

# Comparative Connections

A Quarterly E-Journal on East Asian Bilateral Relations

Edited by  
Brad Glosserman and Eun Jung Cahill Che

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A Quarterly Electronic Journal on East Asian Bilateral Relations

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

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

Our aim is to inform and interpret the significant issues driving political, economic, and security affairs of the U.S. and East Asian relations by an ongoing analysis of events in each key bilateral relationship. The reports, written by a variety of experts in Asian affairs, focus on political/security developments, but economic issues are also addressed. Each essay is accompanied by a chronology of significant events occurring between the states in question during the quarter. An overview section, written by Pacific Forum, 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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There appears to be a troubling – if not dangerous – pattern in Japanese politics. Let's call it the "Koizumi syndrome": bold announcements that launch high hopes that are then dashed by a combination of a failure to follow-up and the obstacles and inertia that are built into the Japanese political system. This diagnosis could prove premature: the prime minister might yet confound his critics. But recent terrorism has altered Japan's domestic political terrain, forcing Koizumi to restructure his priorities. If it derails attempts to reform the country's ailing economy and blocks substantive efforts to assist the U.S. in the fight against terrorism, the bilateral relationship could become a victim of the "Koizumi syndrome."

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Inter-Korean relations during the past quarter were marked by two events; each pointed in opposite directions. In August, a contentious visit to Pyongyang by Southern unification activists brought tensions within the ROK over Northern policy to boiling point, leading to the collapse of the ruling coalition. But in September, Pyongyang suddenly announced its readiness to resume dialogue with the South, having frozen this for most of the year. Ministerial talks were duly held in Seoul, and a schedule was set to reopen most of the various tranches of dialogue and cooperation that had been in abeyance – as well as some encouraging new ones.

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PRC President Jiang Zemin visited Pyongyang for the first time in over a decade to re-consolidate relations with the DPRK. South Korean business redoubled its rush to take advantage of its proximity to the only island of sustained growth in the global economy. This quarter also saw the emergence of concern among South Korean researchers, who worry that China's rising competitiveness could overtake South Korea. The dark side of growth in Sino-South Korean ties was evident in the form of increased drug smuggling from China, illegal entries by an increasing number of ethnic Korean Chinese, frustrations over perceived unequal treatment of ethnic Korean Chinese when they returned to Korea, and tensions on how to manage North Korean refugees.

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Japan's debate over history continued to buffet relations with China. Japanese Prime Minister Koizumi Junichiro's intention to visit the Yasukuni Shrine on Aug. 15 further exacerbated relations. Koizumi yielded to internal and external (read: Chinese) pressures, visiting the shrine on Aug. 13. Following the visit, Japanese diplomacy turned toward a damage limitation strategy. It was also rough going on the economic front. Trade disputes remained unresolved. Security relations are troubled by Chinese maritime research vessels in Japan's exclusive economic zone. "Defense of Japan 2001," Japan's defense White Paper, gave greater definition to China's military modernization and the implications for Japanese security.

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The quarter's events were obfuscated by the Sept. 11 terrorist attacks on New York City and Washington, D.C. Seoul and Tokyo responded to the horrific events with statements of support for America's anti-terrorism campaign. Japan-South Korea relations continued their downward spiral because of history-related disputes with little hope of resolution in sight. Japan-North Korea relations remain dead in the water. Is there any good news? Not really. But perpetually optimistic, this column notes interesting developments that shed light on an otherwise gloomy quarter.

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The third quarter began with the signing of a historic friendship treaty between Russia and China that was inspired, at least partially, by their difficult relations with Washington. By the quarter’s end, however, both Moscow and Beijing found their foreign policy priorities significantly altered by the terrorist attacks on the United States. The two are now faced with the possibility of a strategic plunge by the world’s sole superpower into their highly volatile “backyard.” The Sino-Russian friendship treaty and the Shanghai Cooperative Organization – the two pillars of Moscow and Beijing’s regional foreign and security policies – will be severely tested by a fast changing security environment at both the global and regional levels.

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In recent months, Europe has taken important steps to strengthen its political involvement in the region, notably on the Korean Peninsula. This reflects progress in efforts to make European foreign policies more coherent and effective through a strengthening of the European Union’s “Common Foreign and Security Policy.” Europe’s increasing influence in the Asia Pacific can also be felt economically, as Europe’s negotiations with Beijing over China’s WTO membership have made clear. Still, Europe’s political influence in the region remains that of an important subsidiary player, rather than of a great power. On the whole, Europe’s modest but growing involvement has been constructive and welcome.

