.

## **Outlook**

2010 could put a spotlight on both Six-Party Talks process and the KORUS FTA. We can expect developments in both in the first quarter. South Korean Foreign Minister Yu Myung Hwan recently stated that the Six-Party Talks must resume by the end of February, "otherwise the life of the talks may come to an end." If the talks do indeed restart, they will likely do so without much advance notice. On KORUS, President Obama has said that he would like Congress to consider the agreement in 2010, however, there are some serious doubts over whether there will be any public push by the White House until after the November elections. Keep an eye out for human rights issues in 2010. Newly confirmed Special Envoy for North Korea Human Rights Robert King is scheduled to make his first visit to Seoul in mid-January, when he will meet South Korean officials and human rights advocates. Ambassador King was approved by the US Senate in November. This special envoy position was created under the 2004 North Korean Human Rights Act, which mandates the administration to "support human rights and democracy and freedom of information in North Korea," and to provide "assistance to North Koreans who are outside North Korea."

## **Chronology of U.S.-Korea Relations** **October - December\***

**Oct. 1, 2009:** Speaking at the UN General Assembly, Pak Kil-yon, the DPRK's vice foreign minister, calls on the U.S. to alter its policy toward Pyongyang.

**Oct. 1, 2009:** US Congress instructs the Government Accountability Office to evaluate if there has been any significant change in the US policy on DPRK refugees since Congress passed the North Korean Human Rights Act in 2004.

**Oct. 6, 2009:** *Xinhua* reports that DPRK leader Kim Jong-il told Chinese Premier Wen Jiabao that the DPRK "is willing to attend multilateral talks, including the Six-Party Talks, depending on the progress in its talks with the United States."

**Oct. 7, 2009:** Gen. Walter Sharp, commander of US forces in Korea says the US will transfer wartime control of ROK troops in 2012 despite concerns over a nuclear-armed DPRK.

**Oct. 8, 2009:** *Washington Post* reports survivors of *USS Pueblo* crew who were tortured in North Korea in 1968 were awarded \$65 million in damage by a federal judge in the District last year and are trying to locate DPRK assets frozen by the US government that they can seize.

**Oct. 8, 2009:** North Korea's *Minju Joson* denounces recent nomination of a US special envoy on DPRK human rights, calling it part of a hostile offensive motivated by politics.

**Oct. 12, 2009:** DPRK fires five *KN-02* missiles with a range of 75 km off its east coast.

**Oct. 13, 2009:** US Secretary of State Hillary Clinton says the US has absolutely no intention of relaxing sanctions against the DPRK before denuclearization.

**Oct. 14, 2009:** North Korea's *Rodong Shinmun* says "a peace accord should be concluded between the DPRK and the US if the nuclear issue on the peninsula is to be settled." US Assistant Secretary of State Kurt Campbell says US is ready for an "initial interaction" with the DPRK "that would lead rapidly to a six-party resumption of talks."

**Oct. 18, 2009:** *Korean Central News Agency (KCNA)* says "when the states with the largest nuclear arsenals take the lead in nuclear disarmament, it will positively influence the newly emerged nuclear weapons states in various parts of the world and also contribute to total elimination of nuclear weapons on this globe."

**Oct. 19, 2009:** US Defense Department press secretary Geoff Morrell says South Korea has made "great contributions" to the execution of the war in Afghanistan but urges it to continue at least the current level of support.

**Oct. 20, 2009:** DPRK Vice Foreign Minister Kim Kye-gwan says "We are committing our own efforts for the good result and for the good future of relations between our two nations and for

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\* Prepared with assistance from David Shin W. Park

successful talks with the United States and to defend the peace, which is the common goal of our two nations, the Americans and the people of the DPRK, to live as friends.”

**Oct. 21, 2009:** U.S. Defense Secretary Robert Gates tells ROK troops in Seoul that the DPRK has become a more deadly threat to the region. He also urges the ROK to increase military spending to counter threats from the DPRK and assist with global security.

**Oct. 21, 2009:** Adm. Robert Willard, commander of US Pacific Command, says the US and other nations must continue to deal with the DPRK’s “unpredictability,” and work through military deterrence and diplomatic pressure to convince its leaders to abandon their nuclear program.

**Oct. 22, 2009:** Cheon Seong-whun of the Korea Institute for National Unification says the US nuclear umbrella is “fragile” and not enough to shield the ROK from the DPRK’s nuclear threats.

**Oct. 23, 2009:** The US freezes the assets of the North Korea’s Amrogang Development Bank, which it says is controlled by previously sanctioned Tanchon Commercial Bank. It also designates Tanchon president Kim Tong-myong as a proliferator of weapons of mass destruction and freezes his assets.

**Oct. 24, 2009:** US Special Envoy for Disarmament Talks Sung Kim meets DPRK envoy Ri Gun to convey the US position on denuclearization.

**Oct. 27, 2009:** *Rodong Sinmun* accuses the US of stepping up production and deployment of “bunker-buster” bombs to mount a preemptive attack on its nuclear sites.

**Oct. 29, 2009:** *Radio Free Asia*, quoting an intelligence source, reports that the DPRK’s recent short-range missile tests were a failure with none of the five projectiles reaching its target.

**Oct. 30, 2009:** South Korea announces it will increase the number of its provincial reconstruction team (PRT) personnel in Afghanistan to 130 to protect civilian aid workers.

**Nov. 1, 2009:** DPRK Foreign Ministry calls for direct talks with the US.

**Nov. 3, 2009:** *Korean Central News Agency (KCNA)* reports the DPRK has completed reprocessing spent fuel rods and made “noticeable successes” in weaponizing plutonium.

**Nov. 3, 2009:** State Department spokesman Ian Kelly says that “reprocessing plutonium is contrary to DPRK’s own commitments” and violates UN resolutions.

**Nov. 16, 2009:** *Rodong Sinmun* demands US must pull its troops out of the ROK as early as possible, saying the so-called “UN Command” is unjust and it increases the “threat to peace and security” on the Korean Peninsula.

**Nov. 17, 2009:** US Senate Foreign Relations Committee approves the nomination of Robert King as special envoy for DPRK human rights.



**Nov. 18, 2009:** President Obama meets President Lee in Seoul.

**Nov. 19, 2009:** President Obama pledges that the US commitment to peace and stability in Korea “will never waver.”

**Nov. 19, 2009:** The UN adopts a resolution condemning the DPRK for its “systemic, widespread, and grave violations” of human rights.

**Nov. 23, 2009:** DPRK urges the US to replace Korean Armistice Agreement with a peace treaty.

**Dec. 9, 2009:** *Rodong Sinmun* says DPRK nuclear issue resulted from the hostile policy of the US, is “totally bilateral,” and “would be solved spontaneously” after the US drops its anti-DPRK policy, eradicates the military threat against Pyongyang, and stops its nuclear war provocation.

**Dec. 9, 2009:** Taliban warns the ROK government of “bad consequences” if it dispatches its defense force to take part in the fight against insurgents in Afghanistan.

**Dec. 8-10, 2009:** Ambassador Bosworth visits Pyongyang and says that the US has reached a “common understanding” with the DPRK on the need to resume the Six-Party Talks and implement the principles outlined in 2005.

**Dec. 10, 2009:** The DPRK Foreign Ministry says the meeting with the US “deepened the mutual understanding, narrowed their differences and found not a few common points.”

**Dec. 12, 2009:** Thai authorities seize a cargo aircraft that arrived in Bangkok for refueling from the DPRK with tons of weapons on board.

**Dec. 17, 2009:** Robert King, US special envoy for DPRK human rights, says that the US will consider resuming food aid to DPRK if it allows monitoring of food distribution.

**Dec. 25, 2009:** Korean-American human rights activist Robert Park crosses the frozen Tumen River from China into the DPRK, carrying a letter that calls for opening the border so food and medicines can be delivered to DPRK people and releasing all political prisoners.

**Dec. 31, 2009:** State Department spokesman Ian Kelly says the US is seeking consular access to Robert Park who is being held in the DPRK for illegal entry. He also says that this issue will not affect US efforts to bring the DPRK back to the Six-Party Talks.



# Comparative Connections

A Quarterly E-Journal on East Asian Bilateral Relations



US-Russia Relations:

## START-over for the New Year

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The last quarter of 2009 proved to be a quiet one for US-Russia relations. Although there were no major bilateral rifts, several issues continue to fester, including the impasse over the Iranian nuclear program. The biggest disappointment, however, may have been the failure to reach an agreement on the replacement for the Strategic Arms Reduction Treaty (START) that expired on Dec. 5. Negotiations are set to resume in January, but end-of-year remarks by Prime Minister Vladimir Putin about the dangers of the US ballistic missile defense system threaten to throw a wrench into the discussions. Meanwhile, the long-awaited East Siberian oil pipeline destined for Asian markets has finally come on line.

### The Iranian nuclear issue

The failure of Moscow and Washington (as well as the other parties concerned: China, France, Germany, and the UK) to agree on a strategy to oppose Iran's incipient nuclear weapon program highlights the strategic disconnect between the two Cold War adversaries. Early in the fall, hopeful statements emanated from Moscow on the need to collaborate and hold Tehran accountable for any illegal nuclear program. After representatives of the six nations met with Iranian diplomats in Geneva in early October, Iran tacitly agreed to send its uranium fuel to Russia for enrichment. Iran also agreed to open its uranium enrichment plant near Qom for International Atomic Energy Agency (IAEA) inspection. This facility had been kept secret until this year. The Russian daily *Kommersant* wrote that, "For the first time there were no principal disagreements inside the six-party group itself," and that "its members are ready to have a dialogue with Iran and resort to tough sanctions only in a worst case scenario." Credit for this solidarity was given to the late September meeting between Presidents Barack Obama and Dmitry Medvedev in New York.

Shortly thereafter, US Secretary of State Hillary Clinton traveled to Moscow to seek further Russian cooperation and perhaps an agreement to push through UN-mandated sanctions against Tehran should it renege on its agreements. After a frosty meeting with counterpart Foreign Minister Sergey Lavrov, there were indications that Moscow was not fully on-board when it came to the Iranian nuclear program. Earlier that week, Deputy Foreign Minister Aleksey Borodavkin had said that Russia intends to continue its military-technical cooperation with Iran. Rumors also swirled that Russian scientists were helping Iran in the development of nuclear weapons. Israeli diplomats confronted the Russian Foreign Ministry with these accusations before Clinton's visit, according to the *Sunday Times* in Britain. In what was perhaps an attempt at extending an olive branch, Clinton discussed the idea of the US jointly developing an ABM

(missile defense) system with Russia, but Lavrov gave no definite reply. Although he was in Beijing at the time, Russian Prime Minister Vladimir Putin did not hesitate to put his mark on the Clinton visit by publicly warning against threatening Tehran and backing them into a corner. Lavrov echoed Putin's sentiments at a press conference with Clinton: "Threats, sanctions and threats of pressure in the current situation, we are convinced, would be counterproductive."

By early November, Moscow seemed to have a slight change of heart and publicly encouraged the Iranian government to cooperate with the IAEA. This announcement came days after President Medvedev repeated (as he had stated in the US in September) that fresh sanctions on Iran could not be ruled out if there was no progress in the standoff over the nuclear program. He made this statement again in a joint announcement with President Obama in mid-November at the Asia-Pacific Economic Cooperation (APEC) leaders meeting in Singapore. Moscow also continued to withhold delivery of controversial *S-300* anti-aircraft missiles that Iran had contracted for several years prior. Furthermore, Moscow announced that the start-up of the reactor that Russian engineers had helped construct in the Iranian town of Bushehr would be held up until after year's end due to "technical issues."

Although by December press reports suggested that Russia was moving closer to support for sanctions against Iran, Moscow continues to play a cat-and-mouse with Iran and the US, recognizing that this is one area where it still has leverage with Washington. Expect Russia's leaders to continue to do so. Should they ultimately agree with Washington on sanctions, they will be passing the leverage baton to Beijing, which will likely continue to oppose sanctions.

## **START negotiations**

Throughout the fall, US and Russian negotiators met in an effort to come to an agreement for the replacement for the Strategic Arms Reduction Treaty (START-1) that expired on Dec. 5. The eighth round of talks began in November in Geneva and continued sporadically for several weeks. Both sides expressed confidence early that the talks would result in a replacement treaty by December. But as one Russian article put it: "For the most part, [everyone] believes that a new agreement is in order, but the situation is far more complex than putting signatures to parchment." For one thing Moscow – now in a clear position of conventional inferiority – is in less of a hurry to make an agreement and is less taken with President Obama's talk of a nuclear-free world. Russia made it clear in early November that once a replacement for START-1 is signed, they are not prepared to immediately launch into discussions on a wider-ranging reduction in nuclear weapons, although Washington appears eager to keep the momentum going. The two sides also recognize that any new treaty must be ratified by their respective legislatures, not normally a speedy process.

The discussions in Geneva started on the wrong foot when US National Security Advisor James Jones traveled to Moscow in late October to discuss the framework for the negotiations. US Under Secretary of State for Arms Control and International Security Ellen Tauscher later reportedly told the news agency *ITAR-TASS*: "[Russia's] response to the suggestions James Jones took to Moscow ... was a gross disappointment." *The Washington Post* reported that the US included a compromise of 700 delivery vehicles (warheads, bombers, and submarines) for each side in the package of proposals, but Moscow rebuffed the offer.

By mid-December it was clear that there would be no new treaty in 2009, especially when a last-minute meeting arranged between Presidents Obama and Medvedev at the conclusion of the climate talks in Copenhagen failed to produce anything. Diplomats from both sides agreed to resume talks in Geneva in January with the goal of reaching an agreement in February at the latest. Both sides recognize the danger of leaving talks suspended until May when the Nuclear Nonproliferation Treaty (NPT) Review Conference is scheduled to take place in New York.

Moscow's contention has long been that superiority in delivery vehicles (which the US also utilizes for conventional strikes) as well as verification and compliance measures listed in START-1 give the US an unfair advantage. START-1 gave the US the right to monitor the Russian facility where mobile intercontinental ballistic missiles were produced in the town of Votkinsk. A similar US facility in Utah has long since closed, eliminating the need for Russian monitors in the US. With the expiration of START-1 in December, the last US monitors left Russia, but the US reportedly wished to keep them there. Moscow also wishes to dispense with START-1 provisions that prohibit the encryption of missile telemetry (during missile tests). Russia is currently developing two new missile systems and wishes to keep the telemetry data off US monitoring instruments. Of course, if results from the most recent tests mean anything, the US may not care whether the telemetry is encrypted. The *Bulava*, a sea-launched ballistic missile (SLBM), has reportedly failed on 11 of 12 test launches, leaving the beleaguered Russian strategic arms complex even further in a cloud of self doubt. Other reports out of Russia (see below) indicate that the number of serviceable nuclear missiles could shrink to 300 (wielding 1,100 warheads) over the next decade.

Several articles in the Russian press leaked what are claimed to be the alleged sticking points in the START-1 replacement negotiations and what a new treaty may look like. Each side will agree to reduce warhead levels to no more than 1,500 over the next 10 years. US inspectors will return home, and missile telemetry will be encoded (Russia is concerned that the US has used the data to help with its missile defense technology). Russia insists that if the US is given information on mobile platforms (such as the Russian *Topol* missiles), then US submarines should be counted as mobile platforms, which was not the case under START-1, and that information on their whereabouts should be shared. Moscow will insist that conventional delivery vehicles be counted against the limit of 700, despite US objections. Russia also insists that new Russian weapons being developed will not fall under any new treaty, especially the *RS-24* with MIRV capability.

In return, the US is insisting on the ability to retain nuclear redeployment capability (that is, redeploy disassembled warheads). The US still has more than 5,500 warheads and although many of them have no platforms, they can be put onto delivery systems on fairly short notice. Russia is unable to do so because almost all of the warheads that were pulled off-line were obsolete as are many of the currently deployed warheads. Russia currently has roughly 3,900 warheads. As for delivery vehicles, a limit of 700 is the figure bandied about the most. The US currently has over 1,100 such systems – many of these new, while most of Russia's roughly 800 platforms are aging. One Russian daily, in a pointed reference to Russia's deteriorating arms industry, stated that Moscow will be hard-pressed to keep up with the US in the coming decade: "Considering that mass production is out of the question for reasons too obvious and well-known to dwell on here, experts say that Russia will be lucky to retain 300 delivery means by 2017."

Another issue that came up late in the discussions was the question of the planned US deployment of a missile defense system, parts of which are sea-borne and parts of which will be mobile and deployed throughout Europe. Although the Obama administration threw Moscow a carrot in the summer by declaring that a missile defense system that had been planned for Poland and the Czech Republic would not be deployed, after further investigation Moscow must have decided that the echeloned system planned in its stead presents a much more sophisticated challenge for Russia. Prime Minister Putin made his opinion clear during a talk while touring the Russian Far East in late December when he said, "If we don't develop a missile defense system, a danger arises for us that with an umbrella protecting our partners from offensive weapons, they will feel completely safe," he warned, adding that, "The balance will be disrupted, and then they will do whatever they want, and aggressiveness will immediately arise both in real politics and economics." Although he stopped short of expressing opposition to a replacement for START-1, he has made it seem clear that he wishes any new treaty to cover missile defense, something Washington will never agree to.

## **Afghanistan**

The US and Russia may have differences in arms control and the Middle East, but there is clear overlap in strategic thinking when it comes to Afghanistan. On the 30<sup>th</sup> anniversary of the Soviet invasion of Afghanistan, there were a number of articles and reports looking back on the lessons learned in the protracted Soviet conflict. There is also a sense of right and justification expressed in the Russian reporting in that the Soviet Union was battling the same forces that the US and ISAF/NATO partners are now. Moscow does not wish to see Afghanistan again sink into civil war and instability as it did during the 1990s. This raises the threat of instability in Central Asia and could bring more volunteers for a jihad in the North Caucasus where Moscow is already battling a new wave of instability in Dagestan, Ingushetia, and Chechnya. Additionally, Russia suffers greatly from the increased drug trade that is a result of an unstable Afghanistan.

In July 2009, Russian agreed to allow US military cargo aircraft fly over Russian territory en route to Afghanistan, although bureaucratic hang-ups in Russia have prevented a substantial airlift operation. Earlier in the year, the Russian government also began allowing the supply of US and NATO forces via rail through Russian territory as part of the so-called Northern Distribution Network meant to supply the war effort in Afghanistan with vital non-military resources. In November, Russia announced that NATO would purchase Russian-made transport helicopters to ferry troops and supplies within Afghanistan. Moscow has made great effort to help the US and NATO in the conflict and this has been the case since the fall of 2001.

There is still competition between Washington and Moscow for influence in the five nations of Central Asia and over the last few months, Washington has made strides in improving relations with key players Kazakhstan and Uzbekistan. Moscow recognizes the growing influence and power of China in the region and is perhaps less willing to oppose the US for the sake of prestige or perceived strategic benefit. This autumn a pipeline linking natural gas fields in Turkmenistan to China was completed, a blow to Russian efforts to control Turkmen gas. This is certain to worry strategic planners in Moscow and is perhaps behind the recent Russian decision to again buy Turkmen gas at market prices after nine months of refusing deliveries from that country.

Russia will continue to assist NATO and the US in Afghanistan to the extent that it is possible. But apart from allowing transit and easing its political pressure on Central Asian neighbors, there is little that Russia can actually do. Concern about China in Central Asia may become the greatest lever for an improvement in US-Russian relations in the region.

## **Georgia**

Georgia, which is also supporting the war in Afghanistan by supplying troops, remains a sore point between Washington and Moscow. Russia has been greatly concerned about the possibility of Georgia's accession to NATO and some observers saw the war between Russia and Georgia in August 2008 as a warning shot across the bow of Washington. The perception in Moscow was that the Bush administration would push for Georgian NATO membership. Georgian membership is seen as less of a threat during the Obama administration, but Russian leaders recognize that this may merely be a question of time.

Russia's Permanent Representative to NATO Dmitry Rogozin has been one of the most vocal critics of Washington's Georgia policy. In a recent interview, he said: "No one has abandoned the idea to use Georgia as a counterbalance to Russia ... [Georgia is] a toothache or a headache for us in the Caucasus; as far as we are concerned, these attempts will continue." Although the Obama administration has stressed its desire to "reset" relations with Russia, relations with Georgia will not take a back seat, certainly as long as the close military-to-military cooperation continues. US warships continue to make port calls to Georgia and US military advisors train Georgian troops, particularly those bound for Afghanistan. Should hostilities arise again in the Caucasus, the Obama administration will have to make tough choices about the "reset" in US-Russian relations.

## **ESPO pipeline**

Moving further East, Russia again looks to make a splash in the Asia-Pacific region where it has been AWOL over the past few years. In late December, a big portion of the much-anticipated East Siberia-Pacific Ocean (ESPO) oil pipeline was completed and oil began flowing from oil fields at Taishet, northwest of Lake Baikal, about 3,000 km to the town of Skovorodino, near the Chinese border. From there, it will be loaded onto trains for the 2,100 km trip to Kozmino, a terminus on the Pacific coast near Vladivostok. Another stage of the ESPO pipeline will be completed in the coming years, linking Taishet in northeastern China with Kozmino directly by pipe. China is completing a pipeline from a refinery at Daqing to the Russian border where it will link to the ESPO near Skovorodino. Japan, South Korea, and other Asia-Pacific nations will benefit from an increase in deliveries of Russian crude and a lessening of dependence on oil imports from the Persian Gulf region.

The ESPO pipeline had been the focus of a much-publicized tug of war between China and Japan since 2004. It looks as if both sides will now benefit. Prime Minister Putin stressed Russia's goals during a recent visit to the Russian Far East: "As for the ESPO pipeline, it is a strategic project because it will allow us to diversify our export risks ... You know that Russia is so poorly represented in the Asia-Pacific hydrocarbon market, that it is an embarrassment to

mention it. Arab countries account for 69 percent of oil in this hydrocarbon market, while Russia's share is a meager 5 percent or 6 percent. This is too little. There is hard work ahead."

If Russia is to become a major player in the Asia-Pacific region for the first time since the Cold War, then unlike that era when it was a military giant, Russia will have to become more of an economic player, not just in the hydrocarbon area, but in manufacturing (such as ships and airplane manufacturing facilities in the Far East), and other fields as well.

## **Looking Ahead**

Over the next few months the Iranian nuclear program will play a major role in US-Russian relations as will the North Korean nuclear issue, although to a lesser extent. The primary issue to monitor in the coming weeks will be the START replacement negotiations in Geneva. All are hoping a new agreement can be inked before the spring.

## **Chronology of U.S.-Russia Relations October - December 2009**

**Oct. 1, 2009:** Representatives from the group of six nations (the UN Security Council permanent five plus Germany) hold talks with representatives of Tehran in Geneva about the controversial Iranian nuclear program.

**Oct. 1-2, 2009:** US Under Secretary of Defense Alexander Vershbow visits Moscow to discuss issues including Iran, arms control, and missile defense.

**Oct. 12, 2009:** US Secretary of State Hillary Clinton travels to Moscow hoping to convince the Russian government to support the strong US stance on Iran's nuclear program and to discuss the framework for a new arms control agreement.

**Oct. 23, 2009:** After meeting Vice President Joe Biden, Czech Prime Minister Jan Fischer announces that his government backs a reworked US missile defense plan meant to defend against threats from Iran and other nations. Biden completes his tour of the region; Prague is his last stop after Poland and Romania.

**Oct. 27, 2009:** Russian Foreign Minister Sergey Lavrov states that an indefinite presence of US troops in Afghanistan will benefit neither Afghanistan nor the region as a whole.

**Oct. 29, 2009:** US National Security Adviser James Jones meets Foreign Minister Sergei Lavrov in an effort to re-open negotiations on arms control and the Iran nuclear issue.

**Nov. 3, 2009:** General Motors decides to retain ownership of its German subsidiary Opel, reversing a September decision to sell a majority stake to a Russian-dominated consortium.

**Nov. 9, 2009:** The eighth round of START replacement consultations between Russia and the US begins in Geneva.



**Nov. 15, 2009:** At the Asia-Pacific Economic Cooperation (APEC) meeting in Singapore, Presidents Obama and Medvedev say in a joint statement that if Iran does not give clear answers to questions about its nuclear program, Russia and the US will consider sanctions.

**Nov. 16, 2009:** Moscow announces that there will be a delay in the activation of Iran's first nuclear power station, claiming that "technical issues" will prevent its engineers from starting up the reactor at the Bushehr plant before the end of the year.

**Nov. 27, 2009:** The IAEA and the United Nations demand that Iran cease operations at a newly discovered secret uranium enrichment plant near the city of Qom.

**Dec. 3, 2009:** Prime Minister Vladimir Putin says that the US is blocking Russia's efforts to join the World Trade Organization.

**Dec. 15, 2009:** Newly appointed NATO Secretary General Anders Fogh Rasmussen makes his first visit to Moscow, meeting both President Medvedev and Prime Minister Putin.

**Dec. 18, 2009:** Presidents Obama and Medvedev meet at the conclusion of the Copenhagen climate talks to discuss the negotiations on the replacement of START-1.

**Dec. 28, 2009:** At the port of Kozmino on the Pacific Ocean, Prime Minister Putin officially opens a portion of the long-awaited East Siberia-Pacific Ocean oil pipeline.

**Dec. 29, 2009:** In a visit to the Russian Far East, Prime Minister Putin criticizes the US ballistic missile defense system that is still in the planning stages, cautioning that Russia could be even more vulnerable to the US.



## *Comparative Connections*

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



*US-Southeast Asia Relations:*

### *Engagement with Burma Ramps Up*

*Sheldon Simon  
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High-level US efforts to convince Burma's military government to open its political system to the democratic opposition and release political prisoners prior to scheduled 2010 elections accelerated this quarter. President Obama, Secretary of State Clinton, and Assistant Secretary of State Campbell all weighed in during meetings in Burma and at the first ASEAN-US summit in Singapore after the annual APEC leaders meeting. The ASEAN states welcomed the first US summit with all 10 members. Secretary General Surin Pitsuwan noted that President Obama's praise for ASEAN's key role in Asian international organizations debunked claims by some that ASEAN is no longer the centerpiece of the region's architecture. Singapore's prime minister insisted that the US continues to be Asia's "indispensable" player despite the rise of China and India. In the Philippines, the Visiting Forces Agreement continues to be a political football in domestic Philippine politics as President Arroyo's political opponents claim that the US military violates the Philippine constitution by engaging in combat – an allegation denied by both the US embassy and the Philippine government. On a tip from the US, Thai authorities detained a cargo aircraft coming from North Korea with a load of sophisticated weapons in violation of a UN Security Council Resolution.

### **Engagement with Burma**

During the quarter, the Obama administration continued to promote "pragmatic engagement," initiated by Sen. Jim Webb, who met Burma's military leader Gen. Than Shwe soon after opposition leader and Nobel laureate Aung San Suu Kyi's house arrest was extended by 18 months for allowing an uninvited American to stay in her lakeside home. Assistant Secretary of State for East Asian and Pacific Affairs Kurt Campbell made it clear that any US dialogue would supplement but not replace existing sanctions "until we see concrete progress." In his report to President Obama, Webb emphasized China's increased influence in Southeast Asia as one reason why Washington needed to reevaluate its Burma policy.

The progress to which Secretary Campbell referred is democratic reform. At the United Nations in late September, speaking to the "Group of Friends of the Secretary General on Myanmar," Secretary of State Hillary Clinton averred that the "basic objectives" of US policy toward Burma have not changed: "We want credible democratic reform, a government that responds to the needs of the Burmese people, immediate, unconditional release of political prisoners, including Aung San Suu Kyi." Moreover, the military government must also initiate a "serious dialogue with the opposition and minority ethnic groups." Aung San Suu Kyi has reportedly backed the

Obama administration's engagement policy as long as it includes a role for her opposition party, the National League for Democracy (NLD).

At a media briefing on Sept. 28, Secretary Campbell stated that the Obama administration's review of Burma policy began in March 2009 and that it involved discussions with several "stakeholders," including Congress, the international community, and elements of the NLD inside Burma. He went on to note that for the first time representatives of the junta have "shown an interest in engaging with the United States" as revealed in Sen. Webb's meeting with Gen. Than Shwe, and subsequent discussions with Burma's Prime Minister Gen. Thien Sein, in the US. While Campbell acknowledged skepticism about the scheduled 2010 elections in Burma, expecting that they will be neither "free or fair," nevertheless, he was prepared to sustain US efforts to "encourage Burma to be more open," beyond the elections and was heartened by Burma's cooperation "behind the scenes" in implementing UNSC Resolution 1874 when the Burmese government refused access to a North Korean ship that might have been exporting weapons in violation of that resolution.

In an August 2009 report, the highly respected International Crisis Group recommended that opposition groups in Burma take part in the 2010 elections even though they would undoubtedly entrench the military's power because the changes would at least establish "shared political spaces – the legislatures and perhaps the Cabinet – where cooperation could be fostered." In a late September Senate Committee on Foreign Relations hearing, Secretary Campbell added that Aung San Suu Kyi welcomes the new US approach, though "there must be a parallel dialogue with the political opposition, and we support that." On Oct. 1, Aung San Suu Kyi sent a letter to Than Shwe offering to work with him in helping to ease sanctions from the West. In her letter, she requested a meeting with the US charge d'affaires and ambassadors from the EU and Australia. On Oct. 10, the junta granted her request.

Washington's interest in political change in Burma also extends to the country's impact on regional security, including narcotics and human trafficking as well as the large number of minority ethnic groups that have fled to neighboring countries. The primary US lever in dealings with the junta is the prospect for Burma's access to the US market for labor-intensive production and light manufacturing. If the junta provides an opening to the NLD's participation in the 2010 elections, Burma could be on a glide path to the lifting of US economic sanctions. However, it should also be noted that, in fact, Burma has not been "isolated" for some time. Its external trade in 2008 was almost 2.5 times that of 1997, and some \$10.7 billion worth of foreign direct investment projects have been inaugurated since the 1997 US ban on new investments. Moreover 360,000 tourists entered the country in fiscal year 2007-08. Thus, the junta may be less interested in economic incentives from the US than in acquiring an improved political relationship to balance China's influence.

In an early November visit, Secretary Campbell met both Aung San Suu Kyi and Prime Minister Gen. Thien Sein, telling the latter that reconciliation with Burma's democratic opposition will lead to better relations with Washington. Campbell is the highest level US official to visit Burma in more than a decade. He was accompanied by Deputy Assistant Secretary Scot Marciel, who doubles as the first (nonresident) US ambassador to ASEAN. On Nov. 5, Marciel appeared to up the ante for improved relations by stating it would be "very hard" for the 2010

elections to be considered legitimate without the release of democratic opposition detainees and the participation of Aung San Suu Kyi. As yet, the opposition NLD has not indicated whether it would participate in the polls.

Subsequent to these meetings in Burma, at the first US-ASEAN summit in Singapore, on the sidelines of the APEC leaders gathering, President Obama on Nov. 19 personally urged Burma's prime minister to release Aung San Suu Kyi – a request, however, that did not make it into the summit communiqué. Before arriving in Singapore, Obama insisted that the release of all political prisoners, an end to conflicts with minority groups, and a “genuine dialogue” with the opposition and minorities comprise “a precondition for any softening of sanctions against the country's military junta.” Obama's discussion with Prime Minister Thein Sein was the first meeting with a US head of state since 1966.

The United States also turned to the ASEAN states individually and through the group. At the APEC meeting on Nov. 12, Secretary Clinton urged them to “reach out to the Burmese leadership, persuade them it is time to start planning for free, fair, and credible elections in 2010.” Clinton went on to say that Southeast Asian states “have an especially important role to play in encouraging the Burmese government to move forward on reform, to start a meaningful internal dialogue with Aung San Suu Kyi, political parties, and ethnic minorities.” Nevertheless, she seemed to weaken her own argument by concluding that these political changes can only be solved by “the Burmese people themselves, so we are not setting or dictating conditions.”

Although it seems that Than Shwe's regime seeks international approval for its forthcoming elections, as renowned Burma specialist David Steinberg pointed out in a Dec. 3 *PacNet Newsletter*, foreign observers have not laid out conditions for free and fair elections. Steinberg suggests that in addition to fair vote counting, these should include relaxation of the rigid censorship law, allowing participation of the NLD and Aung San Suu Kyi, who should be released from house arrest, and altering the new constitution so that provisions designed specifically to prevent her candidacy would be removed. These changes would be a very high bar for the junta to hurdle.

### **ASEAN welcomes more robust US role; US aids Indonesia in the wake of a disaster**

ASEAN Secretary General Surin Pitsuwan seized on President Obama's first summit with the leaders of ASEAN member states to debunk the views that ASEAN no longer plays a central role in Asia's evolving intergovernmental architecture. Insisting that Obama's citation of ASEAN's key role in promoting Southeast Asian democratization and the appointment of a resident US ambassador to ASEAN illustrated its continued importance, Surin claimed that ASEAN would remain “the cornerstone of the region's architecture.” Surin's defense of ASEAN appears to be a rejoinder to the October meeting of 16 Asia-Pacific leaders in Thailand at which the Australian and Japanese prime ministers called for a new regional bloc that would increase Asia's clout in global affairs.

ASEAN leaders indicated that although the first US-ASEAN summit was much appreciated (and long overdue), they would prefer that future meetings be held annually and as stand-alone events rather than as add-ons to the APEC meetings because Cambodia, Laos, and Burma are not part of

APEC. To demonstrate the importance Washington attaches to Southeast Asia, President Obama's entourage for both APEC and the ASEAN summit included Secretary of State Clinton, Treasury Secretary Timothy Geithner, Commerce Secretary Gary Locke, and US Trade Representative Ron Kirk. As Singapore's Prime Minister Lee Hsien Loong stated before the summit, the US remains the "indispensable" player despite the rise of China and India.

In a smaller scale replay of US aid to Indonesia in the aftermath of the December 2004 tsunami, the archipelago was hit by a powerful earthquake on Oct. 5 that left hundreds of thousands homeless on Sumatra. Within two days US forces set up a field hospital and rerouted three Navy ships loaded with supplies, food, and heavy equipment to clear roads and excavate buildings. Eleven doctors were flown in from the US and Japan opened a 300-bed field hospital outside Padang. While the humanitarian response to yet another Indonesian natural disaster was appreciated, commentators expressed disappointment that President Obama bypassed the country on his November visit to Singapore. The director of Indonesia's most prominent think tank, the Center for Strategic and International Studies, was quoted on an internet news site as saying that Obama's decision not to visit Indonesia makes his description of the country as a close friend "less meaningful."

President Obama did meet Indonesian President Susilo Bambang Yudhoyono at the APEC meeting and praised Indonesia's importance as a G20 member, democratic country, as well as the world's largest Islamic country. He also stated that Indonesia could serve as a model for interfaith relations and promised to visit Indonesia in 2010 at the invitation of Yudhoyono. Less euphoric about the relationship, the Indonesian president, in an address to APEC on Nov. 13, warned that the world economy could no longer rely on a single engine for growth, "like the United States." Asian countries should open their trade and investment flow to each other so that "multipolar economic growth" can be achieved.

### **US military presence remains hot topic in the Philippines**

US military advisors in the southern Philippines continue to be a political football in domestic politics with leftist and nationalist opposition to Philippine President Arroyo insisting on either the renegotiation or abrogation of the Visiting Forces Agreement (VFA). US Ambassador Kristie Kenney in late September stated that the US was happy with the agreement and saw no need to renegotiate. One focus of the Philippine opposition is an addendum to the original VFA that was not submitted to the country's Senate for approval, dubbed VFA2. It allows US military personnel accused of a crime to be detained in the US embassy rather than in a Philippine jail. The opposition also claims that although US troops are ostensibly involved only in temporary training exercises, in fact, they have been embedded in the southern Philippines for almost a decade in violation of the Philippine Constitution, which prohibits foreign forces from engaging in combat in the country. Both the US and Philippine governments deny that US advisors engage in combat, insisting that their mission is confined exclusively to training the Philippine army. Philippine authorities say that US Special Forces' training, begun in 2001, has helped to reduce the number of Abu Sayyaf terrorists from about 1,000 to between 300 and 400.

While US intelligence and new weaponry helped Philippine soldiers capture or kill the original leaders of Abu Sayyaf, in recent years, younger, more radical rebels have taken their place and

are even more aggressive. According to a Nov. 12 *Agence France Presse* report, 48 Filipino soldiers and at least 70 Abu Sayyaf militants have been killed in 2009. One US official stated that the Mindanao militants are now employing “tactics and strategies that have been perfected in Iraq...,” including roadside bombs. Philippine military intelligence claims that Abu Sayyaf is primarily funded through kidnapping and extortion and that 80 percent of its members are under 25 years of age and high school dropouts lured by the monetary rewards of criminal activity.

On Sept. 29, two US soldiers and a Filipino Marine were killed in Sulu in a landmine explosion while helping to build a school, the first deadly attack on US forces since 2002. The Philippine chief of the Western Mindanao Command, Maj. Gen. Ben Dolorfino, claimed that the attack showed Abu Sayyaf was being trained by bomb experts from Indonesian terrorist organization Jemmah Islamiyah, who had sought refuge in the southern Philippines. For a time thereafter, US forces in the south were confined to their base during a Pentagon investigation of the incident.

### **Other Southeast Asian developments**

At the US-ASEAN Business Council meeting in Washington, D.C. in late October, **Singapore’s** elder statesman and Minister Mentor Lee Kwan Yew noted that a number of Asian countries were vying for leadership positions in the region, including China, Japan, India, Australia, and South Korea. However, ASEAN still believes “that the US remains irreplaceable in East Asia.” Nevertheless, new regional architecture, such as an East Asian Community, will be the new route for regional stability and ASEAN plans to continue to be at the center of these developments as it has been in APEC, ASEAN Plus 3, the ASEAN Regional Forum, and the East Asia Summit. However, “ASEAN lacks strategic weight.” That is why all ASEAN countries “welcomed Secretary of State Hillary Clinton’s decision to re-engage Southeast Asia.” Lee went on to praise the US decision to sign ASEAN’s Treaty of Amity and Cooperation as well as hold a summit with all ASEAN leaders in Singapore, including Burma for the first time. In an implicit criticism of Japan, Malaysia and perhaps China, Lee said: “It would be a serious mistake for the region to define East Asia in closed, or worse, racial terms.” He concluded by noting that the US is still the world’s largest economy and that the dollar will remain its primary reserve currency, though other currencies are beginning to share that role. Finally, he insisted that “US core interests require that it remains the superior power on the Pacific.”

Based on a tip from the US intelligence community in mid-December, authorities in **Thailand** seized a cargo plane from North Korea loaded with conventional arms. Both US and Thai officials cited the seizure as a success in efforts to enforce United Nations Security Council (UNSC) Resolution 1874 banning weapons exports by the North Korean government. That resolution was passed by the UNSC in 2009 after the DPRK conducted its second nuclear test. A great deal of speculation surrounds the ultimate destination for the armaments ranging from Iran to Pakistan, though no definite conclusion had been reached by late December.

On Dec. 15, Secretary of State Clinton praised “the strong action taken by the Thais ... [which] demonstrates the importance of international solidarity behind the sanctions that were adopted at the United Nations earlier this year.” US Director of National Intelligence Dennis Blair in a Dec. 19 contribution to the *Washington Post* applauded the weapons interdiction as an example of “[t]eamwork among different agencies in the United States and partners abroad...”

Some Thai military officers tried to link the arms seizure to domestic instability in southern Thailand, saying that Thai cooperation with the US could turn international terrorist attention to assist the southern insurgency – a speculation discredited in a Dec. 18 editorial published in *The Nation Online*. On Dec. 19, the Russian daily *Kommersant* reported that the cargo plane was not scheduled to refuel in Bangkok at all but had been forced to land there by Thai fighter planes after it entered Thai airspace.

On Dec. 28, Thailand began the forcible repatriation to Laos of 4,000 Hmong refugees who had been kept at a remote camp near the Lao border. The refugees, a mixture of those who fear persecution as well as economic migrants, are the last of about 150,000 Hmong who fled to Thailand in the wake of the Second Indochina War in 1975. Most were resettled in the United States. The Hmong had aided US forces fighting the communist government in Laos from the 1960s to 1975 and fear persecution if returned because a low-level Hmong insurgency continues in Laos. The US, UN, and numerous human rights groups have protested the repatriation, although the Thai government claims it has been given assurances that the Hmong returnees will be well treated. On Dec. 27, US Assistant Secretary of State for Population, Refugees, and Migration Eric Schwartz said he recently met Thai officials and offered to assist with third-country asylum for political refugees. He went on to say that Thailand rejected his offer.

At the ASEAN-US summit in Singapore, President Obama was reported by the Malaysian news agency *Bernama* on Nov. 16 to have praised **Malaysia's** role in tackling terrorism, serving as an intermediary in an effort to resolve the conflict in the southern Philippines, maintaining security in the Malacca Strait, and checking human trafficking to third countries. Prime Minister Datuk Seri Najib Tun Razak also disclosed that Obama requested Malaysia's assistance in arranging interfaith dialogues with Muslim countries. At the same ASEAN-US meeting, Malaysia's Trade Minister Mustapa Mohamed stated he was told that Washington was reducing its emphasis on bilateral free trade and is now emphasizing a regional approach. US-Malaysian bilateral trade negotiations have bogged down on the sensitive issue of Malaysia's system of affirmative action that favors Malays. In particular, the US has sought access to Malaysian state contracts that are now directed to Malays and indigenous minorities (*bumiputra*).

While US relations with **Cambodia** are generally positive, human rights concerns persist. Washington aids Cambodia's demining, public health, education, and even its military, as stated by Cambodia's Foreign Minister Hor Namhong in early October. In response to human rights complaints from the US, the Cambodian official stated that his country had over 100 groups working on human rights, including the well-known Asia Watch. Since their criticisms can be found in the Cambodian press and in the National Assembly, this clearly shows Cambodia honors freedom of expression. At the same time, he cautioned that freedom of expression should not be confused with defamation and that all democratic countries have laws against defamation. Despite Phnom Penh's claim to respect human rights, the government forcibly repatriated 20 Uighur refugees on Dec. 18 at China's insistence in violation of the international convention on refugees and over the objections of the UN, US, and European Union. Soon after the Uighurs' return to China, Beijing signed aid agreements with Phnom Penh totaling over \$1 billion.



## Looking ahead

High-level US attention to Southeast Asia has clearly increased in the Obama administration's first year, notably the signing of the Treaty of Amity and Cooperation, the appointment of a US ambassador to ASEAN, enhanced cooperation with ASEAN in the run-up to the 2010 election in Burma, and the first US-ASEAN summit. As Asian states discuss the prospect for new regional architecture – an East Asia Community – it is important that Washington be a part of these deliberations. Most ASEAN members do not want to see the US excluded from any new important Asian group, so, US involvement in these discussions would be welcome. A step in this direction could be a US application for membership in the East Asia Summit – the venue for much of the discussion about future regional organization. Finally, because relations with Indonesia are such an important component of US-Southeast Asian ties, President Obama should keep his promise to visit his “Asia home” in 2010.

### **Chronology of US - Southeast Asian Relations October - December 2009**

**Oct. 1, 2009:** President Barack Obama says that “the United States stands ready to help in this time of need” after a devastating earthquake struck Padang Sumatra, killing over 1,000 people.

**Oct. 3, 2009:** The US embassy in Jakarta says it has already provided \$300,000 in aid to victims of the Padang earthquake and has earmarked an additional \$3 million.

**Oct. 7, 2009:** Assistant Secretary of State for East Asian and Pacific Affairs Kurt Campbell at a US Senate hearing says baseline conditions for Burma's electoral process must include release of all political prisoners, open candidacies, free media, and an open campaign.

**Oct. 9, 2009:** US forces bring aid to flooded areas around the Philippine capital and to the northern Philippines after that area was affected by a devastating storm.

**Oct. 9, 2009:** US Navy ships arrive in Padang, Sumatra to distribute aid and help survivors of the previous week's earthquake. Navy helicopters evacuate survivors and provide food and other materials to villages cut off by the quake.

**Oct. 18, 2009:** More than 1,000 Indonesian and US Marines engage in a joint exercise in East Java to help the Americans learn about jungle warfare from the Indonesians while the latter learn about urban warfare from the Americans.

**Oct. 20-30, 2009:** On a 10-day US visit, Singapore's founding father and Minister Mentor Lee Kwan Yew meets Secretary of State Hillary Clinton, Secretary of Treasury Timothy Geithner, Federal Reserve Chairman Ben Bernanke, Director of the National Economic Council Lawrence Summers, as well as President Obama.

**Oct. 21, 2009:** Secretary Campbell announces at a House of Representatives Foreign Affairs Committee hearing that the US will send a high-level fact-finding mission to Burma.

**Oct. 23-25, 2009:** The fourth East Asia Summit convenes in Hua Hin, Thailand, involving ASEAN, China, Japan, South Korea, India, Australia, and New Zealand. Topics covered include the economic crisis, food and energy, climate change, and natural disasters.

**Oct. 26, 2009:** US Ambassador to the Philippines Kristie Kenney says it is up to the Philippine government and the Moro Islamic Liberation Front to determine what role the US might play in their peace process.

**Oct. 27, 2009.** Singapore hosts a Proliferation Security Initiative exercise with 2,000 personnel, 18 ships, and eight planes from several countries, including Japan and the US. The exercise involves interdicting a ship carrying weapons of mass destruction.

**Nov. 1-24, 2009:** Singapore air and ground forces engage in their most complex air-ground joint exercises with 540 personnel at Fort Sill, Oklahoma.

**Nov. 3-4, 2009:** Secretary Campbell and Deputy Assistant Secretary Scot Marciel travel to Burma to meet senior officials of the government, members of the opposition including Aung San Suu Kyi, and representatives of ethnic groups.

**Nov. 4, 2009:** Secretary Campbell says that the US will not lift sanctions on Burma until there is some progress toward democracy.

**Nov. 9, 2009:** The lawyer for Aung San Suu Kyi says she is hopeful that US engagement with the country's military rulers will spur democratic reforms.

**Nov. 9, 2009:** US and Indonesian Navy Special Forces begin a 24-day joint exercise on Sumatra, focusing on counter-terrorism.

**Nov. 11-13, 2009:** Secretary Clinton visits the Philippines to express US support in the wake of devastating typhoons. She also urges Asian nations to encourage Burma's leadership to hold "free, fair, and credible elections."

**Nov. 13-15, 2009:** The annual APEC leaders meeting is held in Singapore.

**Nov. 15, 2009:** President Obama holds a one-day summit with ASEAN leaders in Singapore after the conclusion of the annual APEC meeting. In the past, no such summit was held because of the US refusal to meet with Burma's ruling junta.

**Nov. 15, 2009.** The US and ASEAN agree that Burma's 2010 elections must be "free, fair, and transparent" to be credible.

**Dec. 3, 2009:** The Singapore Foreign Ministry welcomes President Obama's continued commitment in Afghanistan as "a positive and pragmatic way forward."

**Dec. 3, 2009:** China and Thailand announce they will conduct their first joint military exercise next year to which the US will be invited to send observers.

**Dec. 11, 2009:** The US and Indonesia sign an agreement establishing a Peace Corps program that will begin in mid-2010. The first group of 25 volunteers will be English language teachers.

**Dec. 11, 2009:** Thai authorities, based on information from US intelligence, detain a cargo plane from North Korea loaded with weapons bound for an undetermined destination. Seizure of the aircraft was authorized by UN Security Council Resolution 1874.

**Dec. 14, 2009:** The US signs an agreement with Cambodia to help Phnom Penh strengthen seaport security against smuggling of nuclear and other radioactive material.

**Dec. 17, 2009:** On a visit to Spain, Vietnamese President Nguyen Minh Triet applauds President Obama's first year in office as "very positive" and "courageous."

**Dec. 19, 2009:** Despite objections from the US and UN, Cambodia deports 20 Uighur refugees who had sought asylum back to China. A US embassy spokesman said it was wrong to expel the Uighurs "without the benefit of a credible refugee determination process."

**Dec. 24, 2009:** Thai Prime Minister Abhisit Vejjajira, in response to objections by US senators and human rights groups about the possible expulsion of 4,000 ethnic Hmong to Laos, states his government "will act according to the law, and we will be very careful." The Hmong, who fought on the US side in the Second Indochina War, fear political persecution if repatriated.

**Dec. 28, 2009:** Thailand begins repatriating 4,000 Hmong refugees to Laos despite pleas from the US, UN, and human rights groups. Some of the Hmong are eligible for UN refugee status.



# *Comparative Connections*

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



*China-Southeast Asia Relations:*

## *ASEAN and Asian Regional Diplomacy*

*Robert Sutter, Georgetown University*

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The last quarter of 2009 featured high-level Chinese leadership diplomacy with individual Southeast Asian countries, ASEAN, and Asian regional multilateral groups. Salient meetings involved the ASEAN Plus 1 and Asian leadership summits in Thailand in October, a presidential visit to Malaysia and Singapore, including the APEC leaders meeting in Singapore in November, and high-level visits to Australia in late October, and Myanmar and Cambodia in December. Chinese official media commentary showed some concern over recently heightened US and Japanese diplomatic activism in the region. The South China Sea disputes and military tensions along the China-Myanmar border were much less prominent than earlier in the year.

### **Wen Jiabao in Thailand**

Premier Wen Jiabao led the Chinese delegation to Hua Hin, Thailand for the 12<sup>th</sup> ASEAN-China leaders meeting on Oct. 24 and the Asian leadership summit on Oct. 24-25. The meetings coincided with the sixth annual China-ASEAN Expo and the concurrent China-ASEAN Business and Investment Summit held in Nanning, China. Chinese leadership commentary and official media reportage underlined deepening economic ties between China and ASEAN and highlighted the China-ASEAN Free Trade Agreement (CAFTA), which is to be formally established Jan. 1, 2010. Official Chinese media remained generally positive about the prospects for Asian multilateralism, though they showed concerns about ASEAN weaknesses and its inability to lead the process amid competing visions pursued by various powers.

At the China-ASEAN leaders meeting, Wen recalled China's offers in April of a \$10 billion China-ASEAN Investment Corporation Fund, \$15 billion in credit to support ASEAN nations, and \$40 million of special aid to underdeveloped ASEAN nations. His proposals for enhancing China-ASEAN cooperation included facilitating training to support implementation procedures for the CAFTA, sponsoring a CAFTA Forum in 2010, and establishing an economic cooperative zone in Southeast Asia to encourage Chinese investment. He called for customs and air traffic agreements to smooth China-ASEAN interchange, as well as arrangements to advance agricultural cooperation, sustainable development, environmental protection, and social and cultural exchanges. Wen said China will establish a permanent representative office with ASEAN and proposed the development of a "Plan of Action to Implement the Joint Declaration on China-ASEAN Strategic Partnership for Peace and Prosperity" for the years 2011-2015.

Vice Premier Li Keqiang underlined Premier Wen's positive view of the status and outlook of China-ASEAN economic ties in opening the business and investment summit in Nanning.

Supporting commentary in official Chinese media highlighted the importance of CAFTA and the ever-closer integration of the Chinese and Southeast Asian economies. The CAFTA involving the six more developed ASEAN members will go into effect on Jan. 1, 2010, with the other four members joining on tariff reductions in 2015. Ninety percent of products will cross borders at zero tariffs and services and investments will have national treatment status, according to the Chinese reports. The context for the agreement is rapidly growing China-ASEAN trade valued in 2008 at \$231 billion according to Chinese statistics and \$192.5 billion according to ASEAN statistics. Chinese commentary said that China and ASEAN are currently each other's fourth largest trading partner and that ASEAN runs a trade surplus with China. Another area of economic cooperation receiving prominent treatment during the China-ASEAN meetings in October was China's role as a leading contributor, along with Japan, in the expanded monetary reserve fund, sometimes called the "Chiang Mai Initiative." The fund was developed in recent years by China, Japan, South Korea, and the ASEAN countries to provide financing for members with economic difficulties. Also highlighted were ongoing efforts to build expressways, railways, and better air and sea transportation between Chinese provinces bordering Southeast Asia and adjoining countries; and the signing of agreements between China and neighboring countries supporting the use of the Chinese currency rather than the US dollar or other foreign currency in settlement of accounts for international trade.

Chinese commentary on the Asian leadership summit was guarded about the road ahead. It duly noted the 10 documents signed at the meeting and highlighted Premier Wen's admonition that the region should follow a "step-by-step manner and work toward consensus in seeking the long-term goal of establishing an East Asian community, while having due respect for diversity."

Forces seen prompting greater regional integration included recent economic turmoil and a desire to exert greater influence in world affairs. But forces working against integration were depicted as strong. ASEAN leadership of regional multilateralism seemed to require greater ASEAN unity, as called for by the host, Thai Prime Minister Abhisit Vejjajiva. But Chinese commentary underlined strong differences within ASEAN over human rights, political intervention, and territorial issues. Perceived signs of discord included the poor attendance at the ASEAN opening meeting on Oct. 23 and the ongoing border dispute between Cambodia and Thailand. Chinese media has duly reported anti-Cambodia protests in Thailand and Cambodia's welcome of former Thai Prime Minister Thaksin Shinawatra, who is wanted in Thailand on charges of corruption, to stay and work in the country despite strong Thai objections. Meanwhile, a *China Daily* article on Oct. 26 provided an overview of the East Asian Summit which featured the "competing visions" for forming an East Asian bloc offered by Japanese Prime Minister Hatoyama Yukio and Australian Prime Minister Kevin Rudd. The Chinese commentary judged that "establishing an East Asian community will be a long-term goal ... and we must remain patient."

### **Hu Jintao in Malaysia and Singapore**

President Hu Jintao visited Malaysia on Nov. 10-11, traveled to Singapore for a state visit on Nov. 11-12, and participated in activities associated with the APEC leaders meeting during Nov. 13-15. The first Chinese president to visit Malaysia in 15 years, Hu reciprocated the visit of Malaysian Prime Minister Najib Tun Razak to China in June 2009. That visit marked the 35<sup>th</sup> anniversary of the establishment of bilateral diplomatic relations by Najib's father, and saw the

establishment of a joint action plan on strategic cooperation. The results of Hu's visit included an agreement on Chinese construction of a major rail project in Malaysia reportedly worth \$3 billion and other agreements involving banking cooperation, provision of sewer services, and higher education. Chinese media said the two leaders also witnessed the signing of other agreements granting Chinese companies contracts to construct one of Malaysia's biggest dams, an aluminum smelting plant, and a bridge. Chinese media coverage supporting the trip highlighted Malaysia's position as China's most important trading partner among members of ASEAN, with bilateral trade valued at \$53 billion in 2008. The trade relationship grew an average of 25 percent annually over the past decade, allowing Malaysia to surpass Singapore in 2008 as China's largest ASEAN trading partner. The flow of Chinese tourists to Malaysia also grew rapidly (21 percent) from 2007 to 2008, reaching 950,000 visits in 2008.

Hu's state visit to Singapore saw the Chinese president advocate closer ties, notably in defense and security. In this regard, he called for greater exchanges and collaboration on humanitarian relief, search and rescue, fighting terrorism, and securing the safety of passage in the Malacca Strait. Hu also urged continued work on the Suzhou Industrial Park and the Tianjin Eco-city, two prominent China-Singapore intergovernmental projects.

In meetings associated with the APEC events in Singapore, Hu met with several visiting leaders in separate sessions. He delivered a major speech in which he focused on plans to expand domestic demand in China that will advance the international economy while he warned against growing protectionism spawned by the global economic recession. Underlining an open Chinese view regarding Asia-Pacific economic integration, Hu urged the development of regional economic integration "through multiple channels."

### **Vice Premier Li Keqiang in Australia**

The Oct. 29 to Nov. 1 visit to Australia during Vice Premier Li Keqiang's one-week tour of three Pacific countries marked a significant thaw in the tensions in relations between Canberra and Beijing evident earlier this year, according to Australian and official Chinese media. Highlights of China-Australian differences included a proposed Australian defense buildup prompted by China's strategic rise, disputes over proposed Chinese acquisitions of Australian raw materials, the detention of an Australian national on charges of business wrongdoing verging on espionage, and the cancellation of a Chinese diplomatic visit on account of Australia granting a visa to Rebiya Kadeer, a US-based Uighur activist who China accuses of fomenting violence and terrorism in China's Xinjiang Autonomous Region.

Li's meetings with Prime Minister Rudd and other officials saw the signing of agreements covering education, cultural matters, logging, and a commercial agreement between Australian and Chinese telecommunications companies. China also offered Australia a pair of giant pandas as a "goodwill" gesture, according to *China Daily*. Meanwhile, the importance of China-Australian trade continued to grow with China becoming Australia's number one trading partner according to reports in November citing information from the previous 12 months.

## Vice President Xi visits Myanmar and Cambodia

During a trip to four Asian countries, Chinese Vice President Xi Jinping arrived in Myanmar on Dec. 19 for a two-day visit. Xi met with senior officials to discuss bilateral relations and cooperation in regional and international affairs. The two sides also discussed promoting economic exchanges. According to Chinese news reports, bilateral trade between the two countries reached nearly \$3 billion in 2008, and China's contracted investments in Myanmar amounted to \$1.3 billion.

Other developments this quarter included the announcement Nov. 3 by China National Petroleum Corporation that it has begun construction of a pipeline across Myanmar to speed delivery of Middle East oil to China. According to information posted on the company's website and reported by Western media, the pipeline will run 481 miles from Myanmar's Madaay Island port on the Indian Ocean via Mandalay in central Myanmar to Ruili in China's Yunnan Province. There was no indication of when the pipeline will be completed, but it was said to be capable of handling 84 million barrels a year. Significantly, the pipeline will deliver oil from the Middle East to China without transiting the Malacca Strait.

A feature article in the *International Herald Tribune* on Nov. 6 assessed the tense status among armed groups along the Myanmar-China border following Myanmar's attacks during the summer against a small armed group of ethnic Chinese based in that area. Those attacks prompted some official Chinese complaints as the ethnic fighters fled into China. Available evidence during this quarter showed the Myanmar regime did not repeat the strong military action and the armed groups were not reported to have launched significant attacks. *Xinhua* reported on Oct. 20 that Vice Premier Li Keqiang met Myanmar's State Peace and Development Council First Secretary Tin Aung Myint Oo on Oct. 19 in Nanning and the two agreed to deepen mutual cooperation on various issues and to safeguard stability in the border areas.

Meanwhile, *Bloomberg* reported in early October that Chinese diplomats at the United Nations were successful in using a procedural maneuver to block US and European-backed efforts to have the UN Security Council (UNSC) consider the situation in Myanmar. In recent years, China has joined with Russia to block or veto other UNSC actions regarding Myanmar.

Vice President Xi visited Cambodia on Dec. 20-22 and met Cambodian Prime Minister Hun Sen. They agreed to enhance political, economic, security, and cultural cooperation and signed a 14-point agreement worth more than \$1 billion, which includes preferential and concessional loans, infrastructure development, and interest-free loans for economic and technical cooperation. Just prior to the visit, the Cambodian government sent back to China 20 Uighurs who had fled China in November and were seeking asylum. The government said that the Uighurs were illegal immigrants and lacked the necessary documentation to seek asylum status in Cambodia. The move was widely condemned in the West and elsewhere; China had asked for the return and was pleased with the action.



## **Assessing US, Japanese challenges**

The Obama administration's greater activism and flexibility in engaging ASEAN and Southeast Asian countries, and thereby facilitating greater US involvement with Asian regionalism has generated careful attention and some commentary in official Chinese media. A commentary in *China Daily* on Nov. 2 cited Chinese experts for the view that "China's presence in Southeast Asia is insulated from the US apparent renewal of interest in the region." The account also criticized a speech by Singapore leader Lee Kwan Yew on Oct. 27 in which Lee said that the United States should maintain a strong balance in Asia against rising China. A tougher attack against Lee's views came in Beijing's *Global Times* on Nov. 4. Another *Global Times* commentary on Nov. 19 advised that US interest in joining Asian multilateral groups is suspect and the US needs to prove its good intentions through a process of "socializing itself into Asia."

The Hatoyama government's active promotion of an East Asian Community has been coolly received and sometime criticized in official Chinese media. Chinese experts cited by *China Daily* in late September said the idea cannot be realized in the near future and poses too many difficulties. A *China Daily* report on Oct. 10 featured the remarks of a Chinese academic expert for the view that "a conceptual gap exists between Beijing and Tokyo as China prefers the East Asian community to be restricted to the Southeast Asian nations plus China, Japan and the ROK. Japan wants to involve some other countries, even the United States." Another commentary by a researcher in the Chinese Ministry of Commerce appearing Oct. 28 endeavored to undermine Hatoyama's initiative by pointing to Japanese reluctance to conclude free trade agreements with ASEAN and Japan's catering to alleged US pressure in pursuing a community of 16 nations that "was not a truly East Asian community." Meanwhile, a commentary in *China Daily* on Nov. 10 charged that Japan has split loyalties and interests between the US and Asia, whereas China was seen as truly aligned with Asian interests.

## **South China Sea security issues**

Chinese and Southeast Asian publicity regarding disputes over claims in the South China Sea was notably less this quarter than earlier in the year. A *South China Morning Post* report on Oct. 31 claimed that China was successful in keeping South China Sea issues off the agenda at the Asian leadership summit in Thailand in October. An international conference on the South China Sea was held in Hanoi in late November and it generated foreign media reports about conference participants claiming assertive Chinese military behavior and resource claims.

An in-depth report by Clive Schofield and Ian Storey published by the Jamestown Foundation in November contrasted China's "more accommodating and flexible attitude" regarding South China Sea issues in the first half of the decade with China's recently "more assertive posture in consolidating its jurisdictional claims, expanding its military reach and seeking to undermine the claims of other states through coercive diplomacy." As evidence, it cited increased naval patrols in the South China Sea, pressure on foreign oil companies to cease operations in contested waters, the establishment of administrative units to oversee China's claims to the Paracel and Spratly Islands, the unilateral imposition of fishing bans, and the harshness of Chinese responses to the outer continental shelf submissions to the United Nations by other claimants.

On the sensitive issue of China's moves to build an aircraft carrier to carry out missions in the South China Sea and elsewhere, foreign press reports cited the US Office of Naval Intelligence for the view that China would have an operational aircraft carrier for training purposes between 2010 and 2012, and domestically built aircraft carriers "sometime after 2015." Looking out, Rear Adm. Yang Yi said in the *Global Times* in late November that China should be more forthright as it develops "many aircraft carrier battle groups" in support of "China's need to expand its overseas military power."

## **Outlook**

Southeast Asian visits to Beijing usually decline in the winter quarter with the advent of cold weather and prolonged absence of Chinese officials on account of celebrations of China's spring festival. End of the year data on trade flows and investment may be more detailed this year as Chinese experts assess the economic importance of the establishment of the China-ASEAN FTA on Jan. 1, 2010.

## **Chronology of China-Southeast Asia Relations October - December 2009**

**Oct. 2, 2009:** The Chinese Foreign Ministry announces that Beijing will offer \$500,000 of emergency aid to Indonesia following the earthquake in West Sumatra.

**Oct. 15, 2009:** Vice Chairperson of the Central Military Commission Xu Caihou meets the secretary general of Indonesia's Defense Ministry during the third round of bilateral defense and security consultation. The two sides agree to deepen cooperation between the two armed forces.

**Oct. 17, 2009:** China and Laos establish a liaison office in Yunnan to combat human trafficking activities along the border areas between the two countries. The liaison office will step up bilateral law enforcement cooperation.

**Oct. 20-24, 2009:** The sixth annual China-ASEAN Expo (CAEXPO) is held in Nanning, Guangxi Zhuang Autonomous Region. Held at the sidelines of this year's CAEXPO is the "China-ASEAN Financial Cooperation and Development Leadership Forum." The vice governor of China's Central Bank announces that China will gradually open its financial market for financial institutions from ASEAN member states to set up branches in China or hold stakes in Chinese financial institutions.

**Oct. 20, 2009:** Senior military officials from China and Thailand meet in Beijing for the eighth bilateral defense and security consultation. The two sides review major exchanges between the two armed forces and agree to raise military ties to broaden bilateral security relations.

**Oct. 23, 2009:** Chinese Premier Wen Jiabao arrives in Hua Hin, Thailand to attend the 12th ASEAN-China summit, the ASEAN Plus 3 summit, and the fourth East Asia Summit meeting. Regional integration and economic issues are among the main topics on the agenda.

**Oct. 23, 2009:** People's Liberation Army Chief of General Staff Chen Bingde visits Singapore and meets Defense Minister Teo Chee Hean. They assess that bilateral military relations have

intensified in recent years, including cooperation on staff training, joint military exercises, and ship visits. They agree to strengthen nontraditional and multilateral security cooperation.

**Oct. 26, 2009:** Chinese Vice President Xi Jinping meets senior officials from Vietnam's Communist Party Central Committee. They discuss prospects for expanding cooperation on border issues as well as other economic and military exchanges to build mutual trust.

**Oct. 30, 2009:** Chinese Foreign Minister Yang Jiechi visits the Philippines and signs two agreements. The Joint Action Plan for Strategic Cooperation seeks to increase cooperation on trade and investment as well as judicial and law enforcement issues. The China-Philippines Consular Agreement will help protect Filipino workers in China on such issues as notification of arrest and detention of Filipino nationals, repatriation, and dispute settlement.

**Nov. 4, 2009:** The China National Petroleum Corporation (CNPC) begins major construction of a crude oil wharf at Kyaukpyu on Myanmar's west coast. The construction is the entry point for a 480-mile crude oil pipeline that would end in Yunnan. Expected capacity during this initial phase of the construction is 240,000 barrels per day.

**Nov. 10-11, 2009:** Chinese President Hu Jintao visits Malaysia and meets his counterpart to mark the 35th anniversary of diplomatic ties between the two countries. They agree to enhance mutual understanding and strengthen economic and military-to-military cooperation.

**Nov. 12-15, 2009:** Hu Jintao makes a state visit to Singapore, meeting senior officials before attending the APEC leaders meeting. During Hu's meeting with Singaporean Prime Minister Lee Hsien Loong, he proposes ways to strength bilateral cooperation. During the APEC leaders meeting, in addition to defending China's currency position, Hu announces that China will allocate \$10 million to help establish the China-APEC Cooperation Fund to encourage economic and technical cooperation between China and APEC member economies.

**Nov. 16, 2009:** Chinese Defense Minister Liang Guanglie meets Royal Thai Navy Commander Kamthorn Phumpirun in Beijing to discuss bilateral military ties. The two sides agree to advance their military-to-military relations.

**Nov. 18, 2009:** Chinese Vice Minister for Public Security Zhang Xinfeng attends the first ASEAN-China Ministerial Meeting on Transnational Crime in Siem Reap, Cambodia. The initiative is meant to increase cooperation on combating terrorism, drug trafficking, illicit smuggling of weapons, human trafficking, and cross-border economic crimes. Zhang provides several proposals to foster cooperation, including the training of 1,000 law enforcement officers for ASEAN countries in the next five years.

**Nov. 18, 2009:** Chinese Vice Foreign Minister Wu Dawei and his Vietnamese counterpart Ho Xuan Son sign agreements on the demarcation of the two countries' borders including a protocol on demarcation of the land boundary and a boundary management mechanism.

**Nov. 28, 2009:** Vietnamese Foreign Ministry criticizes Beijing's decision to send two fishery patrol ships to the disputed Paracel and Spratly Islands, claiming that the action is a violation to Vietnam's sovereignty.

**Dec. 2, 2009:** Chinese Defense Minister Liang Guanglie visits Thailand and meets Thai Prime Minister Abhisit Vejjajiva. They agree to conduct a joint military exercise in early 2010 involving naval, ground and air force operations. The exercise will be Thailand's first joint military exercise with China. The Thai Defense Ministry also announces that US representatives will be invited to observe the exercise.

**Dec. 4, 2009:** Two Chinese Navy ships arrive in Vietnam's northern port of Hai Phong for an official four-day visit. Senior officials from both sides agree to continue conducting joint naval patrols in the Beibu Gulf to help increase bilateral trust and naval cooperation.

**Dec. 7, 2009:** Wu Bangguo, chairperson of the Standing Committee of the National People's Congress, meets Chairperson of the People's Consultative Assembly of Indonesia Taufik Kiemas to discuss relations between China and Indonesia. The two sides agree to enhance parliamentary exchanges and cooperation to help build bilateral ties.

**Dec. 12, 2009:** The Fifth Theoretical Seminar of the Chinese Communist Party and the Communist Party of Vietnam convenes in Xiamen. Senior party officials discuss theories and practice in tackling such common global challenges as the financial downturn and socialist responses to the economic crisis.

**Dec. 19, 2009:** The Cambodian government announces that it will deport 20 Uighurs who fled China in November and are seeking asylum, citing that the Uighurs are illegal immigrants and lack the necessary documentation to seek asylum status in Cambodia.

**December 19-20, 2009:** Chinese Vice President Xi Jinping visits Myanmar to discuss bilateral relations and cooperation in regional and international affairs. The two sides also discuss promoting economic exchanges.

**Dec. 20-22, 2009:** Vice President Xi Jinping visits Cambodia and meets Prime Minister Hun Sen. They agree to enhance cooperation and sign an agreement which includes preferential and concessional loans, infrastructure development, and interest-free loans.

**Dec. 21, 2009:** Chinese National Petroleum Company (CNPC) signs a formal agreement with Myanmar's Energy Ministry for exclusive rights to build and operate the China-Myanmar crude oil pipeline which will run from Kyaukpyu in western Myanmar to Ruili in Yunnan Province. The agreement will also provide tax concessions and customs clearance rights for CNPC.

**Jan. 1, 2010:** China-ASEAN Free Trade Area (CAFTA) goes into effect, creating a group of 1.9 billion people with a combined GDP of \$6 trillion.



*China-Taiwan Relations:*  
*Moving ahead Slowly*

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Taipei and Beijing resumed progress on economic issues by completing the Memorandums of Understanding (MOUs) on cooperation in regulating the financial sector and signing three technical agreements at the fourth round of SEF-ARATS talks. Informal talks concerning an Economic Cooperation Framework Agreement (ECFA) continued but no date for starting formal negotiation has been announced. While the pace of progress is now slow largely because reaching compromises on substantive economic issues has proven to be time-consuming, these agreements further integrate the two economies. Taipei has continued to resist pressure from Beijing to address political issues about which opinion in Taiwan remains deeply divided. Cross-Strait trade has recovered quickly from the precipitous drop a year ago and should surpass its pre-recession peak in December. Slow progress is likely to continue in the coming months.

### **Financial MOUs signed**

The Memorandums of Understanding (MOUs) on financial sector regulatory cooperation that were originally expected to be completed in June were finally signed in November. The agreements are between Taipei's Financial Supervisory Commission (FSC) and its three banking, insurance, and securities regulatory counterparts in Beijing. It is still not clear what caused the delay, though press reports indicated that market access issues were at least partly responsible. The final hurdles however were procedural – where and by whom would the agreements be signed. FSC Chairman Sean Chen had reportedly hoped to invite his three counterparts to Taipei to sign the agreement and to use his formal title in the agreement. In the end, it was decided that the MOUs should be consummated by an exchange of letters and Beijing insisted that the officials not use their titles. The MOUs will come into effect in January 2010 and clear the way for banking, investment, and insurance companies to begin operations in each other's markets.

It is significant that the exchange of letters were signed by the officials rather than by the designated representative organizations – Beijing's Association for Relations Across the Taiwan Strait (ARATS) and Taipei's Straits Exchange Foundation (SEF). All previous cross-Strait agreements have been between ARATS and SEF or between private bodies such as the Red Cross societies. When asked if the MOU procedure violated the premise of dealing through unofficial intermediaries, the Taiwan Affairs Office (TAO) replied that it did not because the MOUs were signed under the umbrella of the April 2009 ARATS-SEF Financial Cooperation Agreement. In keeping with the unofficial relations between Taiwan and the US, unofficial representatives from the American Institute in Taiwan (AIT) and the Taiwan Economic and

Cultural Representative Office (TECRO) have signed all US-Taiwan agreements for the past 30 years. Beijing is showing greater flexibility in its current dealings with Taipei. Whether the MOUs are an exception to the regular practice or a precedent for further agreements between officials remains to be seen.

#### **Fourth SEF-ARATS talks**

ARATS Chairman Chen Yunlin visited Taiwan Dec. 21-25 for the fourth round of formal talks with his counterpart, SEF Chairman Chiang Pin-kung. All Chen's activities took place in and around Taichung in central Taiwan. Chiang and Chen signed three additional technical agreements – on fishing vessel crew cooperation, agricultural quarantine inspection, and industrial product standards, inspection, and certification. However, the agreement on double taxation, the most important of the agreements that they were expected to sign, was postponed. Taiwan Finance Minister Lee Sush-der said differences over the definition of income, the allocation of tax revenues, and related issues needed further negotiation. Differences over how to tax income from Taiwan invested enterprises (TIEs) on the mainland were a key unresolved issue. Chiang and Chen announced that the fifth round of SEF-ARATS talks will take place near the end of the first half of 2010 and that ECFA and intellectual property would be on the agenda.

Although the three new agreements were not controversial, the visit occasioned demonstrations by the opposition Democratic Progressive Party (DPP) in Taiwan. While demonstrators dogged Chen throughout the visit, the demonstrations were smaller than during his last visit and, with one exception, peaceful. Demonstrators protested against the general direction of President Ma Ying-jeou's cross-strait policy, against ECFA, and against the lack of transparency about the ongoing negotiations. Civic groups have criticized the administration for a lack of transparency, and DPP fundamentalists fear that closed-door secret negotiations are compromising Taiwan's sovereignty. The Ma administration has tried to defuse these concerns by giving repeated assurances that there will be no talks on political issues. President Ma has said repeatedly that Taiwan's sovereignty would not be compromised and reiterated that there will be no talks on reunification during his time in office. Non-partisan polls indicate that public trust in President Ma has declined substantially and that since September for the first time those who distrust Ma exceed those who trust him.

The domestic pressures that force the administration to give such assurances illustrate again how President Ma is caught between what Beijing is pressing him to do and what he needs to do to sustain domestic support for his current priorities, most importantly concluding ECFA. Beijing appears to understand this, as it has not criticized Ma for recent statements about reunification. The domestic pressure also constrains Ma's ability to seize opportunities to advance cross-strait relations. Ma did not seek to arrange a meeting with Chen Yunlin during this visit, partly out of concern that doing so would arouse suspicions as it did during Chen's visit in November 2008. By restricting Chen's activities to the Taichung area, the two sides sidestepped the issue.

#### **Economic Cooperation Framework Agreement**

While progress on these issues is significant, ECFA continued to be the main focus of government attention and opposition concern. In October, Taipei acknowledged that it had

already had three rounds of unannounced informal consultations with the mainland over ECFA. In late October, TAO Minister Wang Yi said that Beijing was ready to start the talks. In early November, Board of Foreign Trade Director General Huang Chih-peng made a secretive visit to Beijing for what was to be the last round of informal meetings with his Ministry of Commerce counterpart Director Tang Wei in preparation for an eventual announcement about initiating formal negotiations early in 2010. At the fourth round of SEF-ARATS talks, Chiang said that the negotiation of ECFA was an urgent issue and Chen agreed. Mainland Affairs Council (MAC) Chairperson Lai Shin-yuan reiterated to Chen Taipei's hope to conclude ECFA at the fifth round. However, despite stating that ECFA would be on the agenda of the next SEF-ARATS meeting, there was no announcement on when negotiations would begin. Just why Beijing is not ready to proceed with negotiations is unclear. SEF Secretary General Kao Koong-liang cautioned that there is no assurance that ECFA can be concluded at the fifth round talks. In the meantime, with the ASEAN-China free trade agreement (FTA) coming into effect on Jan. 1, 2010, certain Taiwan products will be at a competitive disadvantage in the China market.

In the course of these developments, bits of information about preparations for the talks have been reported in the media. Beijing released an abstract of a study commissioned by the Ministry of Commerce that predictably showed that ECFA would benefit cross-Strait economic ties. Various officials in Taiwan have held public forums to provide reassurance that the government will protect Taiwan's interests in the negotiations. Opinion polls indicate that a plurality in Taiwan support the concept of an ECFA, but there is a deep division between a large majority of Kuomintang (KMT) supporters who approve and an equally large majority of DPP supporters who oppose it. While DPP economists argue the demerits of an agreement, DPP fundamentalists oppose ECFA primarily because it is seen as a step toward greater integration and eventual reunification. The secrecy surrounding the informal talks that have been held thus far has fed opposition suspicions and contributed to the declining trust in President Ma.

### **No political talks**

While the Ma administration has been trying to deal with opposition criticism and maintain public support for the cautious steps it is taking on economic issues, Beijing has urged Taipei to begin addressing political issues. Beijing's interest appears to reflect Hu Jintao's instructions to begin laying the groundwork for political talks. Ma has resisted this and has stated several times that the time is not ripe for political talks. Presumably, Taipei has been explaining that such statements are necessary to address opposition suspicions that Ma has a secret unification agenda. The DPP gains in the December local elections have also been interpreted as likely to reinforce the Ma administration's cautious approach to cross-Strait relations. At yearend, Politburo Standing Committee member Jia Qinglin returned to this point. While reiterating the mantra on addressing "the easy first the hard later, economics first politics later," Jia called for efforts to lay the groundwork for addressing political and security issues.

The two sides did find one way to accommodate these divergent interests by agreeing to a discussion of these issues in a track-two forum. In November, the Pacific Cultural Foundation, an NGO with government ties in Taipei, organized a conference on "Sixty Years Across the Taiwan Strait." Beijing sent a delegation that was led by Hu Jintao confidant Zheng Bijian and included several senior retired diplomats and generals. Official comments by both Beijing and

Taipei indicated that this was a track-two meeting that had been endorsed by both governments. The little information available on the discussions indicates that predictable differences over “one China,” security issues, and CBMs were voiced.

### **Reaction to Obama visit**

US President Barack Obama’s trip to China in November sparked considerable anxiety in Taiwan. Commentators were concerned that the US-China joint statement did not mention the Taiwan Relations Act (TRA) and that it did mention support for China’s sovereignty and territorial integrity. They feared this indicated important shifts in US policy. Washington dispatched AIT Chairman Ray Burghardt to Taipei to reiterate assurances that there had been no change in US policy with respect to cross-Strait issues. Burghardt noted that previous joint statements had not referred to the TRA and that Obama had specifically mentioned the TRA in his joint press conference with President Hu. Burghardt also stated that there had been no change in US policy with respect to Taiwan sovereignty, which had remained unchanged since normalization. These assurances substantially eased public concerns and the Ma administration praised the thoroughness of the US government’s consultations. Nevertheless, it is clear that the traditional concern in Taipei about US reliability is now being heightened by the perception that the US is becoming more dependent on cooperation from an increasingly powerful and influential China.

### **International space**

In September, Taipei had announced its goal of participating as an observer in the UN Framework Convention on Climate Change (UNFCCC) and the International Civil Aviation Organization (ICAO). Prime Minister Wu Den-yih said in November that Taiwan hoped to participate in the UN climate change conference in Copenhagen as an observer and to send Environmental Protection Agency Minister Stephen Chen as its representative. That did not happen. Whatever the reason, the Ma administration has not made an issue of it in public. As in the past, several NGOs represented Taiwan in Copenhagen, led by the semi-official Industrial Technology Research Institute (ITRI). And as at past climate conferences, the UN organizers listed ITRI under China, a practice that ITRI again protested. When Taiwan’s allies urged the UNFCCC to allow Taipei to participate as an observer, a PRC delegate opposed this citing China’s one China policy. Nevertheless, Taipei said it would continue to seek observer status at future UNFCCC conferences.

While Taiwan was not officially represented in Copenhagen, the final document, the Copenhagen Accord, was not structured as a binding international agreement and contained no sanctions provision. As such, Taiwan’s economic interests do not appear to be directly affected or threatened. However, the accord’s emphasis on the “contracting parties” and “national communications” will hamper Taiwan’s ability to report and get international credit for the steps it is taking to mitigate climate change.



## **Security issues**

The PRC's national day parade that highlighted China's advanced military technology was seen on Taiwan as a provocative action. The DPP criticized Beijing for threatening Taiwan and President Ma for not reducing these threats. The parade was a reminder that a year and a half after Ma's inauguration there has been no change in the pattern of increasing missile and other military deployments aimed at Taiwan, despite the reduction in cross-Strait tensions.

Leaks and statements by US officials have raised expectations that Washington is preparing to approve a package of long-pending arms sales to Taiwan including additional *Patriot* missiles and *Blackhawk* helicopters, though not Taiwan's request for *F-16 C/D* aircraft. However, the year ended without any announcement from the Obama administration

## **Trade and investment**

Cross-Strait trade has recovered from the precipitous decline suffered last winter. According to Taipei's Board of Foreign Trade, Taiwan's exports to China reached \$6.09 billion in September 2009, just short of exports in September 2008, but still substantially below the \$7.4 billion exported at the previous peak in August 2008. Statistics on Taiwan's overall exports and export orders in October and November imply that exports to the mainland will likely equal that peak level by the end of 2009. According to Taipei's Investment Commission, Taiwan's investments in the mainland are also recovering to pre-recession levels. November was the first month in which investments exceeded their year earlier levels, another sign that trade is recovering.

Mainland investments in Taiwan are developing only slowly. Since they were first authorized in June, mainland firms have made just 22 investments totaling \$36.73 million. To encourage greater investment, an investment forum was held in conjunction with the fourth round of ARATS-SEF talks. One encouraging sign is that Lenovo executives have indicated that the firm plans to invest in a research and development center in Taiwan. Additionally in November, Taiwan's FSC approved the China Asset Management Corporation (China AMC) as the first mainland Qualified Domestic Institutional Investor (QDII) authorized to invest in the Taipei Stock Exchange (TSE) beginning in January when the financial MOUs come into effect.

## **Educational exchange**

Minister of Education Wu Ching-chi announced in November that in 2010 Taiwan universities could begin accepting students from China in their undergraduate and graduate degree programs. In addition, Taiwan would recognize certain degrees earned by Taiwan students at 41 mainland universities. Legislation to implement these programs has been submitted and is expected to be approved during the current Legislative Yuan (LY) session. The announcement was long in preparation and carefully constructed to accommodate a variety of concerns raised by opponents. Nevertheless, the DPP issued a statement reiterating their opposition to admitting mainland students.

More than a decade earlier, the ministry had proposed similar policies only to have them vetoed by then President Lee Teng-hui. President Chen Shui-bian had vowed that mainland students

would not be admitted so long as he was in office. Now, Taipei is moving ahead with policies that hold promise for contributing to better mutual understanding among societal leaders in the next generation. At a yearend forum in Beijing, Jia Qinglin called for concluding a cross-Strait cultural and education agreement.

### **Looking ahead**

Further slow progress but no major breakthroughs are likely in early 2010. Beijing and Taipei plan to reciprocally open unofficial tourism offices in January. After the financial MOUs come into effect in mid-January, the reciprocal opening of banking, insurance, and securities markets will begin. The passage of education legislation expected at this LY session will clear the way for Chinese students to pursue degrees in Taiwan.

However, progress will continue to be slow. As the negotiation of the financial MOUs, the taxation agreement, and ECFA illustrate, concluding agreements that impact the two sides' real economic interests has not been easy. Differences in the two economies' sizes, systems, and power complicate the effort to accommodate each side's interests and priorities. On top of that, domestic political constraints lead both Taipei and Beijing to proceed cautiously.

## **Chronology of China-Taiwan Relations October - December 2009**

**Oct. 1, 2009:** People's Republic of China (PRC) National Day parade is held in Beijing.

**Oct. 2, 2009:** Democratic Progressive Party (DPP) criticizes Beijing's "intimidating" display at the National Day parade.

**Oct. 4, 2009:** Panamanian ship sinks near Penghu Islands. Taiwan and China cooperate in the search and rescue response.

**Oct. 5, 2009:** US Supreme Court dismisses Roger Lin's lawsuit regarding the sovereignty of the Republic of China over Taiwan.

**Oct. 5, 2009:** Mainland Affairs Council (MAC) Chairperson Lai Shin-yuan says the Economic Cooperation Framework Agreement (ECFA) will be a catalyst for free trade agreements.

**Oct. 8, 2009:** Taiwan's Ministry of Economic Affairs (MOEA) acknowledges three rounds of discreet, informal ECFA talks with counterparts from the mainland.

**Oct. 9, 2009:** Taiwan media report plans for reciprocal opening of tourism offices by yearend.

**Oct. 10, 2009:** In national day address, President Ma Ying-jeou speaks of Chinese culture with Taiwanese characteristics.

**Oct. 12, 2009:** Taipei says Falungong leader Li Hongzhi is not welcome in Taiwan at this time.

**Oct. 13, 2009:** President Ma observes missile tests at Chiu-peng test range.

**Oct. 14, 2009:** Straits Exchange Foundation (SEF)-Association for Relations Across the Taiwan Straits (ARATS) preparatory meeting are held in Hangzhou.

**Oct. 14, 2009:** Taiwan Affairs Office (TAO) says certain Kaohsiung officials are to blame for the decline in tourists from the mainland to Taiwan.

**Oct. 16, 2009:** Pro-independence groups in Taiwan launch an anti-ECFA campaign.

**Oct. 17, 2009:** Kuomintang (KMT) holds its Congress; Ma Ying-jeou assumes chairmanship.

**Oct. 19, 2009:** MOEA sets up an NT\$100 million fund for ECFA-affected industries.

**Oct. 19, 2009:** PRC Ministry of Commerce (MOC) releases summary of a report on ECFA.

**Oct. 20, 2009:** Taiwan Ministry of National Defense (MND) releases its 2008 National Security Report.

**Oct. 20, 2009:** DPP urges President Ma to require destruction of Chinese missiles in exchange for a peace treaty.

**Oct. 23, 2009:** Taiwan joins the International Association of Prosecutors as “Chinese Taipei.”

**Oct. 25, 2009:** TAO Minister Wang Yi says Beijing is ready for trade talks with Taiwan under the SEF-ARATS framework.

**Oct. 26, 2009:** Central Military Commission (CMC) Vice Chairman Gen. Xu Caihou visits Washington.

**Oct. 27, 2009:** MND Vice Minister Andrew Yang visits Washington for Defense Review Talks.

**Oct. 28, 2009:** SEF Chairperson Chiang Pin-kung leads media delegation to Beijing, meets ARATS Chairperson Chen Yunlin, and announces four agreements to be completed at the fourth SEF-ARATS meeting.

**Oct. 30, 2009:** Taiwan Grassroots Alliance for Peace launches a effort to draft a consensus NGO proposal for a peace agreement.

**Nov. 4, 2009:** Taiwan’s Bureau of Foreign Trade (BOFT) Director Huang Chih-peng visits Beijing for informal ECFA talks.

**Nov. 6, 2009:** US National Security Council Asia Director Jeff Bader reaffirms the Taiwan Relations Act and US arms sales policy.

**Nov. 9, 2009:** Jiangsu Party Secretary Liang Baohua leads a large purchasing delegation to Taipei; delegation later signs \$4 billion in contracts.

**Nov. 12, 2009:** MND explains plans to establish a think tank to study cross-Strait issues.

**Nov. 13, 2009:** Taipei's Pacific Cultural Foundation hosts a conference in Taipei with a delegation of retired diplomats and generals from the PRC led by Zheng Bijian.

**Nov. 14, 2009:** Lien Chen attends the Asia-Pacific Economic Cooperation (APEC) leaders meeting in Singapore representing President Ma.

**Nov. 15, 2009:** Chinese Communist Party (CCP) General Secretary Hu Jintao meets Lien Chan in Singapore.

**Nov. 15, 2009:** PRC Minister of Commerce Chen Deming meets MOEA Minister Shih Yen-hsing in Singapore.

**Nov. 16, 2009:** Taipei and Beijing exchange letters to complete the Memorandums of Understandings (MOUs) on regulatory cooperation in the financial sector.

**Nov. 16, 2009:** PRC tour group visits Kaohsiung, ending a de facto boycott.

**Nov. 17, 2009:** President Obama meets President Hu in Beijing. They hold a joint press conference and Obama mentions the TRA.

**Nov. 17, 2009:** Taiwan Education Minister Wu announces plans for accepting mainland students at Taiwan universities and recognition of degrees from 41 PRC universities.

**Nov. 17, 2009:** DPP issues a statement opposing the opening of Taiwan universities to PRC students.

**Nov. 18, 2009:** President Ma reiterates that Taipei will not rush into political talks with the PRC.

**Nov. 21, 2009:** Gen. Luo Yuan at a Beijing seminar criticizes Ma's three noes as an attempt to peacefully split China.

**Nov. 22, 2009:** American Institute in Taiwan (AIT) Chairman Ray Burghardt visits Taipei to brief on President Obama's trip to China.

**Nov. 25, 2009:** TAO spokesman says financial MOUs were done within framework of SEPARATS Financial Cooperation Agreement.

**Nov. 30, 2009:** People's Bank of China Deputy Governor Hu Xiaolian leads delegation to Taipei.

**Dec. 2, 2009:** Taiwan Stock Exchange approves China Asset Management Company as the first mainland Qualified Domestic Institutional Investor in Taiwan.

**Dec. 5, 2009:** Local elections are held in Taiwan.

**Dec. 7, 2009:** President Ma reiterates no ECFA negotiation will take place at the fourth round of SEF-ARATS talks.

**Dec. 9, 2009:** ARATS and SEF officials meet in Fuzhou to finalize preparations for fourth round meeting.

**Dec. 9, 2009:** Taiwan magazine reports National Security Council Deputy Ho Szu-yin recently visited Washington for arms talks.

**Dec. 11, 2009:** US official leaks comments on pending arms sales to Taiwan.

**Dec. 15, 2009:** President Ma reiterates there will be no talks on unification with the mainland during his tenure in office.

**Dec. 17, 2009:** President Ma states that agreements with the PRC will not weaken sovereignty.

**Dec. 18, 2009:** In Copenhagen, PRC delegate objects to calls for Taiwan to have observer status at the climate change conference.

**Dec. 20, 2009:** DPP leads a peaceful demonstration against ARATS Chair Chen Yunlin's visit.

**Dec. 21-25, 2009:** Chairman Chen Yunlin visits Taiwan for fourth round of SEF-ARATS talks.

**Dec. 21, 2009:** SEF and ARATS announce the postponement of a reciprocal taxation agreement.

**Dec. 22, 2009:** SEF and ARATS sign three agreements at fourth round meeting.

**Dec. 26, 2009:** President Ma reassures farmers no additional mainland agricultural imports will be authorized under an ECFA.

**Dec. 30, 2009:** Jia Qinglin chairs a Beijing forum on anniversary of Hu's six points.



# Comparative Connections

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

*North Korea-South Korea Relations:*

## *Mixed Signals*



*Aidan Foster-Carter  
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During the last quarter of 2009 relations between the two Koreas maintained the slight improvement seen since late August, when two senior Northern figures visited Seoul and met the hitherto excoriated President Lee Myung-bak. This easing is a relief compared to the first year and a half of Lee's presidency, during which North-South ties went from bad to worse. Yet it is premature to suggest any substantial improvement – much less a return to the engagement of the “Sunshine” decade (1998-2007), which must now be consigned to history. Rather, what we see is mixed signals from Pyongyang, and to some extent also from Seoul. Having got past initial hostilities, the two governments are now testing and sounding each other out. This is not happening in a vacuum, but in the context of two wider imponderables: whether Kim Jong-il will return to nuclear dialogue in any shape or form, plus the opaque and delicate process of installing his third son Kim Jong-eun as his anointed successor. A surprise currency redenomination in early December, rendering most North Koreans' savings worthless and reportedly provoking protests, is a reminder that the North's internal stability cannot be taken for granted – and a blow to those who still aver that the DPRK is at some level trying to change for the better.

### **No further family reunions planned**

The main sign of a new thaw had been a fresh round of family reunions in late September, the first in two years, held as usual at Hyundai's otherwise idle Mount Kumgang resort – tours have been suspended since July 2008 – in the southeast DPRK. As we reported last time, these went well enough in their limited fashion. Yet this was only a one-off event, not a resumption of the regular program. Subsequent Red Cross talks on Oct. 16 ended without agreement and they have not met since. There are three issues here. The South had sought reunions in November in Seoul and Pyongyang, and in February at Mount Kumgang. Although earlier reunions were held in the two capitals, the North prefers to isolate them in the Kumgang enclave. Second, the South also raised the issue of ROK abductees and unreturned prisoners of war, but the North continues to stonewall and deny that any such persons exist.

Third, the North reportedly asked for unspecified humanitarian aid; the South demurred. President Lee Myung-bak is sticking to a hard line on aid. Having ended the annual supply of 500,000 tons of rice and 300,000 tons of fertilizer that was provided in the “Sunshine” era – nominally as a loan, but few ever expected repayment – he now insists on three principles. First, the DPRK must officially ask for help. Second, all assistance must be strictly monitored. Third, there will be no major expansion of cooperation unless and until the North commits irrevocably to denuclearization – but if it does, everything is possible.

That is the theory. In practice, on Oct. 26 the ROK Red Cross offered to send 10,000 tons of corn, 20 tons of milk powder and medicines; minuscule compared to what was given in the past, or in terms of the DPRK's needs. Confidence in Seoul that this would be accepted had not been borne out as of early January 2010. Pyongyang has yet to make any official response, but on Nov. 10 a Northern website condemned the offer as "pitiful and narrow-minded."

### **Swine flu prompts swift aid**

Then came swine flu, and Seoul's response was very different. Like most countries, South Korea has been hit by influenza A (H1N1), with 170 deaths as of Dec. 15. But North Korea long and resolutely maintained it was swine flu-free, despite rumors to the contrary. When a South Korean working at the joint venture Kaesong Industrial Complex (KIC), just above the Demilitarized Zone (DMZ), tested positive, he was swiftly sent home.

On Dec. 9, a day after Lee Myung-bak told his government to help the North deal with any outbreak, Pyongyang finally admitted it had a total of nine cases in the capital and Sinuiju city on the Chinese border. At once Seoul swung into action. Talks were swiftly held and on Dec. 18 refrigerated trucks crossed the DMZ with enough Tamiflu for 400,000 people and Relenza, another antiviral drug, for 100,000. The South paid the \$15 million tab and waived its usual monitoring clause, although *Yonhap*, the semi-official ROK news agency, reported that Southern "doctors will accompany the trucks to oversee the delivery and give advice to North Koreans on how to apply the medication." Pyongyang promptly thanked the South.

There may be self-interest here. If, as some Southern NGOs claim, swine flu is widespread in the North, the South obviously wants to stop it from spreading across the border and worsening its own epidemic. As so often with North Korea, the facts are unclear. WHO apparently accepts Pyongyang's account of a limited outbreak, for which Seoul's aid is more than enough. At all events, the South's quick generosity and both sides' effective cooperation show what can be done. By contrast, it was reported on Oct. 5 that total Southern medical aid to the North in the first half of 2009 plummeted from \$57.89 million in 2008 to just \$7.09 million. Another report two days later said that so far the Unification Ministry (MOU) has spent less than 5 percent of its W1.16 trillion (\$991 million) budget for inter-Korean cooperation this year. So there is scope, need, and precedent for Seoul to help much more, on an ongoing basis.

### **Proper channels**

Given the one-sidedness of the former "Sunshine" policy, it is understandable if Seoul insists on laying down some ground rules. To the North's chagrin, the South has yet to respond to proposals to resume and expand tourism put to Hyundai's chairwoman, Hyun Jeong-eun, when she visited Pyongyang in August (discussed in our last issue). Although Hyun duly briefed MOU on her return, the ROK view is that if the DPRK has something to say then it must do so officially through the proper channels, rather than via a private citizen.

Reports that the South is considering non-cash forms of payment if tourism resumes – citing a need for transparency in the context of UN sanctions – caused fury in the North. On Dec. 1 *Minju Joson*, daily paper of the DPRK Cabinet, called this the "hysteria of lunatics hell-bent on



confrontation with compatriots ... The world knows no country where tours are paid in kind ... it clearly indicates they are nothing but dregs of history who should have lived in the era of feudalism when barter trade prevailed.” Pyongyang earned \$487 million in fees from tourism to Mount Kumgang from 1998-2008. It must be missing this revenue stream.

### **A third summit?**

As a new year opens, argument continues in Seoul between those who insist that Pyongyang must be made to adhere to rules and reciprocity vs. the view that some bolder and more imaginative gesture is needed to break the deadlock. The former camp includes Unification Minister Hyun In-taek, a known hardliner, who said on Nov. 23 that “clamoring for better relations while holding on to nuclear weapons is like searching for a fish on a tree. To catch a fish, one has to come down from the tree.” DPRK media attacked him by name, for the first time since such insults stopped in August, as a malicious traitor who is “ramping around recklessly against the trend of the time, which is now leaning toward peace and unification.”

And yet this came after a month of rumors that the two Koreas have been secretly discussing a possible summit meeting. Official denials of this have been lukewarm and unconvincing. Kim Jong-il may have made the suggestion through his emissaries in August, or indirectly to Wen Jiabao when the Chinese premier visited Pyongyang in October. A Pentagon briefing claimed as much, only to be slapped down by the Blue House as a “misunderstanding.”

One reason why Kim Jong-il may have offered this is to put Lee Myung-bak on the spot. It would be hard for Lee to accept, unless Kim comes to Seoul – unlikely, on past form and security grounds – or makes major nuclear concessions, which is even less probable. North Korea continues to insist that nuclear matters are none of Seoul’s business. On Dec. 19, the party daily *Rodong Sinmun* stated flatly that “the nuclear issue has nothing to do with North-South relations, so it cannot become an obstacle to improving inter-Korean ties.”

Even so, knowing how things get done in Pyongyang (and to a degree in Seoul as well), Lee must surely be tempted to go straight to the top and meet his opposite number in a bid to cut through the knots and put Seoul back in the game. His offer of a “grand bargain,” discussed in our last issue, could gain traction (and much-needed flesh on its bones) if he put it to Kim personally. Then again, Lee has chairing the G20 to keep him busy this year. On balance, we do not expect a third inter-Korean summit in 2010 – but nothing is impossible.

### **Mixed signals**

A more plausible prospect is that the two Koreas will continue to circle each other warily, with a mixture of point-scoring, negativism, and the occasional advance. That more or less sums up the past quarter, when North Korea, while mostly and thankfully more peaceable – with one major exception – also appeared inconsistent, hence hard to interpret overall. This may reflect policy debates in Pyongyang, or just be a smokescreen to confuse outsiders.

Thus, November saw the first inter-Korean naval skirmish in seven years. On Nov. 10 a single DPRK patrol boat entered Southern waters south of the Northern Limit Line (NLL), the de facto

post-1953 West (Yellow) Sea border, which Pyongyang does not recognize. An ROK ship fired a warning shot; the Northern boat responded with 50 rounds of live fire. That was unwise as the Southern navy replied with at least 200 rounds, setting the intruder ablaze and forcing it to retreat. Seoul press reports claim one Northerner dead and three wounded.

Naturally there was much huffing and puffing from Pyongyang, with threats of “merciless measures” in retaliation. Yet, just a week later on Nov. 17, on the eve of President Obama’s visit to Seoul, *Rodong Sinmun* vowed that “we will continue to make active efforts for the improvement of North-South relations.” A day earlier, President Lee told South Koreans not to worry; despite a degree of media hysteria, the North had made no unusual military moves. As with the two previous and more serious such clashes, in 1999 and 2002 – both in the era of “Sunshine,” be it noted – mystery persists as to why the North chose to pick a fight in the first place, even if it had the sense each time not to let matters escalate out of hand.

### **Sand of peace**

Moreover, this did not prevent more peaceable maritime intercourse in the same waters. Just four days after the two navies clashed, the DPRK freighter *Kumpit* (Light of Gold) docked in Incheon to unload 2,100 tons of silica sand. Much used by the construction industry, sand is South Korea’s top import from the North, worth \$73.35 million in 2008. Recently Seoul has sought to control this trade, as Northern suppliers are thought to have military links. Having banned Southern buyers from going to the North since the DPRK’s May nuclear test, on Oct. 27 South Korea tightened rules on this and two other leading Northern export items, anthracite and pine mushrooms, announcing imports will henceforth require prior approval by MOU.

More generally, and encouragingly, North-South trade has begun to grow again after more than a year of decline. On Oct. 19, the ROK Customs Service reported that September’s total of \$173.17 million was up 2.6 percent year-on-year; the first increase in 13 months. DPRK exports of \$98.70 million exceeded the ROK’s \$74.47 million. This continued in October when Northern exports hit a record \$100.7 million, while the South sent goods worth \$71.9 million for a total of \$172.6 million, up 5.9 percent from October 2008. The recovery came too late to prevent a fall for 2009 overall – as of end-November mutual trade totalled \$1.46 billion, down 14 percent from \$1.69 billion in 2009 – but the trend augurs well for 2010.

South Korea remains the North’s main export market and at this rate could displace China as Pyongyang’s main trade partner overall. One can see why Kim Jong-il may not welcome that and a reported new economic agreement with China may be designed to prevent it. Conversely, Lee Myung-bak might relish the potential leverage. At all events, Lee shows no sign of checking this growth in trade or of wanting to add nuclear-related conditionalities.

### **The Kaesong zone: back to normal**

Much inter-Korean trade involves the joint venture KIC, just north of the DMZ. After months of harassment by the North earlier in 2009, lately the KIC has returned to normal – to the great relief of the 116 mostly small ROK firms operating there, who, amidst the global economic

slowdown, really did not need this gratuitous extra pressure. Its monthly output is now worth over \$20 million, mostly sold in South Korea but with some also exported overseas.

A positive sign here is that in December a joint North-South team spent a fortnight visiting similar industrial parks in China and Vietnam. This was Seoul's idea with the aim being to show Pyongyang what the competition looks like in hopes that henceforth there will be no more self-defeating border restrictions or demands for ludicrously inflated wage and land rent hikes. Afterwards, the South sounded optimistic that the penny had dropped, although on another front, the same month's currency redenomination by the North hardly suggests a regime sincerely committed to a market economy.

### **Kim and son fall out; Lee reads the riot act**

Prospects for a North-South summit may not be helped by comments published on Oct. 23 by one of South Korea's leading experts on the North. Nam Sung-wook, a key adviser to President Lee and head of the Institute for National Security Strategy in Seoul, claims that Kim Jong-il has had a row with his son and putative heir Kim Jong-eun over military promotions. Jong-eun was getting above himself, so the succession is on hold for the time being. As Nam put it, "Kim Jong-il knows so well that two suns should not exist in the sky."

Nam also reported that Lee used "stern tones" to the two top-level Northern emissaries who visited Seoul in August. "We are living in the 21st century," said the ROK president. This is not the old days, so don't try to solve everything via military provocations. The DPRK must not think it can misbehave and then expect rewards for correcting its behavior. The future of North-South economic cooperation depends on the North's "attitude." At this, one of the North Korean visitors vowed to "do his best" – and even bowed to the South's president. Whichever Kim that was may now have some explaining to do the top Kim of them all.

### **Gas and trees: North not consulted**

As South Korea strives to find a workable new approach to the North, it continues to offer – and hopefully learn – lessons in what not to do. On Oct. 1 the ROK's KoGas, the world's largest gas importer, admitted that its contract to import liquefied natural gas (LNG) from Russia will be realized by ship rather than pipe, unless North Korea asks for a pipeline to be built on its soil. As we remarked at the time, the spectacle of South Korean and Russian leaders gaily talking pipelines without consulting Pyongyang was tactless in the extreme.

The same goes for another bee in Lee Myung-bak's bonnet. In his election campaign he had pledged to plant 100 million trees in North Korea. The North could certainly use these. Its forests have never recovered from USAF napalm half a century ago, unlike the South, which under Park Chung-hee, had an early afforestation campaign. In recent years the DPRK has seen further loss of tree cover as its impoverished citizens seek firewood. So Lee's is by no means a bad idea, if in part also self-serving as planting all those trees would help Seoul reach its ambitious green targets for carbon balance. But as with the gas pipeline idea, practicality and tact alike mean the North should be fully involved. Instead, Lee has ordered the ROK government to make an outline plan based on satellite photographs. Who could blame Pyongyang for feeling miffed?

## **Assorted threats**

Even amid a broadly eased atmosphere, South Korea continues to keep tabs on the North's varied threats. The National Assembly's inspection of the Defense Ministry (MND) produced reminders of several of these. On Oct. 5, Defense Minister Kim Tae-young said that the South has identified some 100 sites linked to the North's nuclear program and has the capacity to strike them if need be. MND also said that the North is thought to have up to 5,000 tons of chemical weapons as well as 13 types of viruses and germs usable in biological weapons – including cholera, yellow fever, smallpox, eruptive typhus, typhoid and dysentery. Again citing MND, a ruling party lawmaker said that one-third of the North's Korean People's Army's 180,000-strong Special Forces – the world's largest – operate under the direct command of the general staff or as snipers and could be rapidly mobilized.

A week later, when the North test-fired five short-range missiles in the East Sea (Sea of Japan), despite noting that this violates UNSC Resolutions 1695, 1718, and 1874, there was no formal condemnation by Seoul. The Foreign Ministry commented that “we have no desire to react every time North Korea does something.” MND added that “they gave notice in advance, and we do not usually react to short-range missile tests.” However, Chief of Naval Operations Adm. Jung Ok-keu, noted that these *KN-02* missiles had a range of 130-160 km, greater than the 120 km previously reckoned.

A threat of a different magnitude, if not to South Korea, is a new missile base at Dongchang-ri, 200 km northwest of Pyongyang. On Oct. 26 officials in Seoul said this site is all but finished. Three times the size of Musudan-ri, where April's long-range rocket was launched, the new site (close to China) is thought capable of launching ICBMs with a range of 5,000 km.

Four days later, Won Sei-hoon, head of the National Intelligence Service (NIS), told ROK lawmakers at a closed-door meeting of the National Assembly Intelligence Committee that Pyongyang was behind a wave of cyber-attacks in early July. He claimed these were traced to a Chinese IP address used by the DPRK Ministry of Post and Telecommunications. Though some remain skeptical, taking no chances from Jan. 10 Seoul has beefed up its cyber-defenses.

The threat is not all one way. Behind North Korea's bluster lies a fear of the combined might and intentions of US and ROK forces. On Nov. 1 a source in Seoul announced completion of Operations Plan (OPLAN) 5029, which specifies their joint responses to possible DPRK contingencies – including regime collapse. The ROK military would have the lead role, but nuclear weapons and facilities would be handled by the US. For the KPA to read this can hardly be pleasant. *Rodong Sinmun's* riposte on Nov. 9 was fairly mild: “Their concoction of such farcical events which can never happen in the DPRK is an unpardonable provocation.” Even so, in December someone hacked into OPLAN 5029; Seoul knows whom it suspects.

## **Defectors, drifters, cables**

The past quarter had its quota of defectors, not all one-way. Northern boat people are as yet rare, but on Oct. 1 two families in a tiny 3-ton craft reached the South all the way from North

Hamgyong in the northeastern DPRK, having circled far out to sea to elude KPA radar. They had planned this for over a year, fleeing poverty rather than persecution. The DPRK, as usual, asked for their return, but soon gave up. By contrast, in two cases where Northern boats with engine trouble drifted into Southern waters by mistake, the South was swift and scrupulous in repatriating the crew, having ascertained that this was their will.

Very rarely someone goes the other way. The latest, reported with some glee by *KCNA* on Oct. 27, is one Kang Dong-lim, who crossed the DMZ (mines and all) in the eastern sector on Oct. 26. ROK authorities next day confirmed finding the border fence cut, and revealed that Kang was on the run after hitting his employer, a pig farmer, with a hammer. President Lee, embarrassed that no one had noticed Kang's flight, ordered tighter border security.

This did not impede a more authorized crossing just days later. On Oct. 28-29, thirty Southern trucks delivered fiber-optic cables and equipment worth \$714,000 to North Korea via both the western and eastern border gates to improve inter-Korean communications. Southern officials said the North's worn-out equipment had caused 30 cases of miscommunication last month alone, delaying cross-border traffic. This technological upgrade had been planned for two years, but was delayed by inter-Korean bad blood during the first 18 months of Lee Myung-bak's presidency. The new cables came into service two months later, on Dec. 30.

### **The North sounds a mellower note**

As the quarter ended – indeed, as a new quarter, year and decade began – some saw signs of a possible thaw in inter-Korean relations. The North's regular new year editorial, carried in its three main daily papers (those of the Party, armed forces, and youth league), sounded a less bellicose note than usual, calling for a nuclear-free peninsula – even while praising last May's nuclear test as a “landmark event” – and “an end to the hostile relationship between the DPRK and the USA.” On North-South relations, the editorial noted the upcoming 10th anniversary of the June 15 North-South Joint Declaration (i.e., the first inter-Korean summit held in Pyongyang in 2000, between Kim Jong-il and the South's then president, the late Kim Dae-jung.) It hailed this for promoting “great, unprecedented successes”, and urged

“National reconciliation and cooperation should be promoted actively. Reconciliation should be promoted with the common national interests given precedence, and cooperation should be encouraged through travel and contacts between the people from all walks of life. All sorts of legal and institutional mechanisms that hinder the projects for common interests and prosperity of the nation should be abolished and free discussion and activities of the broad sections of the people for reunification should be fully ensured.”

Fine words, but do they mean it? As to “travel and contacts,” even during the decade of the “Sunshine” policy (1998-2007) these were strictly one-way as almost no North Koreans except high officials visited the South. The North also curbed both the scope and number of family reunions. The response in Seoul, while welcoming this more mellow tone, was thus cautious. The hope is that relations may improve, but the fear is that mixed signals will persist.

## **Chronology of North Korea-South Korea Relations October - December 2009**

**Oct. 1, 2009:** On ROK Armed Forces Day, President Lee Myung-bak says: “South-North dialogue and peace will progress when we have a strong military with firm readiness.”

**Oct. 1, 2009:** ROK Coast Guard escorts a 3-ton boat carrying 11 North Koreans into an eastern naval base.

**Oct. 1, 2009:** *Asia Pulse* reports KoGas president Choo Kang-soo as saying that the ROK state provider will import liquefied natural gas (LNG) from Russia by ship rather than pipe it across the DPRK, unless Pyongyang asks for the pipeline to be built on its soil.

**Oct. 2, 2009:** The Seoul press reports that Hyundai Asan has paid North Korea \$487 million in fees for tours to Mount Kumgang since 1998, plus \$714 million to build facilities there.

**Oct. 2, 2009:** The second tranche of family reunions ends at Mount Kumgang. This briefly brought together 98 elderly North Koreans and 428 of their Southern relatives.

**Oct. 3, 2009:** *Rodong Sinmun*, daily paper of the North’s ruling Workers’ Party of Korea (WPK), calls on Seoul to resume exchanges and cooperation as per the 2000 and 2007 inter-Korean accords, regardless of the nuclear deadlock and international sanctions.

**Oct. 4, 2009:** South Korea’s Unification Ministry (MOU) reports that all 11 North Korean boat people (see Oct. 1) want to stay in the South.

**Oct. 5, 2009:** ROK Foreign Minister Yu Myung-hwan says Seoul will fine-tune details of President Lee Myung-bak’s “grand bargain” for tackling the DPRK nuclear stalemate.

**Oct. 5, 2009:** ROK Defense Minister Kim Tae-young says South Korea has identified about 100 sites linked to the North’s nuclear program.

**Oct. 5, 2009:** Kwon Young-se, a lawmaker of South Korea’s ruling conservative Grand National Party (GNP), says North Korea received aid worth \$2.29 billion since 1994 in return for promises to scrap its nuclear program, on which it has reneged.

**Oct. 5, 2009:** Hong Joon-pyo, a South Korean lawmaker, says one-third of the North’s 180,000-strong Special Forces operate under the direct command of the general staff or as snipers.

**Oct. 5, 2009:** ROK Ministry of National Defense (MND) says North Korea is thought to have 2,500-5,000 tons of chemical weapons as well as 13 types of viruses and germs that can be used in biological weapons.

**Oct. 5, 2009:** Citing fears that China dominates the DPRK's minerals sector, lawmaker Lee Mi-kyung of the Democratic Party (DP) calls on the Lee administration to revive a stalled swap deal whereby the South received Northern zinc in return for supplying basic household goods.

**Oct. 5, 2009:** DP lawmaker Song Young-kil, citing MOU and Red Cross data, says that Southern medical aid to the North in January-June fell sharply to \$7.09 million, down from \$57.89 million in the first half of 2008.

**Oct. 6, 2009:** Seoul's Finance Ministry (MOF) says next year's spending on inter-Korean economic cooperation will rise by 30 per cent to W398.2 billion (\$339.6 million). A fifth of this is earmarked to improve infrastructure and facilities at the Kaesong Industrial Complex (KIC).

**Oct. 6, 2009:** Samsung Economic Research Institute (SERI), a leading private think tank in Seoul, says that a reduction in foreign aid has driven up food prices in North Korea.

**Oct. 7, 2009:** South Korea's Foreign Ministry (MOFAT) reports that China has briefed the ROK on Wen Jiabao's visit to Pyongyang.

**Oct. 7, 2009:** *Yonhap* reports that so far this year MOU has spent only W56 billion on inter-Korean cooperation – less than 5 percent of the W1.16 trillion (\$991 million) budgeted.

**Oct. 8, 2009:** ROK Foreign Minister Yu Myung-hwan says that UN sanctions must remain in place even if the DPRK comes back to the Six-Party Talks.

**Oct. 10, 2009:** The Blue House (the ROK presidential office) says that China and Japan both endorsed President Lee's idea of a "grand bargain" to denuclearize North Korea at the three nations' trilateral summit held in Beijing that day. China refers to it as a "great exchange."

**Oct. 12, 2009:** North Korea test-fires five short-range missiles in the East Sea/Sea of Japan. Officials in Seoul say this violates UNSC resolutions 1695, 1718, and 1874.

**Oct. 14, 2009:** Talks on flood prevention are held at Kaesong. Pyongyang belatedly expresses regret for the deaths of the six South Korean campers on Sept. 6, who drowned when the North without warning opened floodgates on its Hwanggang dam. Seoul accepts this de facto apology.

**Oct. 16, 2009:** A meeting between the two Koreas' Red Cross bodies at Kaesong ends without agreement on family reunions or other issues.

**Oct. 18, 2009:** The Blue House dismisses a claim in a Pentagon background briefing that Kim Jong-il has invited Lee Myung-bak to a summit in Pyongyang as a "misunderstanding."

**Oct. 19, 2009:** ROK Customs Service reports September's inter-Korean trade, totaling \$173.17 million, was up 2.6 percent over September 2008; the first increase in 13 months.

**Oct. 23, 2009:** Nam Sung-wook, a key adviser to President Lee and head of the Institute for National Security Strategy in Seoul, claims that Kim Jong-il has had a row with his son.

**Oct. 26, 2009:** Seoul officials say that the DPRK has “as good as finished” a new missile base at Dongchang-ri, 200 km northwest of Pyongyang.

**Oct. 26, 2009:** South Korea’s Red Cross faxes its Northern counterpart offering to send 10,000 tons of corn, 20 tons of milk powder and some medicine.

**Oct. 27, 2009:** Seoul tightens its rules on three major imports from North Korea: sand, pine mushrooms and anthracite

**Oct. 27, 2009:** KCNA says that a 30-year-old South Korean, Kang Dong-lim, defected by crossing the eastern military demarcation line (MDL) on Oct. 26.

**Oct. 30, 2009:** Won Sei-hoon, head of the National Intelligence Service (NIS), tells ROK lawmakers at a closed-door meeting of the National Assembly Intelligence Committee that Pyongyang was behind a wave of cyber-attacks in early July.

**Nov. 1, 2009:** An official in Seoul says the US and ROK have finalized Operational Plan (OPLAN) 5029, which specifies joint responses to possible DPRK contingencies – including regime collapse.

**Nov. 3, 2009:** *KCNA* says that the DPRK has “successfully completed the reprocessing of 8,000 spent fuel rods,” with “noticeable successes ...in turning the extracted plutonium weapon-grade for the purpose of bolstering up the nuclear deterrent.”

**Nov. 9, 2009:** *Rodong Sinmun* attacks OPLAN 5029 as “Their concoction of such farcical events which can never happen in the DPRK is an unpardonable provocation.”

**Nov. 10, 2009:** The DPRK website *Uriminzokkiri* condemns the ROK’s corn aid offer as “pitiful and narrow-minded.”

**Nov. 10, 2009:** A DPRK patrol boat enters Southern waters and responds to a warning shot with 50 rounds of live fire. The ROK navy fires 200 rounds and seriously damages the boat.

**Nov. 12, 2009:** *Rodong Sinmun* calls Nov. 10’s naval skirmish a “premeditated provocation” by the South, which will “pay dearly.”

**Nov. 17, 2009:** President Lee instructs his Cabinet to study the impact of any reforestation of North Korea on the peninsula as a whole (presumably in terms of carbon balance).

**Nov. 17, 2009:** *Rodong Sinmun* vows that “we will continue to make active efforts for the improvement of North-South relations.”

**Nov. 19, 2009:** The ROK co-sponsors a UN resolution critical of the DPRK’s human rights record. Next day North Korea’s Foreign Ministry says it “resolutely dismisses” the resolution as a “stereotype political plot.”



**Nov. 29, 2009:** The South rescues a KPA sergeant whose boat drifted south of the West (Yellow) Sea border while he was fishing. He is returned via Panmunjom on Dec. 2.

**Nov. 30, 2009:** North Korea conducts a surprise currency reform. Citizens have a week to exchange old won for new won, at a rate of 100:1. Only a limited amount can be exchanged, rendering savings worthless.

**Dec. 4, 2009:** North Korea belatedly confirms its currency redenomination. Sources in Seoul report that reactions in the North include suicides and protests, some put down violently.

**Dec. 5, 2009:** KCNA condemns a bill on DPRK human rights abuses, passed recently by a subcommittee of the ROK National Assembly, as “an intolerable insult and unpardonable politically motivated provocation [and] a revelation of the ambition of traitors to the nation to escalate confrontation ...because they are steeped in it to the marrow of their bones.”

**Dec. 8, 2009:** US Special Envoy Stephen Bosworth and his interagency team fly into Pyongyang from Osan Air Base, south of Seoul, in a US military plane.

**Dec. 9, 2009:** North Korea admits for the first time that it does have cases of swine flu.

**Dec. 10, 2009:** Ambassador Bosworth arrives in Seoul, where he briefs ROK officials on his visit to Pyongyang.

**Dec. 12-22, 2009:** A joint Korean team, with 10 members each from North and South, visits industrial parks in China and Vietnam to learn lessons for the KIC.

**Dec. 15, 2009:** MOU says it will send antiviral drugs to North Korea on Dec. 18, and duly does so. The consignment, offered gratis and without monitoring, is worth \$15 million.

**Dec. 18, 2009:** For a fifth successive year the United Nations General Assembly (UNGA) approves a resolution critical of North Korean human rights abuses.

**Dec. 19, 2009:** *Rodong Sinmun* avers that “the nuclear issue has nothing to do with North-South relations, so it cannot become an obstacle to improving inter-Korean ties.”

**Dec. 21, 2009:** Accusing the ROK of conducting underwater explosions close to its waters, the KPA declares the West (Yellow) Sea border area a “peacetime firing zone.” ROK expresses regret, calls the DPRK’s position “irrational” and warns of a stern response to any provocation.

**Dec. 22, 2009:** ROK Foreign Minister Yu Myung-hwan says the Six-Party Talks must resume by end-February at the latest, “otherwise the life of the talks may come to an end.”

**Dec. 22, 2009:** IFES reports that Kim Jong-il’s on-site visits so far this year total 156, 70 percent more than in 2008. Unlike last year when 50 of Kim’s 90 visits were military-related, this time 41 percent were economic in focus and only 27 percent military.

**Dec. 22, 2009:** MOU says it will return seven Northern fishermen whose boat drifted into Southern waters, as this is their wish. They are duly repatriated on Dec. 23 via Panmunjom.

**Dec. 23, 2009:** MOU says the North “was always cooperative and actively participated” in a recent joint tour of factory parks in China and Vietnam, saying “they wished the Kaesong park would grow like those.”

**Dec. 25, 2009:** MOU says it will contribute 15 billion won (\$13 million) to projects by the World Health Organization and UNICEF supporting infants and improving public health in the DPRK. It will also fund food aid for Northern children via ROK NGOs.

**Dec. 30, 2009:** New North-South military hotlines, using fiber optic cables, are inaugurated.

**Dec. 30, 2009:** Seoul says it will ask KEDO – the Korean Peninsula Energy Development Organization, the defunct consortium set up under the 1994 US-DPRK Agreed Framework – to look into reports that Pyongyang has pilfered equipment (mostly South Korean) at the Shinpo site where until 2002 KEDO had been building two light water reactors (LWRs).

**Dec. 31, 2009:** The customary joint New Year editorial of the three main DPRK dailies calls for “national reconciliation and cooperation” with the ROK, including “travel and contacts between the people from all walks of life.”

**Dec. 31, 2009:** ROK President Lee says that despite little progress in inter-Korean relations in 2009, his government “worked successfully to brace for a paradigm shift.” He reiterates that any breakthrough must entail resolving the North Korean nuclear issue.

**Jan. 3, 2010:** MOU reacts positively to the DPRK's New Year editorial, noting its emphases on denuclearization through dialogue and on improving its people’s livelihood.

# Comparative Connections

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



*China-Korea Relations:*

## *China Embraces South and North, but Differently*

*Scott Snyder, Asia Foundation/Pacific Forum CSIS*

*Seo-won Byun, Asia Foundation*

The last quarter of 2009 raised hopes for developments in China's relations with both Koreas. Chinese Vice President Xi Jinping received head-of-state treatment during his mid-December visit to South Korea. In Seoul, Xi presented a series of proposals to further the China-ROK strategic cooperative partnership, including pressing for a free trade agreement. President Lee Myung-bak and Premier Wen Jiabao held bilateral talks on Oct. 10 in Beijing on the sidelines of the China-ROK-Japan trilateral summit, which Lee used to promote his "grand bargain" on North Korean denuclearization.

There were also several exchanges between China and the DPRK. In early October, Premier Wen led a large delegation to Pyongyang and proposed a comprehensive set of deals with North Korea. As the first Chinese premier to visit Pyongyang in 18 years, Wen was warmly hosted by Kim Jong-il. Following Wen's visit, the director of the United Front Department of the Workers' Party of Korea (WPK) and Pyongyang's official in charge of inter-Korean relations, Kim Yang-gon, made a five-day trip to China. President Hu Jintao reportedly extended a formal invitation to Kim Jong-il to visit China "at a convenient time" at his meeting with Choe Thae-bok, secretary of the WPK Central Committee and one of Kim's closest aides, who led a WPK delegation to Beijing in late October.

### **Building a China-ROK partnership**

Vice President Xi Jinping's delegation of 58 officials that visited Seoul included senior officials from the Foreign Ministry, National Development Reform Commission, Ministry of Commerce, Ministry of Culture, Policy Research Office of the Chinese Communist Party Central Committee, and the China Development Bank. During the four-day visit, Xi met with a range of senior political and economic leaders including President Lee Myung-bak, Prime Minister Chung Un Chan, National Assembly Speaker Kim Hyong-o, Grand National Party (GNP) Chairman Chung Mong-joon, Democratic Party (DP) Chairman Chung Sye-kyun, the South Korea-China Friendship Association, and Gyeongsangbuk-do governor Kim Kwan-Yong.

Xi presented a four-point proposal to further China-ROK ties, including expanding high-level contact and political trust, expanding trade and economic cooperation, increasing personnel exchanges, and strengthening coordination in multilateral frameworks including a China-ROK-Japan dialogue. Xi also put forward a four-point proposal for expanding China-ROK trade, including stabilizing trade and investment, pursuing respective advantages for a "win-win

outcome,” strengthening international trade cooperation, and strengthening cooperation on a low-carbon economy.

South Korean experts noted that the purpose of Xi’s visit, which was part of his official Asian tour to Japan, South Korea, Myanmar, and Cambodia, was not to discuss substantive technical issues in the China-ROK relationship but to boost his diplomatic profile and experience as the presumed next leader of China. While Xi addressed a wide range of topics including current concerns of North Korean denuclearization, bilateral trade, and climate change, he did not stray from China’s existing positions on the issues.

Although the visit was primarily symbolic, Xi’s red carpet treatment underscored the importance South Korea attaches to its relationship with a China whose role and influence in regional affairs is likely to continue to grow. The appointment of Yu Woo-ik, the former presidential chief of staff and one of President Lee’s closest aides, as the new ROK ambassador to China signals the growing importance Seoul is attaching to Beijing. In his Dec. 28 arrival speech at the ROK Embassy in Beijing, Yu noted that China will “play a leading role” in shaping the political and economic situation in Northeast Asia in the 21<sup>st</sup> century. Yu had earlier indicated that while businesses have led progress in China-ROK relations to date, “now the government needs to play a role for improving our ties.”

Recent China-ROK bilateral diplomacy reflects movement toward the strategic cooperative partnership forged between Presidents Lee and Hu in 2008. On the sidelines of the China-ROK-Japan summit in Beijing in October, Lee and Premier Wen Jiabao signed an economic cooperation agreement that aims to double annual bilateral trade to \$300 billion by 2015 from the current \$145 billion and agreed to strengthen cooperation on other bilateral and global efforts such as the upcoming China-ROK trade expositions and the G20 summit Seoul is hosting in 2010. At the trilateral summit, President Lee promoted his “grand bargain,” which calls for “one-step denuclearization” in return for massive incentives (referred to by China as the “great exchange”) for North Korea. Lee also declared that “now is a good time for North Korea to give up its nuclear ambitions.”

### **China-DPRK relations in the aftermath of Wen Jiabao’s Pyongyang trip**

High-level China-DPRK exchanges marked the 60<sup>th</sup> anniversary of diplomatic ties despite UN sanctions against North Korea for its missile and nuclear tests earlier this year. Premier Wen Jiabao’s visit to Pyongyang in early October was the high point in those commemorations. *KCNA* reported that Chairman Kim Jong-il personally greeted Wen at Sunan airport upon his arrival on Oct. 4 and that he accompanied Wen in several public appearances.

China has highlighted Wen’s success in securing Kim’s promise of a “conditional return” to Six-Party Talks pending progress in direct negotiations with Washington, although Kim’s remarks made clear the North’s interest in direct US-DPRK dialogue rather than Six-Party Talks. The fact that Wen did not gain any additional movement by Kim compared to what North Korea had already committed to during Dai Bingguo’s visit the previous month raises questions about Chinese influence in Pyongyang, especially in light of rumors that Wen’s visit to Pyongyang was in question over the issue.

South Korea seems concerned that Beijing's package of bilateral economic cooperation deals in trade, tourism, the software industry, and almost \$20 million in aid made during Wen's visit may hinder the implementation of UN Security Council (UNSC) sanctions. Some Chinese observers suggest that North Korea's unusual reception for Premier Wen was based on its calculations of economic need. They also point out that Wen's package did not promise any significant renewed aid or economic rewards, especially since China also has an interest in encouraging North Korea to undertake economic reforms.

According to the *Chosun Ilbo*, despite the lack of progress on the nuclear issue, one highlight of the Kim-Wen meeting was a secret agreement to restore intelligence ties and strengthen defense cooperation against South Korea, the US, and Japan through cooperation between traditional intelligence agencies including the DPRK External Liaison Department and Operational Department. Pyongyang reportedly asked China to share intelligence on defectors and anti-DPRK activities in China while China asked for the North's cooperation in fighting drug-trafficking and currency-counterfeiting. The head of North Korea's Public Security Bureau, Ju Sang-song, paid a visit to Beijing in the weeks following Wen's visit, giving some credence to this speculation.

Premier Wen's visit sparked heated debate on popular online forums in China that demonstrated a growing divide in Chinese public opinion on relations with North Korea. While some users expressed clear support for the official party line, referring to North Korea as "our socialist companion" and indicating that "when the whole world is isolating them, our premier is there to give them hope," others called the North "a gangster country" that "doesn't deserve our help," noting the threat of North Korean nuclear weapons to China and the world.

*Rodong Sinmun* at the end of December noted that the China-DPRK friendship "entered a higher level" in the "Friendship Year" of 2009, during which the two countries held more than 40 events and exchanged more than 120 delegations. North Korean state media has highlighted efforts to advance bilateral defense ties to bolster the China-DPRK military alliance, but has avoided discussion of the nuclear issue. As President Obama began his Asian tour aimed to strengthen cooperation on North Korean denuclearization, a military delegation led by Gen. Kim Kong-gak and the first vice director of the General Political Bureau of the Korean People's Army visited China. In Pyongyang on Nov. 24, Chinese Defense Minister Liang Guanglie held talks with Kim Yong-chun, minister of the DPRK People's Armed Forces and vice chairman of the National Defense Commission, as part of his three-nation tour to North Korea, Japan, and Thailand. Liang claimed that "the Sino-Korea friendship sealed in blood will last forever" and pointed to "the Korean people's deep emotional attachment of friendship toward the Chinese people." In early November, a DPRK Air Force delegation led by Maj. Gen. Kim Kwang-su met senior Chinese military officials in Beijing to discuss bilateral exchanges on the sidelines of the multilateral "Air Force Peace and Development Forum" that convened top officials from 34 countries including ROK Air Force Chief of Staff Gen. Lee Kye-hoon as part of the celebration of the 60<sup>th</sup> anniversary of the People's Liberation Army (PLA) Air Force.

## **China's economic engagement with UN-sanctioned North Korea**

In response to questions that Chinese aid to North Korea may undermine international efforts to enforce UNSC Resolution 1874, Chinese Ambassador to South Korea Cheng Yonghua has indicated that China separates “normal economic cooperation with North Korea” and “the contents of the UN resolution” while also noting that as a standing UNSC member China “has a heavy responsibility for the implementation of the UN resolution.” Many US experts do not expect Beijing to alter its strategy of economic cooperation with North Korea despite global concerns about the North's nuclear program, given recent long-term bilateral economic deals that are not linked to progress in denuclearization.

Concerns about the likely trend of Chinese influence as North Korea's biggest trading partner have heightened since October when the Chinese Customs Administration apparently stopped publishing official trade statistics on North Korea. This move has fueled speculation that Beijing will attempt to obscure data about the bilateral economic relationship with North Korea while UN sanctions are in effect. The latest official Chinese data indicate China-DPRK trade grew 40 percent between 2007 and 2008, reaching \$2.8 billion in 2008. *KCNA* reported that People's Security Minister Ju Sang-song and Chinese counterpart Meng Jianzhu signed an agreement on Dec. 17 “on the offer of aid materials,” but did not specify the details.

One issue that has drawn attention in South Korea is China's influence over North Korea's vast mineral resources. An ROK Unification Ministry report in October indicated that since the inauguration of the Lee administration and suspension of inter-Korean projects, China has replaced South Korea as the major investor in North Korea's mining industry, where the estimated \$5.94 trillion worth of mineral reserves is believed to be one of the largest in the world. According to the Korea Trade-Investment Promotion Agency, 41 percent of the \$1.13 billion in total North Korean exports in 2008 were sales of mineral resources. Mineral exports to China increased over 13-fold from \$15 million in 2003 to \$213 million in 2008, apparently driving the increase in North Korea's total foreign trade in 2008 to its highest level since 1990.

South Korean media reports in early November indicated that the DPRK military has taken over state-owned trading companies that promote natural resource exports to China. Analysts have suggested that the Korean Peoples Army (KPA) has taken precedence over other ministries as well as the party to control hard currency-earning exports. The KPA has reportedly turned to China as a source of foreign currency given the decline in arms sales since the imposition of UN sanctions in 2006 and again in 2009. Despite suggestions that Chinese plans to cultivate the North as its “natural resource base,” the extent of Chinese influence over North Korean resources is debatable. Other reports have suggested that North Korea is withdrawing from Chinese mining investments due to reluctance of DPRK leaders to accept excessive Chinese influence in North Korea. The military is believed to be suspicious of the broader security implications of opening mineral resources to foreign investment while Chinese investors in the North's mining industry complain of unpredictable regulations and an erratic power supply. Many analysts still argue that due to its lack of infrastructure and capital, North Korea will be unable to fully free itself from dependence on China as it tries to develop its mineral industry.

Another area of interest in China-DPRK economic cooperation is the growth of special development zones along the border as part of China's strategy to boost bilateral and regional trade, and revive the economies of its northeast provinces. One example is the Tonghua-Dandong Economic Zone, which will reportedly include most of the western half of the China-DPRK border as a joint agreement between Dandong in Liaoning Province, through which almost 60 percent of China's trade with the North passes, and Tonghua in Jilin Province. The construction of a cross-border bridge over the Yalu River, reportedly discussed during Wen Jiabao's October trip to Pyongyang, is believed to support such projects. The zone is among new development areas in northeast China that extend to the DPRK border and account for a significant portion of provincial economic output. In November, China also launched the Changchun-Jilin-Tumen pilot zone in the Tumen River delta to promote cross-border economic cooperation in Northeast Asia.

### **High expectations for China-ROK trade**

Rebounding South Korean economic growth has boosted prospects for China-ROK trade, especially in light of bilateral promotional efforts including the Shanghai Expo and Visit China Year in 2010 and Yeosu Expo and Visit Korea Year in 2012. International Monetary Fund data in October showed that the South Korean economy has made the fastest recovery among G20 countries, resulting in an upward revision in its growth outlook. A Nomura Securities report in December forecasted 5.5 percent growth for the economy in 2010, 0.5 percent higher than official estimates based on expectations of continued depreciation of the Korean *won* and Chinese economic growth. The ROK Ministry of Knowledge Economy (MKE) has announced a target of 12.5 percent average annual growth of exports over the next six years. South Korean exports are projected to reach \$410 billion in 2010 compared to \$393 billion in 2009.

In a December policy report to President Lee, the MKE is targeting large, emerging markets including China, as part of a strategy to bring total foreign trade to \$1.3 trillion and to make South Korea the world's 8<sup>th</sup> largest trading nation by 2014. The ministry forecasts that China will grow by an average 8.2 percent between 2008 and 2020. South Korean producers have also made favorable projections for China. Leading construction equipment maker Doosan Infracore Co. has forecasted that excavator sales in China, estimated to reach over 14,000 units for the whole of 2009, will increase by up to 20 percent in 2010, with total construction equipment sales likely to increase by 33 percent to reach \$1.7 billion. China is Doosan's biggest foreign market, accounting for over 25 percent of total excavator sales, and Doosan Infracore China Co. (DICC)'s plant in Yantai, Northeast China, can produce 17,500 excavators annually.

The Shanghai World Expo will be held in 2010, to be followed by the Yeosu 2012 World Expo. China and South Korea have anticipated that these two events will be important vehicles for promoting trade and cultural ties since the two cities signed a four-year cooperation agreement. At a November meeting in Kunming to discuss the two events, ROK Culture Minister Yu In-chon and Chinese counterpart Shao Qiwei agreed to simplify immigration requirements, exchange tourism delegations, and reopen a bilateral tourism promotion council that was disbanded in 2002. The ministerial meeting is one of several agreements from the August 2008 summit between Presidents Lee and Hu. Seoul is now pushing for a visa waiver agreement with Beijing to attract Chinese tourists.

Vice President Xi Jinping's December visit to South Korea highlighted China's renewed pursuit of FTA talks with Seoul. Xi noted at his meeting with President Lee that bilateral trade would double by 2013 with the signing of an FTA, which "coincides with both countries' interests." Officials from both sides appear to support the idea of a free trade deal. High-level officials at a November conference of the China-South Korea Investment Cooperative Committee indicated that trade cooperation would be focused on a range of sectors including not only manufacturing, which accounted for 70 percent of South Korean investment in China in 2008, but also such new industries as green energy and high technology. Accelerated efforts to pursue an FTA strategy are expected to counter the recent downturn in China-ROK trade during the global crisis, which has set back the goal of achieving a bilateral trade volume of \$200 billion by 2010.

There is some concern in South Korea that China's aggressive pursuit of FTAs in the region, including with Taiwan, ASEAN, Australia, and trilaterally with South Korea and Japan, is driven by economic and strategic goals of leading a China-centered "Asian community." Other experts like Korea Institute for International Economic Policy China specialist Yang Pyoung-seob suggest that China's renewed interest in FTA talks with South Korea is primarily an indication of Chinese recovery from the financial crisis. China-based South Korean companies have expressed concern about South Korea being left out of China's pursuit of Asian FTAs, arguing that an FTA is urgently needed if Korean companies are to survive in the Chinese market. However, some Korean analysts suggest that FTA negotiations will likely face challenges as China is now paying more attention to economic interests as well as existing strategic considerations of using a China-ROK FTA as a counterweight to the US-ROK alliance. The Chinese Ministry of Commerce has warned that China's 2010 trade outlook is shadowed by rising competition and protectionism, noting that the number of investigations launched against Chinese products and the money involved reached record high levels as of the end of November.

China-ROK FTA talks have stalled since 2007 due to concerns from South Korean industries as well as the US that a closer China-South Korean trade relationship would undermine US interests. In a Nov. 24 *China Daily* article, Lu Jianren of the Chinese Academy of Social Sciences argued that, despite opposition from Chinese industries including the auto, chemicals, and steel industries in particular, "South Korea should be blamed for the stagnancy of a free trade agreement ... Official negotiations on such a deal cannot start until the nation eases off negative factors rising domestically and beyond." Still, South Koreans see Xi Jinping's interest in FTA talks in Seoul as significant given that he is being touted as China's next president. A Dec. 15 op-ed in the *JoongAng Daily* argued that progress in China-ROK trade talks will likely boost Seoul's pending bilateral trade talks with Japan and other potential regional initiatives such as a China-ROK-Japan FTA and the East Asian Community.

### **Conclusion: Changing regional and global dynamics**

Current efforts to advance the China-ROK partnership may be challenged by potential conflicts of interest, especially as major domestic transitions unfold in the region. According to Shen Shishun of the China Institute of International Studies, Northeast Asian cooperation still lags behind Southeast Asia "largely out of political reasons ... China, Japan and South Korea should seize the opportunity when the current Japanese ruling party is prone to Asia and is willing to



force a community in East Asia.” Regional leaders appear optimistic in their outlook: Xi Jinping stressed hopes to realize the Korea-China FTA and East Asian Community “in the not so distant future” and Secretary General of Japan’s ruling Democratic Party Ozawa Ichiro at a lecture in Seoul noted that Northeast Asia is moving from “animosity and competition” to “amity and cooperation.” But as Seoul rushed to accommodate Xi Jinping as China’s heir apparent, South Korean observers wondered if China and Japan were competing to draw Korea to their side in “a new hegemonic battle in Asia,” or whether South Korea was ready to meet new regional and global changes and play a new role as regional mediator or coordinator. Many South Koreans also believe that an East Asian Community cannot be realized without resolving the North Korean nuclear issue, which will require alignment of priorities with China.

China’s growth and global influence has made ROK officials increasingly cautious about how to balance diplomacy between China and the US. Beijing may feel uncomfortable about Seoul’s recent moves to emphasize its “comprehensive, strategic relationship” with the US, such as pledges to redeploy troops to Afghanistan upon US request. South Korean analysts stress the need for Seoul to remain in line with US-China global cooperation efforts while articulating a clear position. This coordination is especially important on North Korea given the convergence of basic interests of denuclearization, stability, and reform and opening of North Korea. After Wen Jiabao’s October trip to Pyongyang, ROK Foreign Minister Yu Myung-hwan affirmed that Seoul expects China to clarify its economic plans toward the North with respect to commitments under UNSC Resolution 1874, raising the question as “a matter to be discussed between South Korea and China as well as in the US-China and Japan-China dialogue.” Although Wen’s visit appeared to mark renewed efforts to rebuild the bilateral relationship, the decisive factor as always remains how North Korea decides to respond.

### **Chronology of China-Korea Relations October - December 2009**

**Oct. 5, 2009:** President Hu Jintao calls for a stronger China-DPRK alliance in a message in Chinese and DPRK state media.

**Oct. 4-6, 2009:** Premier Wen Jiabao visits North Korea and meets Chairman Kim Jong-il and other senior officials.

**Oct. 9-10, 2009:** The China-Korea-Japan trilateral summit is held in Beijing. President Lee Myung-bak and Premier Wen Jiabao hold bilateral talks on the sidelines.

**Oct. 10, 2009:** ROK Trade Minister Kim Jong-hoon and Chinese counterpart Chen Deming in Beijing agree to advance efforts to sign a China-ROK free trade agreement.

**Oct. 15-20, 2009:** Kim Yang-gon, director of the Worker’s Party of Korea United Front Department, visits China.

**Oct. 16, 2009:** Samsung Electronics Co. announces it will invest \$2.23 billion to build a Liquid Crystal Display (LCD) plant in Suzhou.

**Oct. 19, 2009:** South Korea's Lotte Shopping Co. agrees to take over Chinese supermarket operator Times for up to \$630 million and buys a 72.3 percent stake in the Chinese company.

**Oct. 20, 2009:** South Korea's leading maker of power cables, LS Cable Ltd., gains approval of state-run China Nuclear Power Engineering Co. to enter China's nuclear power market.

**Oct. 21, 2009:** South Korea's Nice Investors Services Co., China's Dagong Global Credit Ratings Co., and Japan's Ratings & Investment Information Inc. agree to launch a shared regional credit rating system to better appraise Asian companies and bonds.

**Oct. 26, 2009:** China announces that it will stop releasing official trade data on North Korea.

**Oct. 27-31, 2009:** Choe Thae-bok, secretary of the DPRK's Worker's Party of Korea Central Committee, leads a delegation in Beijing to meet Chinese counterparts.

**Oct. 29-Nov. 2, 2009:** Chinese vessel *Zhenghe* carrying 365 naval cadets docks at South Korea's Jinhae port as part of its Asia trip aimed to boost regional ties.

**Nov. 3, 2009:** LG Display Co. and Guangzhou city establish a \$1.33 billion joint venture, LG Display China, and agree to invest \$4 billion in an 8<sup>th</sup> generation LCD plant in Guangzhou.

**Nov. 3, 2009:** Grand National Party Secretary General Chang Kwang-keun meets Wang Jiarui, head of the Chinese Communist Party's International Liaison Department, in Beijing and urges China to cooperate on repatriating detained ROK prisoners of war.

**Nov. 3-7, 2009:** DPRK Air Force Maj. Gen. Kim Kwang-su leads a delegation to Beijing to attend 60<sup>th</sup> anniversary celebrations of the Chinese Air Force and meet senior officials.

**Nov. 5-10:** ROK Air Force Chief of Staff Lee Kye-hoon visits Beijing and meets Chinese counterpart Xu Qiliang.

**Nov. 10, 2009:** The ROK Ministry for Food, Agriculture, Forestry and Fisheries and Chinese counterpart agree on a fishing quota balance of 60,000 tons each by 2013 by cutting back on fishing activities in each other's exclusive economic zones.

**Nov. 13, 2009:** Chinese authorities begin investigating the death of a North Korean consul in Shenyang whose body was discovered in late October.

**Nov. 17, 2009:** A DPRK military delegation led by Gen. Kim Jong-gak visits China.

**Nov. 18, 2009:** Officials of the ROK Ministry of Land, Transport, and Maritime Affairs meet Chinese counterparts in Beijing and agree to conduct joint research on the Arctic Ocean.

**Nov. 18-22, 2009:** ROK National Assembly Speaker Kim Hyong-o visits Beijing and meets National People's Congress Standing Committee Chairman Wu Bangguo and President Hu Jintao.

**Nov. 19, 2009:** ROK Culture Minister Yu In-chon and Chinese counterpart Shao Qiwei meet in Kunming and agree to expand tourism exchanges.

**Nov. 22-26, 2009:** Chinese Defense Minister Liang Guanglie visits Pyongyang and meets Kim Jong-il and his DPRK counterpart Kim Yong-chun.

**Nov. 23, 2009:** ROK Knowledge Economy Minister Choi Kyung-hwan attends a bilateral investment cooperation committee meeting in Beijing and urges China to refrain from implementing excessive anti-dumping measures against ROK petrochemical products.

**Nov. 25, 2009:** “Visit Korea Year 2010-2012” is launched in Shanghai.

**Nov. 29, 2009:** The Chinese Ministry of Commerce announces that China will review anti-dumping measures against chloroform imports from the EU, ROK, and US.

**Dec. 12-22, 2009:** ROK and DPRK officials tour southern China’s Qingdao, Suzhou, Shenzhen, and Yenpong, Vietnam, to conduct a survey of factories for Kaesong joint industrial complex.

**Dec. 15-19, 2009:** Ju Sang Song, DPRK minister of People’s Security, visits China and meets State Councilor and Public Security Minister Meng Jianzhu.

**Dec. 16-19, 2009:** Chinese Vice President Xi Jinping visits South Korea as part of his Asian tour to Japan, South Korea, Cambodia, and Myanmar.

**Dec. 19, 2009:** Hyundai Motor Co. and Baotou Bei Ben Heavy-Duty Truck Co. agree to launch a 50-50 joint venture in 2010 worth \$400 million.

**Dec. 26, 2009:** Yu Woo-ik is appointed ROK ambassador to China.

**Dec. 31, 2009:** The Chinese Ministry of Commerce announces it will re-examine anti-dumping measures against optical fiber imports from South Korea and Japan.



# *Comparative Connections*

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



*Japan-China Relations:*

*Gathering Momentum*

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A flurry of high-level political and diplomatic contacts marked the quarter. The engagement culminated in the December visit of DPJ Secretary General Ozawa Ichiro to China and his meeting with President Hu Jintao followed by the visit of Vice President Xi Jinping to Japan and his audience with Emperor Akihito. Both Japanese and Chinese political leaders repeatedly made clear their intentions to advance the bilateral relationship. While progress on issues related to joint development of resources in the East China Sea and resolution of the adulterated *gyoza* case remained noticeably lacking, public opinion polls suggested an upward trend in the way both Japanese and Chinese viewed each other and the bilateral relationship.

## **Run-up to Beijing summit**

Less than a week before the trilateral China, Japan, ROK summit in Beijing, Foreign Minister Okada Katsuya, speaking on Oct. 4 in Mie Prefecture, addressed the significance of Premier Wen Jiabao's visit to Pyongyang. Citing the North Korean nuclear and missile issues as well as the Japanese abductee issue, Okada said he expected to see progress and that China would use its significant influence to persuade North Korea to return to the Six-Party Talks.

On Oct. 9, Okada traveled to Beijing where he received a read-out on the visit from China's Foreign Minister Yang Jiechi, who accompanied Wen to Pyongyang. Yang told Okada that if there was progress and a certain degree of results in the DPRK-US dialogue, he was confident that North Korea would return to the Six-Party Talks. Yang reported that Kim Jong-il had expressed hopes for DPRK-Japan discussions as well. The two ministers agreed to strengthen cooperation in seeking a breakthrough in resolving the North Korean nuclear issue. They also agreed to work toward the realization of Prime Minister Hatoyama Yukio's vision of an East Asian Community. Yang stressed the importance of economic cooperation, remarking that "cooperation between China and Japan is imperative in East Asia."

## **Beijing summitry**

The next day, Hatoyama met in Beijing with Premier Wen and South Korean President Lee Myung-bak. At the summit, Hatoyama expressed strong interest in concluding a trilateral free trade agreement (FTA) as well as a trilateral investment agreement. The three leaders also agreed to strengthen macroeconomic policy cooperation in ways that would contribute to a

global economic recovery. The joint statement issued at the conclusion of the summit expressed support for Hatoyama's concept of an East Asia Community.

Prime Minister Hatoyama also met separately with Premier Wen. In welcoming remarks, Wen noted that since he had taken office, the China-Japan relationship had experienced a number of difficulties, but, as a result of various efforts, the relationship had entered a new stage of development, and he welcomed the inauguration of the Hatoyama government. They agreed to cooperate in addressing the issue of global warming at the upcoming 15<sup>th</sup> Conference of the Parties (COP 15) to the United Nations Framework Convention on Climate Change in Copenhagen, but failed to make progress on outstanding bilateral issues.

When Hatoyama urged cooperation in joint development in the East China Sea, expressing his vision of turning the area into a "Yuai (Fraternal) Sea," Wen noted that basic progress had been made and cautioned that the issue remained sensitive to the Chinese people. On the long-standing matter of adulterated *gyoza* imported from China, Hatoyama called for a sincere response and early resolution of the issue. The two leaders agreed to set up a high-level, bilateral consultation mechanism on food safety. Wen also, expressed his appreciation for Hatoyama's support for the 1995 Murayama Statement as reflecting a "correct understanding of the importance of history." Finally, Hatoyama invited Wen to visit Japan next year.

### **East Asian Community**

On Sept. 28, as the foreign ministers of Japan, China, and South Korea met in Shanghai to finalize preparations for the Oct. 10 trilateral summit, they took time to discuss Prime Minister Hatoyama's proposal for an East Asia Community. Afterward, Foreign Minister 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.

Prior to the trilateral meeting, Okada and Foreign Minister Yang again 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 favored the idea and, in fact, "was the first to support" the concept and they agreed to cooperate in building an East Asia Community. Accordingly, Yang called for cooperation on finance, energy, and the environment, while Okada emphasized cooperation in the areas of public health, energy, and the environment, leaving political issues for future discussion.

On Oct. 7, Okada addressed the Foreign Correspondents Club in Tokyo where his remarks revolved around the building of an East Asian Community. In this context, Okada took up the 1995 Murayama Statement, noting "that it is true that a definite range of people are not convinced by the statement. Actions speak louder than words." To address history-related issues, Okada set out the development of common Japanese, Chinese, and Korean history textbooks as an ideal, while recognizing the degree of difficulty in achieving this goal. As an interim objective, he advocated joint history studies. Turning to the structure of the East Asia Community, Okada saw its membership as including Japan, China, South Korea, the ASEAN states, India, Australia, and New Zealand. Cooperation in the fields of energy, the environment,

and health care would serve to build the East Asian Community. Notably missing in his East Asian vision was the United States.

The next day, Chief Cabinet Secretary Hirano Hirofumi, in response to questions, told reporters that he had not heard from Okada whether the US was in or out of the East Asian Community, but he volunteered that he thought Okada's real intention was not to sideline the US – the Japan-US relationship was a natural axis and that, Hirano thought, was the foreign minister's starting point in the building of an East Asian Community.

Prime Minister Hatoyama raised the issue again at the trilateral summit in Beijing. He opened the meeting by observing that Japan has tended to be “somewhat overly dependent on the United States” and that “Japan, as a member of Asia, would like to develop policies that attach greater importance to Asia.” He went on to define Japan, China, and South Korea as key members of his East Asian Community. In the Joint Statement on Trilateral Cooperation, the three leaders endorsed the concept as a long-term goal to be developed on the principles of “openness, transparency, and comprehensiveness.”

### **Economic exclusive zone**

On Nov. 6, the Japanese government announced that it would construct a port facility on Okinotorishima, an uninhabited island in Japan's southernmost Ogasawara Island chain. The 2010 budget for the Ministry of Land, Infrastructure, Transport, and Tourism (MLIT) will include funds for an initial survey and port design. The appropriation reflects Japan's determination to support its claim to Okinotori's Island status and thus an Exclusive Economic Zone of 400,000 sq. km extending out from the island. The current MLIT Minister Maehara Seiji has consistently warned of the possibility Chinese efforts to “exercise effective control on Okinotori and the adjacent EEZ.”

Maehara announced on Nov. 27 that the government would submit legislation to support conservation measures on Japan's outlying islands aimed at dealing with shore erosion and rising sea levels, which threaten the island status of Okinotorishima and Minamitorishima. China contends that Okinotori is a “rock,” which is unable to support human life or economic activity, and that Japan's is not able to assert EEZ rights from Okinotorishima. In August, China asked the UN Commission on the Limits of the Continental Shelf to declare Okinotori a “rock.”

### **Foreign Minister Yang in Tokyo**

At a Nov. 17 press conference, Foreign Minister Okada announced that his Chinese counterpart would visit Japan, Nov. 19-22. Okada also said that the two ministers would discuss a visit to Japan by China's Vice President Xi Jinping. In a meeting at the Foreign Ministry's Iikura Guest House, North Korea again served as an issue on which both ministers reaffirmed cooperation in efforts to resume the Six-Party Talks. The two ministers exchanged lists of new members of the advisory Japan-China Friendship Committee for the 21<sup>st</sup> Century and discussed preparations for COP 15 in Copenhagen.

Turning to the East China Sea, Okada urged an early conclusion to negotiations aimed at implementing the agreement on joint development, but Yang only committed China to the early development of a specific timeframe. On the issue of food safety and the early start of the high-level consultation mechanism agreed to in Beijing by Hatoyama and Wen, Yang said that he wanted to start “as soon as possible.”

The next day Yang met Prime Minister Hatoyama, who focused the discussion on his political philosophy of “*Yuai* (Fraternity)” and the building of an East Asian Community. He told Yang that he wanted “to build win-win relationships based on a spirit of fraternity” and “to expand them from Japan and China to the Asian region.” Yang replied that he agreed with the idea of “pushing diplomacy based on a spirit of fraternity.” He thought it was important for both countries “to move proposals forward if they are good, while remaining unconcerned about which side has proposed first.” Yang said that China wanted to advance regional cooperation and was studying a possible China, Japan, South Korea FTA.

Afterward, Yang met with DPJ Secretary General Ozawa. According to DPJ officials, Yang told Ozawa that Vice President Xi Jinping was planning to visit Japan in mid-December and asked Ozawa to help make Xi’s visit a success. Yang said that China was making “maximum efforts” to strengthen relations with Japan

## **Security**

China’s Defense Minister Liang Guanglie visited Japan at the end of November and met Prime Minister Hatoyama and Minister of Defense Kitazawa Toshimi. Hatoyama asked for China’s support in dealing with North Korea and Kitazawa, after his separate meeting with Liang, told reporters that Liang was confident that Pyongyang would return to the Six-Party Talks after US-North Korean talks were held. Liang and Kitazawa also agreed to strengthen defense exchanges by conducting joint Peoples Liberation Army Navy and Maritime Self-Defense Force search and rescue exercises. Both agreed to enhance mutual understanding through reciprocal chief of staff and regularized vice minister conferences as well as reciprocal ship visits. Kitazawa agreed to visit China in 2010 and also asked that China increase transparency in its defense budget.

On Nov. 30, Liang inspected Japan’s *Aegis* cruiser, *Chokai*, in Sasebo. The *Sankei Shimbun* reported that the Chinese delegation had requested the *Aegis* inspection and that Japan’s Ministry of Defense had agreed to the request to demonstrate Japanese transparency with the aim of strengthening its call for greater Chinese transparency. Liang’s inspection, however, was limited to non-sensitive areas of the ship.

## **High-level political visits: Ozawa in Beijing**

On Dec. 10, DPJ Secretary General Ozawa, leading an entourage of 143 DPJ Diet members, including DPJ Upper House Diet Affairs Committee Chairman Yamaoka Kenji, and close to 470 secretaries and political supporters, arrived in China to resume the ongoing DPJ-Chinese Communist Party (CCP) “Great Wall” exchange program. Five airplanes were used to transport the delegation and a Japanese Foreign Ministry official described the size of the delegation as



“unprecedented” The ministry had never seen so many Diet members visit a foreign country, even China, at the same time.

Ozawa met President Hu in the Great Hall of the People for 30 minutes. They agreed to strengthen Japan-China relations and accelerate the pace of DPJ-CCP exchange programs. Bilateral issues, including the East China Sea, adulterated *gyoza*, and China’s lack of transparency in its defense budgeting, while recognized, were not discussed in any depth. After the meeting, Ozawa told reporters that he saw the meeting as contributing to “the development of friendly relations between the two countries.” Ozawa also told reporters that, looking toward the July Upper House elections, he had introduced himself to Hu as the director of field operations for Japan’s Liberation Army. The meeting was the fourth between Ozawa and Hu and the first since the advent of the DPJ government.

On Dec. 11, Ozawa met with Defense Minister Liang Guanglie and expressed his concern over China’s continuing military buildup. Ozawa said that he told Liang that “there is sentiment in Japan that sees China’s modernization as a threat.” Ozawa quoted Liang as saying that China’s military “serves to protect a large territory and border and definitely does not seek hegemony.” Liang did not see the increase in China’s military budget as significant when viewed against the spending of other countries.

### **High-level political visits: Xi in Tokyo**

On Dec. 12, China’s Vice President Xi Jinping, previewing his upcoming three-day visit to Japan, told reporters that he hoped his visit would advance the development of “friendly, neighborly” relations between the two countries. Xi said that the present state of the relationship holds “good momentum for development.” Xi, however, did not touch on his planned meeting with Japan’s emperor. Underscoring the importance of the visit, the Japanese media incessantly referred to Xi as the front-runner to succeed Hu as China’s president. “Likely successor” became an appositive to Xi’s name.

On Dec. 14, Xi met Prime Minister Hatoyama for approximately 50 minutes at his official residence. The prime minister welcomed Xi, remarking that “it is wonderful for the future of Japan and China that we are having Vice President Xi here as a leader of the next generation.” Hatoyama regarded the visit as “extremely significant for the development of Japan-China relations.” During the meeting, Hatoyama expressed his government’s intention to strengthen relations with both the US and China, noting that “because Japan-U.S. relations remain favorable we can maintain a favorable Japan-China relationship.” Xi replied that Japan-US relations were off to a “good start” under the Hatoyama government and that China-Japan relations “occupy a very important position in China’s diplomacy.” Speaking with apparent reference to his next-day audience with the emperor, Xi expressed his “sincere gratitude” for the “thorough-going preparations and careful arrangements” made for his visit.

Hatoyama later hosted a welcoming banquet. Commenting on the guest list, a senior Foreign Ministry official observed that the 80 banquet guests were “several times as many as the number at the banquet held when Vice President Hu Jintao visited Japan in 1998.” Speaking with reference to the Chinese flags displayed in the vicinity of the Diet building, the diplomat

observed that “it is unprecedented for national flags to be displayed in this way for visiting foreign government officials other than chiefs of state.”

Earlier, Chief Cabinet Secretary Hirano told reporters that the Hatoyama government had asked the emperor to meet with Xi because “bilateral relations ... are of high importance.” That afternoon, the Imperial Household Agency announced plans for a Dec. 15 audience. Hirano denied that making an exception for a meeting with the emperor had violated constitutional prohibitions against involving the emperor in political matters of the state, however, there were other opinions. In response to a request for the audience, the head of the Imperial Household Agency Haketa Shingo told Hirano that granting the audience will “generate considerable concern about the role of his majesty.” Haketa went on to say that “the logic of calling for the audience because China is politically important is painful.” It was his “sincere wish” that “this kind of thing will never happen again.”

The fact that the meeting with the emperor was arranged without China observing customary protocol practice of filing an official request for an audience one month in advance with the Imperial Household Agency generated front-page political controversy in Tokyo. On *TV Asahi*, Senior Vice Minister of Internal Affairs and Communications Watanabe Shu criticized the meeting for having been arranged at variance with customary protocol. Watanabe went on to say that “there are many people, even within the Democratic Party of Japan, who regard it as a poor decision.” On the same television program Social Democratic Party Diet member Abe Tomoko cautioned against granting the audience “even as an exception,” while People’s New Party member Kamie Akiko said she shared concerns of the Imperial Household Agency with regard to the politicization of the emperor. Meanwhile, former LDP Cabinet Chief Secretary Machimura Nobutaku said that he had denied similar requests that did not conform to protocol practice.

On Dec. 15 Xi met the emperor at the Imperial Palace.

### **History: comfort women and forced labor**

Prime Minister Hatoyama, while speaking on Oct. 28 about his concept of an East Asian Community, said that if his government is to succeed in building this Community, it would have to pass legislation recognizing that women had been forced into sexual slavery by the former Imperial Army. Speaking to a meeting of former comfort women, DPJ member, Tsuji Megumu observed “If we don’t solve this problem, it would be impossible for Japan to speak out to East Asia on an equal footing.”

Earlier, on Oct. 26, Nishimatsu Construction Company reached agreement on a compensation settlement with two former wartime forced-laborers and three relatives of now deceased forced-laborers. Under the terms of the agreement, a ¥250 million trust fund would be set up to compensate the five as well as 360 others forced to work at a hydroelectric plant in Hiroshima Prefecture. Nishimatsu is also expected to offer a public apology. The settlement brings to an end a series of court cases brought by Chinese plaintiffs since 2002. The last one was a 2007 decision by Japan’s Supreme Court denying the plaintiffs standing under the 1972 Japan-China normalization agreement, under which China agreed to waive the rights of individuals seeking reparations from the government of Japan.

## **History: joint study**

At a Dec. 24 joint press conference, Japanese and Chinese historians announced the conclusion of a three-year joint study of history. During the press conference, continuing differences were evident. In particular, there was disagreement over the number of deaths at the Nanjing Massacre, although Japanese scholars did agree that Japan was “basically” responsible for the incident, the Cold War era, and the Tiananmen crackdown. Nevertheless, the team leaders, University of Tokyo Professor Kitaoka Shinichi and Bu Ping, director of the Institute of Modern History at the Chinese Academy of Social Sciences, favored a second round of studies. The public document is expected to be released in January 2010.

## **Public opinion: trending upward**

On Dec. 8, the *Yomiuri Shimbun* reported the results of a joint public opinion survey on Japan-China relation conducted by *Yomiuri* and China’s *Oriental Outlook Weekly*. In Japan, 45 percent of the respondents thought relations were “good”, an increase of 9 percent over 2008. The 45 percent favorable rating marked the highest percentage since 2006. Meanwhile, 47 percent found relations “bad.” In China, 50 percent of respondents found relations to be “good” and 43 percent found relations “bad.”

On the issue of trust, 28 percent of Japanese respondents found Chinese to be “trustworthy,” an increase of 9 percent over 2008. Sixty-nine percent of Japanese found Chinese “not to be trustworthy,” a decrease of 9 percent over 2008. In China, 34 percent thought Japanese to be “trustworthy” and 63 percent found them “not to be trustworthy.”

Also, 34 percent of Japanese respondents saw relations “improving,” 50 percent saw “no change,” and 12 percent anticipated “deterioration.” In China, 53 percent saw relations “improving,” 31 percent saw “no change,” and 11 percent anticipated “deterioration.” As for the future, 46 percent of Japanese respondents found China to be more important to Japan than the US, which was viewed as more important by 28 percent of the respondents.

## **Outlook**

Over the first quarter of 2010, the test of the developing relationship will be the extent to which good feelings at the macro-level will be translated into progress on more politically sensitive micro issues such as the East China Sea, the longstanding dispute over responsibility for the poisoned *gyoza* case, and China’s ongoing military buildup.

## **Chronology of Japan-China Relations October - December 2009**

**Oct. 2, 2009:** Nippon Steel announces plans to provide China’s Maanshan Iron Company with advanced technologies to reduce greenhouse gas emissions.

**Oct. 4, 2009:** Foreign Minister Okada Katsuyo expresses hope that Premier Wen Jiabao's visit to Pyongyang will result in progress on North Korean issues.

**Oct. 7, 2009:** Democratic Party Japan (DPJ) President Ozawa Ichiro meets China's Ambassador Cui Tiankai at DPJ headquarters in Tokyo.

**Oct. 8, 2009:** Prime Minister Hatoyama Yukio announces his commitment to follow the 1995 Murayama Statement on history.

**Oct. 9, 2009:** Foreign Minister Okada travels to Beijing and meets Foreign Minister Yang Jiechi.

**Oct. 10, 2009:** Prime Minister Hatoyama meets Premier Wen and ROK President Lee Myung-bak in Beijing for a trilateral summit.

**Oct. 16, 2009:** Hatoyama government postpones decision to fund feasibility study on construction of non-sectarian war memorial.

**Oct. 17, 2009:** Former Prime Minister Aso Taro visits Yasukuni Shrine.

**Oct. 18, 2009:** Minister of Land, Infrastructure, Transport, and Tourism Maehara Seiji tells visiting Chinese counterpart Shao Qiwei of Japan's intention to ease visa requirements for Chinese tourists.

**Oct. 19, 2009:** Liberal Democratic Party President Tanigaki Sadakazu visits Yasukuni Shrine.

**Oct. 19, 2009:** Chinese Foreign Ministry protests to Japanese Embassy over Japan's issuing of a visa to Uighur activist Rebiya Kadeer.

**Oct. 21, 2009:** Prime Minister Hatoyama meets former Chinese Foreign Minister Li Zhaoxing at official residence in Tokyo.

**Oct. 25, 2009:** Economic ministers of Japan, China, and South Korea launch joint FTA study.

**Oct. 25, 2009:** Direct Haneda-Beijing air route opens.

**Oct. 26, 2009:** Nishimatsu Construction Company reaches agreement on compensation claims with wartime forced-laborers and family representatives.

**Oct. 31, 2009:** Japanese Consulate in Qingdao formally opens.

**Oct. 31, 2009:** Japan, China, South Korea agree to cooperate on disaster relief and preparedness.

**Nov. 5, 2009:** Maritime Self-Defense Force (MSDF) aircraft finds Taiwanese operating within Japan's Exclusive Economic Zone in the Senkaku Island chain.

**Nov. 5, 2009:** PLA Navy officer candidates call at MSDF Etajima port near Hiroshima.

**Nov. 6, 2009:** Japan announces plans to construct a port facility on Okinotorishima.

**Nov. 8, 2009:** DPJ President Ozawa hosts Wang Jiarui, director of the Chinese Communist Party's (CCP) International Department, for a Sumida River dinner cruise.

**Nov. 11, 2009:** DPJ-CCP Council for Consultation on Exchanges meets in Tokyo.

**Nov. 11, 2009:** Delegation of Japan's wartime orphans abandoned in China visits China and meets Premier Wen.

**Nov. 16, 2009:** Home electronics retailer Laox announces plans to open 110 stores in China.

**Nov. 19, 2009:** Foreign Minister Yang meets Upper House President Eda Satsuki and makes known China's interest in having Vice President Xi Jinping visit Japan in mid-December.

**Nov. 19, 2009:** Foreign Ministers Okada and Yang meet in Tokyo.

**Nov. 20, 2009:** Toshiba announces plans to transfer semiconductor assembly operations to a new joint venture company in China.

**Nov. 20, 2009:** Foreign Minister Yang meets Prime Minister Hatoyama.

**Nov. 23, 2009:** Japan, China, South Korea health ministers meet in Tokyo and agree to develop framework for cooperation on food safety issues. Separately, Japan's Health Minister Nagatsuma Akira calls on Chinese counterpart to resolve frozen *gyoza* issue.

**Nov. 27, 2009:** China's Defense Minister Liang Guangli visits Japan; meets Prime Minister Hatoyama and Minister of Defense Kitazawa Toshimi.

**Nov. 28, 2009:** Japan's Environment Ministry sends 10 crested ibises to China.

**Nov. 30, 2009:** Defense Minister Liang inspects Japan's *Aegis* cruiser *Chokai* in Sasebo.

**Nov. 30, 2009:** Saito Masaki, the head of the Japan Interchange Association (Japan's de facto representative office in Taiwan) resigns for "personal reasons" after a series of contretemps over remarks he made regarding the status of Taiwan.

**Dec. 1, 2009:** Japan finalizes decision to construct port facilities on Okinotorishima and Minamitorishima.

**Dec. 8, 2009:** *Yomiuri Shimbun* releases results of public opinion poll on Japan-China relations.

**Dec. 9, 2009:** Japanese government initially denies Chinese request for meeting between Vice President Xi Jinping and Emperor Akihito.

**Dec. 10, 2009:** DPJ President Ozawa visit China and meets President Hu Jintao.

**Dec. 11, 2009:** DPJ President Ozawa meets Defense Minister Liang.

**Dec. 11, 2009:** Chief Cabinet Secretary Hirano Hirofumi announces that Hatoyama government has asked the emperor to meet with Vice President Xi.

**Dec. 11, 2009:** Imperial Household Agency announces emperor will meet China's Vice President Xi Jinping on Dec. 15.

**Dec. 14, 2009:** Prime Minister Hatoyama meets Vice President Xi.

**Dec. 14, 2009:** DPJ Diet Affairs Committee Chairman Yamaoka Kenji addresses Shanghai Institute for International Studies.

**Dec. 15, 2009:** Emperor Akihito meets Vice President Xi.

**Dec. 18, 2009:** Fuji Heavy Industries, Subaru, announces plans to begin production in China and to seek joint venture partner.

**Dec. 19, 2009:** *Kyodo News* reports China has decided to appoint Cheng Yonghua, currently Chinese ambassador to the ROK, to succeed Cui Tiankai as ambassador to Japan.

**Dec. 24, 2009:** Conclusion of a joint Japan-China three-year history study is announced.

# Comparative Connections

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



*Japan-Korea Relations:*

## *Small Signs of Progress*

*David Kang, University of Southern California  
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Relations between Japan and the two Koreas were relatively uneventful in the final quarter of 2009. The new Hatoyama government quickly began to show more attention to its relations with its East Asian neighbors and hinted at a small change in priorities with respect to North Korea. South Korea and Japan said mostly all the right things, even while substantively it seemed fairly clear that they continued to have very different opinions about territorial and historical disputes. However, no real movement or dramatic changes came about during the quarter, setting the stage for 2010 – the 100<sup>th</sup> “anniversary” of Japan’s annexation of Korea.

### **Japan-North Korea relations: no movement**

There were no major developments in Japan-North Korea relations as both Tokyo and Pyongyang were busy trying to redefine their respective relationships with the US, leaving 2009 with little progress toward normalizing bilateral relations. After one full quarter in office, Prime Minister Hatoyama Yukio and his Cabinet show signs that Japan will not make a fundamental change in its policy toward North Korea. On Oct. 30, the government submitted a bill in the Diet that would enable the Japan’s Coast Guard to inspect vessels carrying cargo to and from North Korea. The one difference in policy toward North Korea, however, is that unlike the previous Liberal Democratic Party (LDP)-led governments, the Hatoyama administration does not appear to place the same priority on resolving the abduction issue in its diplomacy, hinting at some flexibility when the time arrives for negotiations with the North.

### **Paths not crossed**

For Japan, the biggest foreign policy challenge of the quarter was dealing with the future of the US-Japan alliance, in particular the relocation of the US Marine Corps Air Station at Futenma, on the island of Okinawa. For North Korea, the quarter’s biggest foreign policy gain may have been the Dec. 8-10 visit to Pyongyang by US Special Envoy for North Korean Policy Stephen Bosworth. Following the visit, Ambassador Bosworth told Japanese Foreign Minister Okada Katsuya that the North appeared open to holding talks with Tokyo, including discussions about the abduction issue. With the exception of this brief exchange, Tokyo-Pyongyang relations remained much the same as the past few quarters – i.e., no movement at all.

On Oct. 25, Japan’s Deputy Prime Minister Kan Naoto, in an address to a Maritime Self-Defense Force (MSDF) audience, said that North Korea’s missile launch over Japanese territory in April and the nuclear test that followed it in May “can never be tolerated,” encouraging them to brace

for a serious threat from North Korea. Japan launched a new intelligence-gathering satellite on an *H-2A* rocket in late November to monitor North Korea's military activities. This was part of Tokyo's efforts to strengthen its independent intelligence collection against Pyongyang's missile program. Tokyo has long relied on the US for intelligence, but decided to develop its own satellite system after North Korea's *Taepodong* missile launch over Japanese territory in 1998. This imagery satellite replaces the first of five satellites that Japan has launched since 2003 and has technology that allows it to distinguish objects on the ground within 60 centimeters.

While Pyongyang remained aloof regarding the Six-Party Talks, it undertook a shock currency revaluation on Nov. 30, apparently sending the poverty-stricken country into turmoil. Not only did the leadership re-denominate the *won*, it also limited residents to exchanging 150,000 of the old *won* for the new currency. The government did allow citizens to save excess amounts of the old currency in government-run banks, but it remained unclear whether they would be allowed to convert those savings into new currency in the future. According to the Dec. 3 edition of *Agence France-Presse*, North Korea's military was on guard against possible agitation, monitoring people's movements while strengthening border control. Media reports from other countries in the region indicated there was public anger in North Korea over the revaluation, especially by those whose savings were being wiped out. Despite Pyongyang's propaganda that the revaluation is "the moment to start the socialist strong and prosperous state," rice prices are reported to have surged more than 100 percent, worsening the food scarcity in the country.

### **The abduction issue**

At yearend, the issue of Japanese abductees was in the same place as it had been at the beginning of the year. In June 2008, Pyongyang agreed to reinvestigate the fate of the abductees in return for Tokyo's partial lifting of the sanctions. Since then, despite aggressive international efforts on the part of Tokyo to have the North begin the reinvestigation and return any remaining abductees to Japan, little progress has been made. After handing over five abductees in 2002, Pyongyang has claimed that the issue is resolved, whereas Tokyo insists there are more abductees still living in North Korea. Given that the Japanese public support for resolution of the abduction issue has been a driver of Tokyo's hardline North Korea policy under the conservative LDP-led administrations, it is still unclear how a possible shift in policy by the more liberal-minded Democratic Party of Japan (DPJ)-led Hatoyama administration would be received.

Although the Hatoyama administration rhetorically maintains the principle of seeking a comprehensive resolution to Pyongyang's nuclear and missile programs and that the abduction issue must be included in the Six-Party Talks, it is also likely that the new DPJ government will give different political weight to the issue. Former LDP Prime Ministers Abe Shinzo and Aso Taro gained popularity through their hawkish, conservative dealings with North Korea-related issues, including the abduction issue. However, public support for Prime Minister Hatoyama is less tied to North Korea, but rather to "anything that is not LDP," thereby giving his administration a little more room for flexibility in handling the issue.

It is possible that DPJ politicians may try to stay away from an "abduction issue first policy." On Dec. 16, Japan's conservative daily *Yomiuri Shimbun* reported that the Hatoyama administration's removal of the handover of North Korean agents from its six-point government



policy on the abduction issue was seen as a compromise and concession to Pyongyang. The *Yomiuri* also noted DPJ Secretary General Ozawa Ichiro's remarks that Tokyo needed to find ways to improve relations with Pyongyang "without being handcuffed by how to resolve the abduction problem." Similarly, on Nov. 4, the South Korean daily, *Choson Ilbo*, reported that during his meeting with Choi Sang-yong, a former South Korean ambassador to Japan, Prime Minister Hatoyama said that Japan does not necessarily have to wait until the abduction issue is fully resolved to normalize diplomatic relations with North Korea.

Apparently, relatives of the abductees were concerned about the Hatoyama government's level of commitment to the issue and its reorganization of the existing task force that deals with it. On Oct. 13, Hatoyama announced the elimination of the "Headquarters for the Abduction Issue," which was established in 2006 under then Prime Minister Abe, and formed a new task force in its place. The new task force limits the number of participating Cabinet members from 18 to 4. Hatoyama chairs the panel with Nakai Hiroshi, state minister in charge of North Korean abductions of Japanese nationals, Chief Cabinet Secretary Hirano Hirofumi, and Foreign Minister Okada Katsuya as deputies. The panel's secretariat will be expanded from 30 to about 40, including members from the private sector. How this will affect actual policy remains to be seen, but it is an indication that Hatoyama will pursue the abduction issue in his own way, rather than merely following the path set by the LDP.

### **Japan-South Korea relations: the great mixed expectations**

The last quarter of 2009 presented both opportunities and challenges in Seoul-Tokyo bilateral ties, especially as 2010 marks the 100<sup>th</sup> anniversary of Japan's annexation of Korea. After 100 years, British historian Dame Veronica Wedgwood's observation that "history is written backward but lived forward" is very much at work in today's Japan-South Korea relations. In early October, Foreign Minister Okada opened the quarter on a positive note with a proposal for a common textbook for Japan, South Korea, and China, which was welcomed by Seoul. Yet, by the quarter's end, the old pattern of diplomatic disputes over historical issues was replayed yet again, this time over Tokyo's high-school curriculum guidelines on the disputed Dokdo/Takeshima islets and the "unjust" compensation of the Japanese government to seven South Korean women for their forced labor during the Pacific War.

Despite turbulence over historical issues, bilateral ties between Japan and South Korea improved this year. In addition to steady governmental interactions, an annual poll conducted by the Japanese Cabinet Office reveals that Japanese feel friendlier than ever toward South Korea. According the Dec. 14 *Choson Ilbo*, the poll shows that 63.1 percent of respondents said that they feel friendly toward South Korea, up 6 percent from last year and the highest since the poll was first conducted in 1978. A survey by South Korea's state-run think tank Northeast Asian History Foundation also found that 65.5 percent of the Japanese polled answered that they viewed Japan's relations with South Korea as positive, up 12.5 percent points from last year. These numbers likely reflect the new tone between Seoul and Tokyo, even while the underlying issues remain the same, and as intractable as ever.

## **The Hatoyama-Lee summit and trilateral meetings**

Seoul-Tokyo shuttle diplomacy between Prime Minister Hatoyama and President Lee Myung-bak began in early October with Hatoyama's visit to Seoul on Oct. 9. During their third meeting in the latter half of 2009 – the first in June when Hatoyama was still the leader of the opposition party and the second in September on the sidelines of the UN General Assembly – the two leaders agreed to resolve North Korea's nuclear development program without repeating “old patterns” of negotiations. Hatoyama also expressed his support for Lee's proposal, known as the “grand bargain,” designed to provide a range of rewards in return for the North's disarmament.

The next day, Chinese Premier Wen Jiabao joined the two leaders for a trilateral summit where Wen spoke of his recent trip to North Korea and delivered the North's message that it wants better ties with the US, South Korea, and Japan. In their joint statement, the leaders of the three countries reconfirmed their commitment to the Six-Party Talks process as well as support for an East Asian Community as a long-term goal. The three countries later held a ministerial meeting and agreed to facilitate trilateral cooperation in the areas of disaster relief to jointly prepare for typhoons, earthquakes, and other disasters.

## **History lived forward after 100 years**

After Prime Minister Hatoyama's promise not to avoid difficult historical issues in Japan's “friendship” with its closest neighbor, what kind of changes have there been in the Japanese government's approach toward its history? Although it is too early to tell, judging from the quarter's developments, there are signs that the Hatoyama administration is *willing* to be different from the previous LDP-led administrations and to take a step closer to South Korea on certain historical issues. For the first time, an acting Japanese government official, Foreign Minister Okada, said that it would be ideal to have a common history textbook, and suggested a joint study of history among Japan, South Korea, and China as a first step toward its realization. Okada's remarks were welcomed by the South Korean government and the Oct. 30 *Los Angeles Times* reported that several politicians in South Korea and Japan have begun examining the feasibility of a joint history textbook.

Regarding the comfort women issue, nine DPJ lawmakers claimed that the new administration must ensure that the Diet passes a bill that acknowledges the use of comfort women if Japan wants to make a case for an East Asian Community as proposed by Prime Minister Hatoyama. Speaking at a meeting organized by a civic group called the “Japan Network on Wartime Sexual Violence,” Tsuji Meguru of the DPJ said that “it would be impossible for Japan to speak out to East Asia on equal standing,” if it does not work toward the resolution of the comfort women problem. A nonpartisan group of lawmakers in the DPJ, the Social Democratic Party and the Japanese Communist Party have submitted bills to the Diet on several occasions calling for the Japanese government to apologize and take measures to compensate the comfort women.

In December, DPJ Secretary General Ozawa in a speech at Kookmin University in Seoul made an unofficial apology to South Korea for Japan's wrongdoings during the colonization of the Peninsula. However, the good mood evaporated when it was revealed that the Japanese government paid seven Korean women who were forced into labor during Japan's colonization

period a pittance of ¥99 as part of a welfare pension refund. Eleven years after the women filed an application for payment of withdrawal allowances, the decision to pay the sum of ¥99 angered many South Koreans, while Japan's Social Insurance Agency said that the amount was calculated based on the wages the victims had received at the time of their service in accordance with Japan's pension law. An editorial in the South Korean daily *Joongang Ilbo* on Dec. 28 called Japan's action "an insult to human dignity" and "a vicious slap in the face," claiming that it would have been better if Japan did not pay the women at all.

Japan's new high school curriculum guidelines released on Dec. 25 further fueled anger in South Korea by including the disputed Dokdo/Takeshima islets as part of the Japanese territory. The new guidelines did not directly mention the islets by name, but Seoul immediately expressed regrets and reconfirmed its claim of sovereignty over the islets.

### **Economic relations**

The quarter's two big trends in economic relations focused on "trilateral cooperation" and "bilateral competition." A trilateral summit on Oct. 10 provided the impetus for a free trade initiative (FTA) initiative among Beijing, Seoul, and Tokyo. After the summit, Prime Minister Hatoyama said he expects negotiations for a trilateral FTA would make progress, while President Lee said Seoul, Tokyo, and Beijing need to begin government-level FTA talks to replace the joint private research, which has been ongoing since 2003.

Under the Chiang Mai Initiative (CMI) – regional currency swap agreements designed to cushion a shock in the event of external currency speculation – 13 Asian countries including South Korea, Japan, and China announced a \$120 billion currency swap deal on Dec. 28 that will be launched in March 2010. China and Japan took the lead in the initiative by each contributing \$38.4 billion (32 percent each). South Korea is committed to chip in \$19.2 billion (16 percent). Under the CMI arrangement, each country can swap its local currency with the US dollar for an amount up to its contribution multiplied by its purchasing multiplier as a means to provide short-term liquidity.

The last quarter of 2009 also saw competition between the two economies, especially in the automobile and electronic sectors as the strong *yen* hurt Japanese exporters while the South Korean economy appears to have recovered from the global financial crisis relatively quickly. According to the Dec. 24 *Choson Ilbo*, South Korea managed to attract foreign investment this year because of the increased market share of globally competitive companies such as Samsung, POSCO, and Hyundai even during the worldwide crisis. The daily reported that foreign investment into South Korea amounted to \$10.1 billion this year, while global funds were leaving Japan because of strong *yen* and a decline in domestic demand.

In the electronics sector, it was reported that the operating profit of South Korea's Samsung Electronics during the third quarter (4.23 trillion *won*) was more than twice the size of the combined quarterly operating profits of nine major Japanese electronics companies, including Sony, Panasonic, and Hitachi. According to DisplaySearch, a market research firm, Samsung Electronics and LG Electronics ranked first and second in the world TV market during the third quarter. Their market share was 17.2 percent and 14.8 percent respectively, while Sony ranked

third with 8.7 percent market share and Sharp garnered 6.4 percent. In the automobile sector, South Korea's Hyundai was recognized as an "awesome" threat to Japanese carmakers due to its increase in sales in the declining markets of US and Europe. Honda Motor Co. Chief Executive Ito Takanobu was quoted in an interview with *Associated Press* as saying that Hyundai is "undoubtedly a threat because their products are cheap, and the quality is improving."

## **Society and culture**

A tragic accident on Nov. 14, a fire in an indoor shooting range in Busan, South Korea, killed 10 Japanese tourists. President Lee wrote a condolence letter to Prime Minister Hatoyama, while Prime Minister Chung Un-chan also expressed his condolences. Responding to a request from relatives of the Japanese victims, the Busan Metropolitan Police Agency prohibited journalists from entering or photographing the damaged shooting range.

Prime Minister Hatoyama's pledge to grant suffrage to permanent foreign residents in Japan met opposition from conservative right-wing groups in Japan. The Dec. 23 *Asahi Shimbun* reported that some Japanese, including ordinary housewives and salary men, took their protests to the streets of Osaka, Fukuoka, and Nagoya, shouting "don't let foreigners take over Japan." According to the daily, approximately 910,000 permanent foreign residents (less than 1 percent of the total Japanese population) live in Japan, and Korean nationals constitute the largest ethnic minority in Japan. Since 1998, the DPJ and New Komeito have submitted legislation designed to grant suffrage to permanent residents, but have met opposition from the LDP. During their meeting in June of this year, President Lee requested then opposition leader Hatoyama to move forward with the granting of suffrage for South Korean nationals living permanently in Japan.

On Nov. 18, the South Korean government awarded the National Medal of Culture to Soka Gakkai International president and honorary senior advisor of *Hwakwang Shinmun* Ikeda Daisaku at the ceremony commemorating the Specialized Newspapers' Day. According to the South Korean daily *Hankyoreh* on Nov. 18, "the Japanese peace activist" was acknowledged for promoting cultural exchanges, advocating the granting of suffrage to permanent Korean residents in Japan, and the bridging the gap in the understanding of shared history between South Korea and Japan.

## **The coming quarter**

As noted, 2010 marks the 100<sup>th</sup> anniversary of the Japanese annexation of Korea. While this is merely a milestone, it remains to be seen whether and in what ways this anniversary will affect Korea-Japan relations. The Hatoyama government appears to be making better relations with its East Asian neighbors a priority, but the challenge will be turning rhetoric into action. Similarly, the South Korean government under Lee Myung-bak has made improved ties with Japan a priority. Its challenge will be to move policies forward on politically sensitive issues such as comfort women or the Dokdo islets. As for North Korea, the big question will be whether and under what conditions it returns to the Six-Party Talks. If the North does come back, Japan-North Korea relations may improve, although given past experience, this appears to be an unlikely scenario. Far more likely is that the first quarter of 2010 will see more posturing, meaningless proposals, and finger-pointing while real progress remains a distant hope.

## **Chronology of Japan-Korea Relations October - December 2009**

**Oct. 7, 2009:** Foreign Minister Okada Katsuya, speaking at the Foreign Correspondents' Club of Japan, calls for a common history textbook with South Korea and China.

**Oct. 8, 2009:** South Korea welcomes Foreign Minister Okada's proposal for a joint history textbook.

**Oct. 9, 2009:** Prime Minister Hatoyama Yukio visits Seoul and meets President Lee Myung-bak.

**Oct. 10, 2009:** Chinese Premier Wen Jiabao, Prime Minister Hatoyama, and President Lee hold a trilateral summit in Beijing.

**Oct. 13, 2009:** Japan announces the formation of a new task force on the abduction issue that limits the number of its standing Cabinet members to 4 from 18 to increase flexibility.

**Oct. 19, 2009:** South Korea's state-run think tank, the Northeast Asian History Foundation reveals the results of a survey in which 65.5 percent of the Japanese polled said that they view Japan's relations with South Korea as positive, up 12.5 percent points from last year.

**Oct. 25, 2009:** Japanese Vice Prime Minister Kan Naoto encourages the Maritime Self-Defense Force to be prepared for threats posed by North Korea.

**Oct. 25, 2009:** Japan, South Korea, and China agree to start joint research by representatives of academic, government, and private sector toward the possibility of a trilateral Free Trade Agreement (FTA) in a meeting on the sidelines of the ASEAN Plus 3.

**Oct. 27, 2009:** Prime Minister Hatoyama asks Cabinet ministers to step up efforts to resolve the abduction issue.

**Oct. 28, 2009:** Nine ruling party lawmakers claim that the Hatoyama administration must work so that the Diet passes a bill recognizing the "comfort women" in order to form an East Asian Community as proposed by Hatoyama.

**Oct. 30, 2009:** The Japanese government submits a bill to the Diet to enable the Japan Coast Guard to inspect vessels suspected of carrying prohibited cargo to and from North Korea.

**Oct. 31, 2009:** Japan, South Korea, and China agree at a ministerial meeting in Kobe to facilitate their cooperation in preparing for typhoons, earthquakes, and other disasters.

**Oct. 31, 2009:** Prime Minister Hatoyama reportedly says Japan does not necessarily have to wait until the abduction issue is fully resolved to normalize diplomatic relations with North Korea.

**Nov. 14, 2009:** Relatives of the Japanese abductees hail US President Barack Obama's speech in Tokyo for his strong message on the abduction issue.

**Nov. 14, 2009:** Eight Japanese tourists die from a fire at an indoor shooting range in South Korean port city Busan. Later two more Japanese die, increasing the number of victims to 10.

**Nov. 18, 2009:** Soka Gakkai International President Daisaku Ikeda receives the National Medal of Culture from the South Korean government.

**Nov. 27, 2009:** South Korea's Hyundai Motor Co. announces that it will stop sales of passenger vehicles in Japan.

**Nov. 28, 2009:** Japan launches an *H-2A* rocket carrying a satellite to collect intelligence on North Korea's military activities.

**Dec. 8-10, 2009:** Ambassador Stephen Bosworth, special US envoy for North Korean policy, visits Pyongyang.

**Dec. 9, 2009:** Foreign Minister Okada assures relatives of Japanese abducted to North Korea that the Hatoyama government will continue to work to resolve the abduction issue.

**Dec. 12, 2009:** Democratic Party of Japan Secretary General Ozawa Ichiro apologizes for the wrongdoings of Japan during its colonization of Korea. He also meets President Lee.

**Dec. 12, 2009:** Japanese Cabinet Office announces an annual poll on foreign relations that indicates 63.1 percent of Japanese feel friendly toward South Korea, up 6 percent from last year.

**Dec. 25, 2009:** Foreign Minister Yu Myung-hwan summons Japanese Ambassador to South Korea Toshinori Shigeie to express regrets over Japan's decision to include reference to Dokdo/Takeshima islets as part of Japanese territory in new history textbooks.

**Dec. 28, 2009:** Thirteen Asian countries sign an agreement to implement a \$120 billion regional currency swap arrangement that will be launched in March 2010.

## Comparative Connections

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



*China-Russia Relations:*

*Mr. Putin Goes to China: Ten Years After*

*Yu Bin*

*Wittenberg University*

The last month of 2009 was significant for petro-politics on the Eurasian continent. In mid-December, the 1,800 km Turkmenistan-Uzbekistan-Kazakhstan-China natural gas pipeline went into operation. It connects with the 4,500 km West-East trunk line inside China and has an annual capacity of 40 billion cubic meters. Two weeks later, Prime Minister Putin officially commissioned the first section (about 2,700 km from Taishet in eastern Siberia to Skovorodino in the Amur region) of the nearly 5,000 km Eastern Siberia-Pacific-Ocean (ESPO) oil pipeline to the newly built Kozmino oil port near Vladivostok, where the first batch of Siberian crude was being loaded on the 100,000-ton oil tanker *Moscow University* bound for Hong Kong. Thus, Moscow and Beijing significantly elevated their postures in the global game of energy diversification for both buyers and sellers. Both pipelines were built during the tenure of President-turned-Prime-Minister Putin. His October visit to China resulted in a dozen high-value commercial deals, but also reflected his 10-year legacy in shaping Russian-Chinese relations and their mutual perceptions.

### **Putin in Beijing again**

On Oct. 12-14, Russian Prime Minister Vladimir Putin went to Beijing for the 14<sup>th</sup> Regular Prime Minister Meeting with his Chinese counterpart Wen Jiabao. Putin's remains the most powerful man in Russia, whether as president or prime minister and has been instrumental in shaping the framework of bilateral relations. Putin was accompanied by a delegation of more than 100 people, including Deputy Prime Ministers Alexander Zhukov and Igor Sechin, Minister of Transport Igor Levitin, Minister of Culture Alexander Avdeyev, head of the Customs Service Andrei Belyaninov, head of Rosrybolovsktvo Andrei Krainy, head of Roskosmos Anatoly Perminov, Deputy Minister of Defense Alexander Kolmakov, and CEOs of some of the largest Russian companies.

Chinese Premier Wen Jiabao greeted Putin as an "old friend" and said that the two "have met many times before." They observed the signing of 13 agreements for increased cooperation. Most of them covered economic and technology issues (e.g., constructing a high-speed rail system in Russia with Chinese technological and financial inputs, China's export of coal-liquidization technology to Russia, building the second unit of the Tianwan nuclear power plant, regulating customs clearance and control procedures, Russia's exporting of natural gas to China, Russia building two fast neutron 800 MW(e) nuclear reactors in China, and cooperation in space research). Prior to the ministerial talks, deals valued at about \$4 billion were signed by Chinese and Russian business people who attended a China-Russia economic forum in Beijing. Among

those contracts, China Development Bank and Agricultural Bank of China agreed to extend \$500 million to Russia's Vnesheconombank (VEB) and Bank VTB for various projects.

During the ministerial talks, Putin urged China to invest in the Russian economy, particularly in Siberia and the Russian Far East. His remarks were part of an effort to implement a landmark 10-year regional cooperation plan (Outline of Regional Cooperation between Northeast China and the Russian Far East Area and Eastern Siberia, 2009-2018). The plan, which was proposed by Hu Jintao in August 2007 and approved by the presidents of China and Russia on Sept. 23, 2009, specifies more than 200 areas for economic cooperation in transportation, communication, raw materials processing, health care, environment, etc.

The regional plan went into effect amidst the world-wide economic downturn which is hitting Russia particularly hard due to its raw material-based economy. China's huge and still growing financial power is seen as crucial for the economic recovery of Russia's Far Eastern Region. "Our Chinese partners have accumulated considerable financial resources. We are interested in actively attracting them into the Russian economy, including the Siberian and Far Eastern regions of Russia," said Putin in his interview with *Vesti TV*. This Russian economic predicament was also one of the main reasons for the breakthrough in February 2009 when the two sides, after 15 years of negotiations, concluded a long-term crude oil deal (15 million tons of oil each year for 20 years to China through a 67 km branch line to China's northeastern provinces) with a \$25 billion Chinese credit to Russian oil companies, which was the largest credit ever for Russian companies.

The ministerial meeting covered many substantive issues of bilateral economic interaction, which was evident in the joint communiqué, was perhaps the longest and most comprehensive document ever produced for the annual meeting. Oddly and conspicuously, the issue of the closing of Moscow's Cherkizovsky Market was not discussed. "Directly this subject wasn't raised but we are aware of the concerns of our Chinese partners," Putin told reporters in Beijing. Just a few months before, Russia's sudden decision to close the largest retail market in Europe for law and order reasons led to the dislocation of tens of thousands of Chinese merchants with billions of dollars of economic losses. This was followed by a series of meetings between Russian and Chinese Customs officials, culminating in the opening of the first meeting of the China and Russia Customs Cooperation Sub-Committee on Sept. 7-8, 2009. In Beijing, Putin and Wen agreed to regulate the customs clearance process, increase the efficiency of customs supervision, and fight smuggling and other illegal activities.

### **CBMs for missile launches**

Russian First Deputy Defense Minister Alexander Kolmakov and Deputy Chief of the Chinese Army's General Staff Ma Xiaotian also signed the Agreement on Mutual Notification of the Launches of Ballistic Missiles and Space Rockets at the ministerial meeting. Although it was unclear which side raised the issue, the accord was driven by at least two factors. First, was the heightened political and strategic trust between the two sides, which naturally led to a marked elevation of bilateral military confidence building measures (CBMs). This can be compared with previous CBMs. One was the September 1994 joint communiqué specifying that Russian and Chinese strategic weapons would not target one another. That document, however, was more of a



political declaration because it did not have any technical specifications or any mutually binding and operational mechanisms. Another case was the April 1996 CBM agreement for the then “Shanghai Five” to notify each other of military activities, including missile launching, within 100 km of the border areas. That document does not cover strategic weapons and space carrier launches beyond 100 km of the border regions. In contrast, the current agreement requires providing each other specific information regarding missile types, numbers, timing of launch, intended distance, height, target location, etc. It is also an operational platform with specific mechanisms for the two sides to communicate with one another for both commercial and military launches.

The second factor for this missile/rocket CBM is developments in China and Russia regarding their respective strategic postures. China has been constantly and significantly modernizing its small strategic forces. Moscow wants to make sure that such a development would be transparent for Russia. Beijing, too, is keenly interested in the ongoing deliberation and evolving nature of Russia’s new military strategy, which may move Russia toward a posture of “preventive” nuclear strikes.

The accord has both political and military ramifications. First and foremost it is a military/strategic extension of the enhanced political trust between Russian and Chinese political elites. The military-technical mechanism would provide additional assurance. Chinese pundits noted that technical agreements are usually made with military allies, which suggests a significantly elevated strategic relationship between the two nuclear powers. The Russians seemingly shared this view. “We have indeed become strategic partners over the past few years,” and “The scope of our cooperation is enormous and it has passed the test of the world financial and economic crisis,” said Putin in Beijing.

Putin’s sentiment was shared by his Chinese hosts. President Hu Jintao described Putin’s visit as “a powerful impetus to further development of Russian-Chinese strategic partnership.” Premier Wen Jiabao offered a more measured, albeit more realistic, assessment of China-Russia ties as “mature, stable and important state-to-state relations.” Wen’s assessment was perhaps the closest to the reality of Moscow-Beijing relationship in that it is normal if partnership is partnership and price is price. “Russia and China argued themselves hoarse on all issues on the agenda but always come to agreement,” Putin was quoted by *Itar-Tass* in Beijing after the talks.

### **SCO Prime Ministers Meeting in Beijing**

On Oct. 14, Premier Wen Jiabao hosted the eighth Shanghai Cooperation Organization (SCO) Prime Ministers Meeting in Beijing. In addition to the prime ministers of the six SCO member states (Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan, Russia, and China), Indian Minister for Petroleum and Natural Gas Murli Deora, Iranian First Vice President Mohammad Reza Rahimi, Mongolian Foreign Minister Sukhbaatar Batbold, and Pakistani Prime Minister Syed Yousuf Raza Gilani represented the SCO’s four observer states. Afghan Vice President Abdul Karim Khalili was present as guest of the host country.

Economic issues topped the agenda as the global economic crisis continued to impact SCO member and observer states. Ten of the 15 articles in the Joint Communiqué signed by the heads

of governments related to economic issues: multilateral economic cooperation (#2), financial cooperation (#3), larger role for the SCO's Business Council and Interbank Consortium (#4), cooperation in transportation (#5), earlier launch of the SCO's "Information Superhighway" and "Transnational Electronic Cooperation Through the Use of Electronic Digital Signatures" (#6), agricultural cooperation (#7), science and technology cooperation (#8), enhancing customs cooperation (#9), issues of standardization and quality control (#10), and approving SCO's Progress Report for multilateral trade and economic cooperation (#15).

The prime ministers also approved the "Joint Initiative on increasing multilateral economic cooperation in the field of tackling the consequences of the global financial economic crisis." Its 17 initiatives were sent to the SCO Business Council and Interbank Consortium, and various expert working groups for implementation.

Many of the initiatives seemed to be driven by China, which had offered \$10 billion for economic development for SCO member states at the July 2009 SCO summit in Yekaterinburg, Russia. In his speech to the SCO heads of government, Premier Wen indicated that the \$10 billion loan would focus on large economic and technological cooperation projects including roads, railways, and new clean energies as well as small and medium-sized business projects that would be funneled through SCO's Business Council and Interbank Consortium. In the process of allocating the \$10 billion loan to SCO members, China would also "fight trade and investment protectionism and motivate trades and development of the members."

### ***Peace Mission 2010***

On Nov. 17-19, SCO member states held the third round of consultations for the *Peace Mission-2010* joint counterterrorism exercises to be held in September 2010 in Kazakhstan. A protocol was signed by representatives from five of the six SCO member states (Russia, Kazakhstan, China, Tajikistan and Kyrgyzstan). Uzbekistan chose not to join the consultation because it opposes military integration within the SCO.

*Peace Mission 2010* will be conducted in Kazakhstan's Matybulak Military Range, which consists of typical Central Asian terrain. China, Russia, and Kazakhstan each plan to contribute 1,000 military participants. Another round of consultation is planned to be held shortly before the exercise. The scenario for the exercise will be "eliminating armed conflict," which suggests a larger-scale military operation than fighting a relatively small group of terrorists.

If these elements are incorporated into September exercise, *Peace Mission 2010* will be a more realistic exercise than some in the past in terms of scale, format, terrain, and scenario for SCO's geostrategic location. It addresses not only the traditional concerns about the "three forces" (terrorism, separatism, and extremism), but also protecting the expanding energy infrastructure across the SCO's vast area, particularly in Central Asia. The larger scale of this exercise may suggest that China is reconsidering its traditional approach to Central Asia, which focuses on economic issues while leaving security issues to Moscow. The safety and security of thousands of kilometers of pipeline requires more attention from China and other states in the region. Accordingly, *Peace Mission 2010* may be a turning point for increased military integration within the SCO.

## Managing the China puzzle: past and prospect

Until early 2009, China's perception of Russia in general and of Putin in particular had largely been positive. Two developments in 2009 turned this around. One was the sinking of a Chinese cargo ship *New Star* in February by the Russian Coast Guard near Vladivostok, which led to the death of seven sailors. Russia said it regretted the loss of lives and then tried the *New Star* captain for violating Russia's border regulations. In June, Russian authorities suddenly closed Moscow's Cherkizonsky market, which immediately displaced 60,000 Chinese merchants with a loss of \$2-4 billion. (See "China-Russia Relations: Market Malaise and *Mirnaya Missiya*," *Comparative Connections*, October 2009 for details.) In the case of the Cherkizonsky market incident, the Chinese government reportedly sent Russia 23 diplomatic notes in addition to quickly dispatching several governmental delegations to Moscow in an effort to resolve the issue. China even temporarily halted part of its \$25 billion credit for Rosneft and Transneft for the construction of an oil pipeline in order to move the matter from "a standstill."

By the time Prime Minister Putin visited China in October, much of the furor from the incidents had subsided. However, soon after Putin left China, an article titled "China Should Be Alert to Russia's 'Ambiguous Diplomacy'" by Zhao Haijian appeared Oct. 19 in the *Guangzhou Daily* and quickly spread to most media web pages including the official *People's Daily* and CCTV.

Zhao warned that Russia has been, at best, a "fair-weather friend" when it needs China largely because of pressure from the West. Russia has been "double dealing" with China since the PRC took control and has continued to do so since the dissolution of the Soviet Union when Russia developed a "Strategic Collaboration Partnership" with China. Russia has always hedged between China and the West/US. Zhao claimed that even as bilateral relations were elevated to a new height with Putin's official visit to China in October, Russia continued to perfect its ambiguous diplomacy regarding China. He went on to argue that the current strategic partnership between Russia and China was rather fragile because it was the product of the "external factors" (Western pressure) and a lack of political trust between the two sides. China's rapid rise also contributed to Russia's uneasiness, which was manifested in recent speculation originating from a St. Petersburg-based think tank that parts of Vladivostok be "leased" to China for 75 years for its development. This rumor quickly led to another wave of warnings in Russia about the coming threat from China to the point that the Chinese government had to publicly reject the rumor. Zhao concluded by urging China to abandon the habitual thinking of "taking a part as the whole," and to deal with Russia in more realistic, more rational, and more interest-based ways.

Zhao's view does not represent the Russia studies community in China or the view of the Chinese government. Zhao's sharp words may also be unrealistic. The diplomacy of any country, including Russia and China, is by nature "ambiguous" because normal practice is to compromise rather than to confront. What really matters was the appearance of a broad questioning of the bilateral relationship, which seldom happens in China's media. The real impact of Zhao's piece is on the perception of Russia by China's public, which has been increasingly relevant in China's domestic and foreign policies, for better or worse.

In contrast to the relative absence of “anti-Russia” rhetoric in China’s media prior to 2009, the “China threat” has been a constant theme in Russian media. Following Zhao’s piece, the “China threat” chorus seemed to grow louder. Throughout the quarter Russian pundits and even officials warned about China’s “economic expansion” into Russia (Yuliya Latynina in *Moscow Yezhednevnyy Zhurnal*, which is critical of the government, Oct. 20); China’s territorial expansion “as the only remaining imperial power” (Yuliya Latynina again in Gazprom-owned but independent *Moscow Ekho Moskvoy Radio*, Oct. 20); the coming of China military operations against Russia (Aleksandr Anatolyevich Khranchikhin, deputy director of the Institute for Political and Military Analysis, in “Millions of Soldiers Plus Modern Weapons” in the independent *Moscow Nezavisimoye Voyennoye Obozreniye*, Oct. 22); China’s rehearsing future ground war with Russia (Chief of the Main Staff of the Ground Troops Sergey Skokov, “specified three types of threats to Russia,” in *Moscow Stoletiyе.ru*, Nov. 10); China as a direct military threat to Kazakhstan (Darya Aslamova, “China Will Start Swallowing Former USSR With Kazakhstan,” in *Komsomolskaya Pravda Online*, Nov. 18, online daily with links to energy projects and the Russian Railways and sometimes serves as a vehicle for Kremlin officials); reserving Russia’s nuclear weapons to deter China (Yevgeniy Trifonov, “A Shield for Future Generations” in *Gazeta.ru*, which is critical of the government, Nov. 20); Russia’s “strange cooperation” with China (Vladislav Inozemtsev, director of the Industrial Society Research Center, “The Oriental threat is a reality” in Gazprom-owned *Moscow Izvestiya Online*, Dec. 25), etc. Ironically, Russia’s China phobia seems to go hand in hand with the broadening and deepening relations between the two powers.

Russia’s China policy may well be one of the few bright spots in its post-Soviet diplomacy. The byproduct of Putin’s China policy, however, is perhaps equally evident, particularly the persistently negative Russian perception of China and more recently, the issue-based Chinese resentment of Russia. Russia’s political elites have been navigating between growing domestic apprehension of China and Russia’s strategic need. This has been done not only for the sake of maintaining a pragmatic working relationship with Russia’s giant neighbor whose political system, economic practice, cultural heritage have little similarity with those of Russia, but also because of the rise of such a different power is almost unstoppable under normal circumstances.

### **Over the Horizon**

Even without these recent “war of words” between Russian and Chinese media, certain issues require immediate action and careful management.

Despite serious effort by both governments, bilateral trade was down considerably in 2009, dropping 35 percent in the first three quarters of 2009 compared with same period in 2008. Much of this plunge was caused by the global economic downturn. However, bilateral trade volume (only 2 percent of China’s total trade) is far below China’s trade volume with other neighboring nations (13 percent with Japan). The \$56 billion of China-Russia trade in 2008 was even dwarfed by the \$100 billion between China and South Korea. The underdeveloped economic relationship may not be easily corrected if the global economic climate improves and even if large energy projects go into operation. Russia’s domestic economic weakness and the habit of overstrategizing of business issues by Russian political elites will continue to impede its economic

development in the foreseeable future. Economic relations, therefore, will remain a weak link in the Sino-Russian strategic partnership.

In the medium-term, the infrastructure of the strategic partnership may need to be alerted to dangers over the horizon and outside the perimeters of bilateral relations. One is “pipeline politics” in Central Asia. Although Russian politicians including Putin have offered public endorsement for the Turkmenistan-Uzbekistan-Kazakhstan-China gas pipeline, they could hardly hide their displeasure because this essentially means the end of Russia’s monopoly over the Central Asian gas market. It is not clear how Moscow will adjust from its sense of entitlement and position of total control to being one of many market players in this part of the world. For Turkmenistan, Russia played a hardball, if not nasty, game with gas prices over the past year. After months of hard bargaining and several rounds of meetings, the price formula reached in the last week of December 2009 is believed to be a more flexible “market-based” one that continues to favor Russia.

Russia’s credibility in the increasingly competitive energy market, now being extended to Central Asia and the Far East, has suffered. At the end of 2010, the branch line of Russia’s ESPO oil pipeline to China will be commissioned. Even with a 25-year contract, the annual delivery price may be subject to renegotiation, and already the Chinese media has expressed concerns regarding Russia’s inability to honor the contract. In 1960, the former Soviet Union cut the oil supply to China when political tensions escalated. China’s Daqing oil field, which will be on the receiving end of Russian oil pumped through the ESPO for 25 years, was created in the wake of that embargo. For Beijing, history always serves as a reference point.

A potentially important development in Russia’s Asia-Pacific strategy is a breakthrough in Russian-Vietnamese relations at the end of 2009. The day (Dec. 14) the Turkmenistan-Uzbekistan-Kazakhstan-China gas pipeline was officially launched, Vietnamese Prime Minister Nguyen Tan Dung embarked on a two-day “working visit” to Moscow to secure a multi-billion arms delivery contract. It includes eight *Su-30MK2* multi-role fighter-bombers and the intention of purchasing another 12 aircraft of this type, plus various other types of armaments.

The main part of the Russian-Vietnamese arms deal is six *Project 636*, or *Kilo*-class submarines, valued at \$350 million per submarine. Russian sources noticed that these subs, which are quiet and very maneuverable in shallow waters like the South China Sea area, are not just additions to the Vietnamese arsenal, but means the creation of an entirely new branch of the Vietnamese armed forces. The deal means the preparation of the infrastructure, the organization of a base for ships, a repair base, a communications hub, a training base, and crew training. The cost of the entire program may reach \$4 billion.

Aside from making arms deals while in Moscow, Nguyen also concluded a memorandum of understanding for the construction of the first nuclear power plant in Vietnam, with a total of four units of up to \$15 billion still being discussed. Perhaps more significant was the fact that when the Vietnamese prime minister was signing these contracts in Moscow, Vietnam’s defense minister was visiting Washington and meeting Defense Secretary Robert Gates. Many pundits pointed to the connections between the two trips and the China factor behind them. Chinese analysts, however, have so far been tight-lipped. A Chinese embassy official in Hanoi only

carefully noted that Vietnam, Russia, and other countries in the area “must think about peace, and peace in the South China Sea.” Song Xiaojun, a Beijing-based military and strategic analyst of the PLA, when asked to comment on the submarine deal, only mentioned that Vietnam, because of its long coastline, has its own need for submarines.

Russia has been Vietnam’s main arms supplier for decades. Prior to the current deal, Vietnam has recently acquired 12 *Su-30MK2Vs* and 36 *Su-27s*. Russian ship builders are also filling Vietnam’s orders for missile ships and frigates. Yet, this major escalation of Vietnam’s arms acquisition from Russia also coincides, in broader terms, with the Jan. 1, 2010 launch of the China-ASEAN Free Trade Zone, which will be the largest in terms of population (1.9 billion) and the third largest (after the European Union and the North America Free Trade Zone) in GDP (\$6 trillion with \$4.5 trillion of intra-regional trade volume). Russia’s huge arms input is not only the first significant arms purchase within the region since Vietnam joined ASEAN in 1995, but also constitutes a new and uncertain factor for the already complicated arms and territorial issues in the region.

It remains to be seen if Putin will shape the next 10 years of Russian-China relations. If he decides to join the next Russian presidential race in 2012, a possibility which Mr. Putin has never ruled out, the prospects are good that his influence will continue.

### **Chronology of China-Russia Relations** **October - December 2009**

**Oct. 9-11, 2009:** An inter-party Russian-Chinese forum for border cooperation, co-hosted by the United Russia Party and the Chinese Communist Party and the two governments, is held in Suifenhe, China. The delegations agree to organize cooperation between the border regions. Vice Premier Wang Qishan joins the forum.

**Oct. 12-15, 2009:** Vladimir Putin makes his first official visit to China as Russia’s prime minister. He attends the 14<sup>th</sup> regular meeting between prime ministers with his counterpart Wen Jiabao and the eighth Shanghai Cooperation Organization (SCO) prime ministers’ meeting.

**Oct. 14, 2009:** SCO holds the eighth annual prime ministerial meeting in Beijing and adopts a joint initiative for countering the global financial and economic crisis and for developing the regional economy.

**Oct. 16, 2009:** SCO Regional Anti-Terrorist Structure (RATS) holds a working session in Tashkent, Uzbekistan to focus on protecting information and telecommunication systems, particularly during the 2010 Asian Games in China, the 2011 Winter Asian Games in Kazakhstan, and the 2010 Shanghai Expo.

**Oct. 27, 2009:** Foreign ministers of Russia, India and China hold their ninth meeting in Bangalore, India. External Affairs Minister S M Krishna, Russian Foreign Minister Sergei Lavrov and Chinese Foreign Minister Yang Jiechi discuss terrorism, health care, agriculture, disaster relief, climate change, and global recession. Chinese and Russian foreign ministers also meet separately to discuss bilateral relations.

**Nov. 6, 2009:** Yevgeni Murov, director of the Federal Security Guard Service of Russia visits China and meets Minister of Public Security Meng Jianzhu in Beijing.

**Nov. 14, 2009:** Chinese President Hu Jintao and Russian President Dmitry Medvedev meet in Singapore on the sidelines of the annual APEC leaders meeting to discuss bilateral relations and other issues of common concern.

**Nov. 17-19, 2009:** The third round of consultations on SCO's "Peace Mission 2010" anti-terrorist drill is held in Almaty, Kazakhstan.

**Nov. 18, 2009:** The eighth meeting of the China-Russia Friendship Committee for Peace and Development (CRFCPD) is held in Beijing. Chinese Vice President Xi Jinping meets the members of the Russian delegation.

**Nov. 23-27, 2009:** Chairman of the Chinese Central Military Council Col.Gen. Guo Boxiong visits Russia for the 14<sup>th</sup> meeting of the Russian-Chinese Joint Intergovernmental Commission on Military and Technical Cooperation. Guo meets Defense Minister Anatoly Serdyukov and later President Medvedev. The Chinese delegation also visits a Russian motorized brigade outside Moscow and the Kapustin Yar firing range in the Astrakhan region.

**Nov. 24-26, 2009:** SCO anti-drug agency officials meet in Beijing to discuss current levels and prospects of joint efforts against drug-trafficking. They also work on the SCO's anti-drug strategy for 2010-2015.

**Dec. 7-8, 2009:** Russian Security Council Chairman Nikolai Patrushev and China's State Councilor Dai Bingguo hold the fourth round of Russian-Chinese strategic consultations in Beijing. A strategic security protocol is signed and Patrushev meets President Hu.

**Dec. 9, 2009:** SCO holds the first meeting of its finance ministers and heads of central banks in Almaty, Kazakhstan.

**Dec. 12, 2009:** Foreign Minister Sergei Lavrov and his Chinese counterpart Yang Yiechi hold a telephone conversation to coordinate position for the UN climate talks in Copenhagen.

**Dec. 15, 2009:** Vietnamese Prime Minister Nguyen Tan Dung announces that contracts worth billions of dollars to purchase Russian submarines, fighter jets, and other military hardware were signed during his official state visit to Moscow on Dec. 14-15.

**Dec. 31, 2009:** Presidents Hu and Medvedev exchange New Year greetings and open the Year of the Chinese Language in Russia. Prime Minister Putin sends a separate greeting to Hu.





# Comparative Connections

A Quarterly E-Journal on East Asian Bilateral Relations



Satu Limaye  
East-West Center

*India-US and India-East Asia Relations:*

*Treading Water*

India-US relations were characterized by a degree of ennui while India-East Asia relations were overshadowed by public tensions between China and India throughout much of the year. The Obama administration, preoccupied by multiple high-stakes domestic and foreign policy priorities, offered up two high-profile visits for New Delhi with Secretary of State Hillary Clinton going to India in July and Prime Minister Manmohan Singh coming to Washington in November as the first head of state visit. But the newly strengthened Congress-led government, which returned to power after the April-May national elections, remained wary of the Obama administration's priorities and approaches toward a range of issues including its Afghanistan-Pakistan (AfPak) strategy, nuclear nonproliferation, and climate change, as it felt some nostalgia for the primacy of place and purpose offered to India by the bygone Bush administration. Meanwhile, in India's ties with East Asia, even though New Delhi made diplomatic forays ranging from Mongolia to Papua New Guinea to the Pacific Islands Forum to Australia while sustaining its traditional relationships with Japan and ASEAN, the tense Beijing-New Delhi interaction over the decades-old border dispute was the focus of attention for most observers.

The twain did (and did not) meet between India-US and India-East Asia relations. Of particular note during the year was the joint US-China communiqué following President Obama's visit to Beijing that referred to US-China cooperation on South Asia. To the Indians this had echoes of the Clinton administration when similar language was used after India's nuclear tests and was highly objectionable then and even more so today given the progress in US-India relations and the absence of nuclear tests. For the US, thinking of South Asia in broader terms including AfPak, and cooperating with China accordingly is entirely reasonable – and not directed at India. Indians also noted that Secretary Clinton did not refer to India in her major speech on Asia before traveling to the region in February; a sign of the continuing US ambivalence (not to mention India's) about New Delhi's role in Asia.

## **India-US: two visits in search of a purpose**

As discussed in last year's summary (see "India-US and India-East Asia Relations: Old Narrative, New Chapters," *Comparative Connections*, January 2009), the relief surrounding the culmination of the US-India civil nuclear cooperation agreement gave way to an intricate and complex challenge for bilateral relations resulting from the attack by Pakistan-origin militants on Mumbai in late November 2008. For the first time in the history of such terrorist attacks in India, Indians and Americans (as well as citizens of other countries) were killed in the massacre.

While Washington launched a flurry of high-level visits to the area (including by Vice President-elect Joseph Biden during the US transition) and India and Pakistan refrained from military brinkmanship in the aftermath of the 11/26 attacks, dialogue between Islamabad and New Delhi came to a halt. In this context, the incoming US administration's policy preferences (spelled out as early as then candidate-Obama's *Foreign Affairs* article in the Fall of 2008) for India-Pakistan talks and Indian overtures on Kashmir to relieve pressure on Pakistan so that it could focus on the domestic militancy and counterinsurgency and counterterrorism operations along the Afghanistan border were not to be realized until late in the year.

Two mixed India-Pakistan meetings were held during the year. The first took place in June in Russia on the sidelines of the Shanghai Cooperation Organization (SCO) meeting at which Prime Minister Singh bluntly told President Asif Ali Zardari that Pakistan must dismantle its terrorist infrastructure before any dialogue could resume. Another meeting on the sidelines of the Non-Aligned Movement (NAM) meeting at Sharm el-Sheikh, Egypt created a ruckus because Prime Minister Singh was accused at home of "de-linking" terrorism from other issues in the dialogue with Pakistan and because of a reference to Baluchistan in the joint statement. But he was hardly "soft" saying, "[a] composite dialogue cannot begin unless and until the terrorist attacks that shook Mumbai are accounted for and the perpetrators of these heinous crimes brought to book. The starting point of any meaningful dialogue with Pakistan has to have their commitment not to let their territory be used for terrorist activities against India. If acts of terrorism continue to be perpetrated, there is no question of a dialogue, let alone a composite dialogue." It was only in October, following several Pakistani actions related to the Mumbai terrorist attacks, that Singh offered to pull back some troops from Kashmir and resume dialogue with Pakistan, saying, "I appeal to the Government of Pakistan to carry forward the hand of friendship that we have extended. This is in the interest of the people of India and Pakistan."

Nevertheless, from the stand point of US-India relations, there remains a gap in assessment between New Delhi and Washington of how serious Pakistan is about its commitment to constrain India-directed (vice Al-Qaeda or internal Pakistani) terrorism; a gap that extends to the vexing issue of US-India relations related to Afghanistan-Pakistan. On the other hand, and notwithstanding a small stir created by Under Secretary of State William Burns' comments during a visit to India that the "wishes" of the Kashmiris should be considered – a longtime staple of US policy, the US and Indian governments publicly and largely successfully deflected observations, especially within India, that the US was pressing India to make some concessions regarding Kashmir to relieve pressure on Pakistan's eastern flank. During Special Envoy Richard Holbrooke's visit to India in April to brief the newly announced AfPak strategy 1.0, he was quoted as saying that "We did not come here to ask the Indians to do anything. We came here to inform them about our trip, as we always do, and to get their views."

A second element of US-India interaction during the year was the situation in AfPak; a situation that, of course, is affected by spillover from the troubled India-Pakistan relationship and the wider issue of terrorism and vice-versa. Washington went out of its way to praise India's role in Afghanistan – Holbrooke referring for example to the "impressive foreign assistance in Afghanistan by India." But there were also differences. Indians remained doubtful that the US would really pressure Pakistan to stop making a distinction between Kashmir-oriented and Afghanistan-oriented militants – the former being granted considerable leeway by Islamabad's

security and intelligence agencies. Indeed, the gap persists between Washington and New Delhi about the overall characterization of terrorism in the region with India seeing various elements of the Taliban, Al-Qaeda, and anti-India groups as part of a connected continuum whereas most US assessments draw many more distinctions. This difference is further complicated by Washington's assertions that the US, India, and Pakistan face, in the words of Holbrooke, a "common threat." To many Indians, this is unconvincing. As former Indian ambassador to the US Naresh Chandra explained in April, "This equating Pakistan as a pure victim – we don't buy that. Let bygones be bygones is O.K. for the United States. Not for us. Until Pakistan has shown credible action, how can he expect India to toe this line? They have to dismantle their terror infrastructure, bring perpetrators of the Bombay attack to book."

But in fact, in the post-Mumbai context, the US has paid much more attention to Lashkar-e-Taiba and similar Pakistan-based groups that specialize in anti-Indian attacks – not least because these groups are now implicated in attacks against US citizens and wider terrorism connections. Even more fundamentally regarding Afpak, Indians do not share the official view of the US that Pakistan is a credible partner in defeating the Taliban or other extremists. Former Indian Ambassador to Pakistan G. Parthasarthy contends that "[t]he [Pakistani] army has neither the will nor the desire to take on the Taliban and extremists with whom they have been associated for the past three decades."

On the defense cooperation front, a bright spot in bilateral relations, progress continued. At the start of the year, it was announced that India had entered into agreement with Boeing for eight Boeing *P-81* long-range maritime reconnaissance (LRMR) aircraft for the navy; a contract reportedly valued at \$2.1 billion. According to press reports, India would have the option to buy eight more aircraft in the future. Meanwhile, countering press reports that the US was going to sell ballistic missile defense technology to India, a US Defense Department spokesperson said only that "very rudimentary" consultations will continue, including Indian observation of some tests. During Secretary of State Clinton's July visit, the completion of an agreement on end-use monitoring for U.S. defense articles was announced. The agreement will permit the US to ensure India uses arms it purchases from the US for their intended purposes, and that India does not allow others to obtain the technology.

The economic relationship during the year was mixed. India and the US remained in static positions on the Doha round of global trade negotiations. Peter Mandelson, former EU trade commissioner, described the stalemate this way: "India believes that large agricultural exporters like the U.S. are asking for more new market access than their subsistence farmers can bear. The U.S. continues to argue that what India is offering its farmers and manufacturers won't give them enough access to foreign markets to justify commitments to reform its farm-subsidy system, or cuts to the few high tariffs it retains on industrial goods. Deadlock after deadlock has eroded trust between some of the key negotiators, especially the U.S. and India." Despite this difference however, given the Obama administration's own slow uptake on trade, Doha differences were not "front and center" in the economic relationship – or in the overall bilateral relationship. But there were bilateral problems. In May 2009, India began a study on the barriers its exporters face in the US, reportedly part of a response to a US investigation into Indian trade hurdles by the US International Trade Commission at the request of the Senate Finance Committee. In February, India's commerce secretary said that "We are collating information from various industries to

prepare a list of American nontariff barriers to Indian exports. There are many subtle, sophisticated ways in which America stalls our exports. For too long, the developed countries lectured us on what we are doing wrong on trade. But this is a game that India can play, too.” The Obama administration’s (and Congress’) concerns about certain tax provisions that make it easier to “create a job in Bangalore, India, than if you create one in Buffalo, New York” (as President Obama put it) and moves to limit temporary skilled worker permits and visas, often used by Indian software professionals to work on-site in America, also created irritations in the bilateral economic relationship.

There was no major progress on the implementation of the US-India civil nuclear deal. A 60-member strong US delegation visited India to assess commercial nuclear opportunities in mid-January. Unlike Russian and European firms, whose governments guarantee their liability in case of an industrial accident, US firms do not have such coverage and therefore want India to sign a global convention on liability and compensation that limits the onus on private nuclear operators and suppliers in the event of an industrial accident. Politics within India make this difficult because of a desire not to minimize responsibility for private companies (not least because memories of the Bhopal accident linger). One step forward during the year was India’s assigning of sites where future US nuclear power plants could be built. (Sites were also identified for France and Russia). Still, other steps remain to be taken including the granting of licenses to US companies to engage in sensitive technical discussions about their products with Indian companies and “nonproliferation assurances” from India that US technologies would not be transferred to any parties other than the original importer, including subcontractors.

Meanwhile, matters were sticky on broader nuclear nonproliferation matters. For example, the L’Aquila Group of Eight Meeting in July issued a statement on nonproliferation that Indians interpreted as undermining the agreement for civil nuclear cooperation it had reached with the US and the Nuclear Suppliers Group (NSG) at the end of 2008. So serious was the issue taken in India that no less than Prime Minister Singh, in replying to number of concerns raised by domestic critics in the Parliament, and as part of a long intervention about the L’Aquila statement and other matters, asserted that “So, my understanding of this area is that there is no consensus in the Nuclear Suppliers Group to debar India from access to reprocessing and enrichment technology.”

There were also raised eyebrows in India when an Obama administration-inspired United Nations Security Council resolution in October called for India to sign the NPT as non-nuclear weapons state (NNWS). This occurred just after a leading Indian nuclear scientist called into question the efficacy of India’s 1998 nuclear tests and called for more tests. India’s national security adviser, M.K. Narayanan, dismissed the scientist’s statements as “horrific” and said researchers have verified the nation’s thermonuclear capabilities.

In this context, India is also extremely concerned about the Obama administration’s push to get a Comprehensive Test Ban Treaty (CTBT) into place. In the joint statement issued at the conclusion of Secretary Clinton’s July 2009 visit to India there was not even a reference to the CTBT in the section on nonproliferation. In the joint statement issued by President Obama and Prime Minister Singh in November, it was clear that the CTBT was not a subject of common pursuit. According to the language of the statement “India reaffirmed its unilateral and voluntary

moratorium on nuclear explosive testing. The United States reaffirmed its testing moratorium and its commitment to ratify the Comprehensive Test Ban Treaty and bring it into force at an early date. Both leaders agreed to consult each other regularly and seek the early start of negotiations on a multilateral, non-discriminatory, and internationally verifiable Fissile Material Cutoff Treaty at the Conference on Disarmament.” The bottom-line is that India and the US will work together on the FMCT, but not the CTBT the latter being a matter of continued disagreement. This gives some fillip to the concern that India might again test nuclear weapons if it appears that the CTBT will go into effect.

As for climate change, long-running US-India differences came to a head during Secretary Clinton’s visit. Indian Environment Minister Jairam Ramesh is reported to have told Clinton that “[t]here is simply no case for the pressure that we, who have among the lowest emissions per capita, face to actually reduce emissions. And as if this pressure was not enough, we also face the threat of carbon tariffs on our exports to countries such as yours.” Clinton countered by saying that “No one wants to in any way stall or undermine the economic growth that is necessary to lift millions more out of poverty. We also believe that there is a way to eradicate poverty and develop sustainability that will lower significantly the carbon footprint.” India continued to reject any calls for legally binding emissions reduction targets, although in December just before the start of the Copenhagen conference on climate change New Delhi announced that it would reduce the “intensity” of its emissions. The details of such a plan remain uncertain.

One final note relates to India-Iran relations, which have created some differences in US-India relations. India voted in favor of a Nov. 26 UN Resolution on Iran – basically critical of Iran following completion of an IAEA report that raises questions about Iran’s nuclear activities. India felt compelled to explain the vote in detail, primarily on the grounds that “[t]he Agency’s safeguards system is the bedrock of the international community’s confidence that peaceful uses of nuclear energy and non-proliferation objectives can be pursued in a balanced manner. The integrity of this system should be preserved [and] The conclusions he has drawn in his report are therefore difficult to ignore.” Nevertheless, the Indian statement on its vote stated that: “As such we do not believe that the adoption of this resolution should divert the parties away from dialogue. This resolution cannot be the basis of a renewed punitive approach or new sanctions. In fact, the coming weeks should be used by all concerned to expand the diplomatic space to satisfactorily address all outstanding issues. India firmly supports keeping the door open for dialogue and avoidance of confrontation.”

### **India-East Asia relations: “Hindi-Chini blah blah”**

India-East Asia relations during 2009 were dominated by Sino-Indian tensions. Before turning to Sino-India relations, however, it would be useful to review some of the broader developments.

India-Burma relations continued on their more interactive and cooperative course, with Indian Vice President Hamid Ansari, accompanied by Minister of State for Defense Shri Pallam Raju, three members of Parliament and a large business delegation, visiting Myanmar at the invitation of Vice Senior Gen. H.E. Maung Aye in early February. Negotiations with the Republic of Korea were held in June on a bilateral Comprehensive Economic Partnership Agreement during the visit of Minister of Foreign Affairs and Trade Yu Myung-hwan to India. The conclusion of

the agreement was reached at the end of the year. India-Australia relations remained engaged but troubled by tensions over a number of attacks on Indian students in Australia. In August, India's External Affairs Minister S.M. Krishna visited the country to, in the words of India's External Affairs Ministry, "hear first-hand, about the problems being faced by Indian students and will discuss the matter of their safety and security with the State leadership. EAM will also apprise himself of the measures put in place, in this regard, by the Australian law enforcement agencies." Krishna also used the trip to participate in the Annual Post Forum Dialogue Meeting (Aug. 7) of the Pacific Island Forum (PIF), in Cairns. India has been a dialogue partner of the PIF, comprising 16 countries, since 2002 and has attended all its meetings. In November, Australian Prime Minister Kevin Rudd visited New Delhi. Apart from the student issue, India and Australia have a range of differences on issues such as nonproliferation, climate change, and uranium sales.

Another noteworthy event during the year was the official signing, on Oct. 13, of an India-ASEAN free trade agreement (FTA) in goods on the sidelines of the Bangkok ASEAN summit. As discussed in last year's summary, the India-ASEAN negotiations were a long-drawn out effort for both sides and agreement (though not official signature) was reached at the end of 2008. The India-ASEAN FTA builds on the Framework Agreement on Comprehensive Economic Cooperation between the Association of Southeast Asian Nations and the Republic of India signed in Bali, Indonesia in October 2003. While trade negotiations move slow, actual trade moves faster and India-ASEAN trading links continue to increase.

India-Japan relations received no high-level attention until the very end of the year when Prime Minister Hatoyama Yukio made a brief 36-hour visit to India. Indians had been contemplating what the Democratic Party of Japan's victory would mean for the bilateral relationship that had received considerable attention during the earlier premierships of Abe Shinzo and Aso Taro. In the event, there were no ground-breaking departures during Hatoyama's visit. Tokyo asked New Delhi to support the CTBT; India responded by affirming its voluntary moratorium on nuclear tests. Japan extended support to a planned Delhi-Mumbai industrial corridor project. Japan is already the major funder of the Delhi metro expansion. The two countries agreed to regularize bilateral discussions on both the Foreign Ministry and defense tracks. Overall, the significance of this visit is that it occurred, emphasizing that India remains on Japan's radar screen even under the new political leadership in Tokyo.

China-Indian relations seemed to be a series of troubles during 2009. In March, there was a spat over toys, tires, and iron ore with India pursuing antidumping cases against China at the World Trade Organization (WTO). Indian Commerce Secretary Gopal K. Pillai told an interviewer that "We've always said the world is large enough for India and China, but we have a problem with a surge in exports that hurts Indian industry. It's a cause for worry." But both governments sought to minimize the fallout by setting up a working group that would meet every few months on trade issues before they reach the WTO.

Much more serious was a move by China in March to block a \$2.9 billion loan to India at the Asian Development Bank allegedly because it would fund a \$60 million flood-management program in Arunachal Pradesh – an Indian-administered state that China views as contested territory. The loan was eventually approved, reportedly with support from the US and others.

In June, tensions really picked up following comments by the governor of Arunachal Pradesh, J.J. Singh, former head of the Indian army, who stated that India would deploy two new Army divisions to the region. The regularly scheduled 13th round of the talks between the special representatives of India and China on the long-pending border dispute was held in New Delhi on Aug. 7-8, with no concrete results regarding the border. The two countries did agree to set up a hotline – a suggestion reportedly made by President Hu Jintao when he met Prime Minister Singh during the SCO summit at Yekaterinburg, Russia on June 15, 2009. Though the two governments exercised restraint, Indian and Chinese media seem to have inflamed tensions with their reporting and choices of words. But government actions on both sides also came in for criticism. India allowed the Dalai Lama to travel to Tawang. And in October, the Chinese Embassy in New Delhi issued visas on a separate sheet of paper to Indian citizens born and resident in Jammu & Kashmir (J&K). But what caused a really major outcry in India was China's criticism of Prime Minister Singh's visit to Arunachal Pradesh for an election rally on Oct. 3. According to a statement posted on the Chinese Foreign Ministry's website, "China is strongly dissatisfied with the visit to the disputed region by the Indian leader disregarding China's serious concerns. "We demand the Indian side address China's serious and just concerns and not trigger disturbances in the disputed region so as to facilitate the healthy development of China-India relations."

### **Looking ahead**

All in all, unlike 2008 when the US-India civilian nuclear deal was concluded and terrorists attacked Mumbai, 2009 was a relatively undramatic period in US-India and India-East Asia relations. Despite two high-profile visits between the US and India, one cannot but help having the feeling that bilateral relations are drifting or at least taking a pause from the dynamism of the Bush administration years. This may not be a bad thing as it allows both countries to consolidate gains in successful areas such as defense ties and society-to-society links in education, agriculture, and space. But on so many big issues such as AfPak, terrorism, climate change, nonproliferation, and the Doha round of talks on trade, there is much distance to be travelled between Washington and New Delhi. India-East Asia relations remained on their fitful, meandering, and slow-paced course, with the exception of China-Indian relations which too quickly moved in a negative direction.

In the coming year, the single biggest challenge for the US and India will be to manage their differences regarding Pakistan, terrorism, and Afpak while continuing efforts to complete the details of their civilian nuclear cooperation deal. But if Doha talks are re-opened, and as climate change talks and President Obama's priorities on disarmament and nonproliferation move ahead, the two countries could encounter turbulence. India and China will manage their border dispute – not least because they have to. Trade ties between the two powers will push ahead, but not without frictions and mutual suspicions. India's ties with other countries in East Asia will persist, but it is difficult to see any new major Indian initiatives to thicken and sustain its ties to wider region. One interesting element to watch for is whether the new Japanese government will pick up on ties with India where the Liberal Democratic Party left off. With the Democratic Party of Japan government's focus on relations with its northeast Asian neighbors, it seems unlikely that India will be a major focus. Also, were there to be a new conservative government in Canberra, it is possible that the issue of uranium sales to India could revive. Stay tuned.

## **Chronology of India Relations with U.S. and East Asia January - December 2009**

**Feb. 5-8, 2009:** India's Vice President Hamid Ansari, accompanied by Minister of State for Defense Pallam Raju, three members of Parliament and a large business delegation, visits Burma/Myanmar at the invitation of Vice Senior General H.E. Maung Aye.

**March 28, 2009:** Iran's Secretary of the Supreme National Security Council Saeed Jalili visits India at the invitation of National Security Advisor M K Narayanan.

**April 11-12, 2009:** Prime Minister Manmohan Singh attends the 7<sup>th</sup> India-ASEAN summit in Thailand and the 4<sup>th</sup> East Asia Summit (EAS).

**April 8, 2009:** US Special Envoy Richard Holbrooke and Adm. Michael Mullen, chairman of the Joints Chiefs of Staff, visit India.

**June 10-13, 2009:** US Under Secretary of State William Burns visits India to prepare for Secretary of State Hillary Clinton's July visit and meets Foreign Secretary Shivshankar Menon and External Affairs Minister S.M. Krishna.

**June 16, 2009:** The first summit of the so-called BRIC group – Brazil, Russia, India, and China – is held in Moscow.

**June 23, 2009:** Republic of Korea Minister of Foreign Affairs and Trade Yu Myung-hwan, visits India and holds talks with External Affairs Minister Krishna and meets Prime Minister Singh.

**June 25, 2009:** US National Security Advisor James Jones meets Indian counterpart M.K. Narayanan in New Delhi.

**July 3-4, 2009:** Minister of External Affairs Krishna visits Japan for the third annual Strategic Dialogue of the Foreign Ministers of India and Japan.

**July 21-23, 2009:** External Affairs Minister Krishna visits Phuket, Thailand to attend India–ASEAN, East Asia Summit (EAS) and ASEAN Regional Forum (ARF) Ministerial Meetings.

**July 19-20, 2009:** Secretary of State Clinton visits India at which a new “India-U.S. Strategic Dialogue” is launched to consider a gamut of issues.

**July 2009:** Papua New Guinea's Foreign Affairs, Trade and Immigration Minister Samuel Abal visits India to urge Indian investment in developing the country's energy resources.

**Aug. 6-10, 2009:** External Affairs Minister Krishna visits Australia to participate in the Annual Post Forum Dialogue meeting of the Pacific Island Forum (PIF) and have bilateral interaction with Australian Prime Minister Kevin Rudd and Foreign Minister Stephen Smith.



**Aug. 7, 2009:** India and ROK sign a Comprehensive Economic Partnership Agreement during Minister for Commerce and Industry Anand Sharma's visit to Seoul.

**Aug. 7-8, 2009:** India and China, represented by National Security Adviser M.K.Narayanan and State Councilor Dai Bingguo, hold the 13<sup>th</sup> round of the talks between the special representatives on the border dispute and agree to set up a hotline between the two countries.

**Aug 13, 2009:** An India-ASEAN Free Trade Agreement (FTA) in goods is signed in Bangkok.

**Sept. 13-16, 2009:** President of Mongolia Tsakhiagiin Elbegdorj makes a state visit to India at the invitation of Indian President Pratibha Patil. The two countries issue a Joint Declaration on the Comprehensive Partnership between India and Mongolia.

**Sept. 25, 2009:** Minister of External Affairs Krishna meets Secretary of State Clinton on the sidelines of the UN General Assembly meetings in New York.

**Oct. 6, 2009:** India designates sites in Gujarat and Andhra Pradesh states for construction of US nuclear reactors in India. Sites are also allocated to Russia and France.

**Oct. 7, 2009:** Thai Deputy Prime Minister Korbak Sabhavasut visits India and announces that the India-Thailand Free Trade Agreement (FTA) is set to expand into a comprehensive agreement to include more services and investments.

**Oct. 8, 2009:** Suicide car bomber attacks India's embassy in Kabul. This is the second attack in 15 months on the embassy.

**Oct. 13, 2009:** Australian Minister for Foreign Affairs Stephen Smith visits India for Framework Dialogue with Minister for External Affairs Krishna.

**Oct. 15-16, 2009:** Under Secretary Burns visits India to assess progress on the new India-US Strategic Dialogue announced during Secretary Clinton's visit and to discuss substantive issues related to Prime Minister Singh's November visit to the US.

**Oct. 24, 2009:** Prime Minister Singh and Chinese Prime Minister Wen Jiabao meet on the sidelines of the East Asia Summit to discuss recent tensions between the two countries over their unresolved border dispute.

**Oct. 25, 2009:** The heads of state/government of the ASEAN member states, Australia, China, India, Japan, South Korea, and New Zealand meet in Thailand for the fourth East Asia Summit and reiterate commitment through joint press statement to revive the Nalanda University ("a great ancient centre of intellectual activity in Buddhist philosophy, mathematics, medicine and other disciplines") located in the State of Bihar in India.

**Oct. 27, 2009:** The foreign ministers of India, Russia, and China hold their Ninth Trilateral Meeting in Bengaluru (Bangalore) and issue a joint communiqué.

**Nov. 12, 2009:** Australian Prime Minister Rudd visits India.

**Nov. 16-17, 2009:** Iranian Foreign Minister Manouchehr Mottaki visits India for bilateral discussions at the invitation of External Affairs Minister Krishna.

**Nov. 12-13, 2009:** US Under Secretary of State for Arms Control and Nonproliferation Ellen Tauscher visits India for talks with Foreign Secretary Nirupama Rao. They reaffirm a commitment to the timely and full implementation of the US-India civil nuclear agreement.

**Nov. 24-25, 2009:** Prime Minister Singh makes a state visit to the US.

**Nov. 26-27, 2009:** At the IAEA Board of Governors meeting, India votes in favor of a resolution on the issue of implementation of safeguards in Iran which the Board adopted on Nov. 27.

**Dec. 2009:** Before the Copenhagen conference India announces that it will undertake to reduce the intensity of its carbon emissions.

**Dec. 27-30, 2009:** Japanese Prime Minister Hatoyama Yukio and a high-level delegation visits India to strengthening economic and security cooperation. He meets Prime Minister Singh and Sonia Gandhi, chief of the ruling Congress Party.

## *About The Contributors*

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