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## Regional Overview:

# Ushering in the Post Post-Cold War Era

by Ralph A. Cossa  
President, Pacific Forum CSIS

The quarter did not begin on Sept. 11, but (at least from an American perspective) most events that came before that date appear to have paled in significance or, at a minimum, require reassessment in light of Washington's new war on terrorism. The horrific attacks on the World Trade Center towers and the Pentagon may help usher in the "post post-Cold War era," by creating an opportunity for a fundamentally changed relationship between Washington and both Moscow and Beijing. It may also provide Tokyo with the incentive (and excuse) to take a major step toward becoming a "normal" nation and more equal security partner. While Washington's attention is focused largely on the Middle East/Southwest Asia, the implications of the Sept. 11 attacks and subsequent war on terrorism will be felt throughout the Asia-Pacific region.

While the attacks may have helped (at least temporarily) to create a spirit of bipartisanship in the United States, they did little to ease the highly partisan domestic political bickering in two of the region's young democracies. On the Korean Peninsula, the resumption of North-South high-level dialogue means that Kim Dae-jung's ruling party now seemingly enjoys greater cooperation with the North than with its Southern counterparts, including (former) members of the ruling coalition. Meanwhile, opposition parties in Taiwan seem more willing to cooperate with the government in Beijing than with the one in Taipei.

Prior to Sept. 11, U.S. policy toward East Asia seemed to be evolving smoothly, following Secretary of State Colin Powell's July swing through Japan, Vietnam, South Korea, China, and Australia. Powell also attended the annual ASEAN Regional Forum (ARF) ministerial meeting in Hanoi, where he signaled a U.S. commitment to support the Asian multilateral security dialogue process.



One major diplomatic casualty of the emerging war on terrorism was President Bush's long-anticipated first visit to Tokyo and Seoul to underscore his alliance-based Asia strategy. While Bush is still slated to attend the Asia Pacific Economic Cooperation (APEC) Leaders' Meeting in Shanghai, his planned en route visit to Washington's two Northeast Asia allies was canceled, as was a follow-up trip to Beijing for a summit meeting with Chinese President Jiang Zemin. This is unlikely to generate serious charges of "Japan passing," given the understandable circumstances and Bush's willingness to hold separate side meetings with Japanese Prime Minister Koizumi Junichiro and ROK President Kim Dae-jung (plus Jiang) in Shanghai. Nonetheless, it represents a missed opportunity for President Bush finally to lay out his vision for East Asia to a broader Japanese and Korean audience.

### **9-11 Implications**

Has the post-Cold War era come to an end? Probably not . . . at least not yet. But we have the opportunity to create a new global paradigm, built upon a common goal of ridding the world of international terrorism; a goal that most nations, regardless of political system or religious belief (including Islam), can equally embrace, even if a common definition of what constitutes "international terrorism" may prove elusive. Once before, in 1990/91, there was an opportunity to create "a new world order" as a diverse group of nations came together to repel the Iraqi invasion of Kuwait. But, as the Iraqi occupation ended, so too ended this first attempt by Washington to develop a more broad-based global security framework.

The Russians, no longer enemies of the U.S., were still not true friends. In fact, prior to Sept. 11, growing differences between Moscow and Washington seemed to far exceed common interests or objectives. The differences, already festering during the Clinton administration, seem to have been exacerbated with the advent of the Bush administration, despite some apparent positive personal chemistry between Presidents Bush and Putin.

Meanwhile, the end of the Cold War deflated much of the strategic rationale behind Sino-U.S. cooperation, just as Tiananmen ended America's growing fascination with all things Chinese. Subsequent attempts to "build toward a constructive strategic partnership" were

more style than substance, as painfully revealed by the Chinese response to the accidental bombing of the PRC embassy in Belgrade by U.S./NATO forces. (Of note, the number killed during that terrible accident is less than the number of PRC citizens, not to mention ethnic Chinese, killed deliberately as a result of the World Trade Center attack.) The April collision between an American EP-3 reconnaissance plane and a Chinese jet fighter and the decision by Washington to aggressively pursue missile defense (MD) were just two of many points of contention that further degraded Sino-U.S. relations.

In short, prospects for cooperation with Moscow and Beijing on strategic issues seemed increasingly slim. All this changed on Sept 11. The terrorist attacks created a new strategic rationale for cooperation, generating an opportunity for a fundamentally changed relationship between Washington and both Moscow and Beijing. They also provide Tokyo with the incentive (and excuse) to take a major step toward becoming a “normal” nation and more equal security partner. Such outcomes are by no means assured. They will require careful, skilled management and a genuine desire to transform international politics. But, the opportunity and incentive are now there, not only vis-à-vis Washington’s relations with Russia, China, and Japan, but region-wide.

Details about how each of the key Asia bilateral relationships has been affected by and has reacted to the events of Sept. 11 are contained elsewhere in this journal. I would like to add some general observations.

**New U.S.-Russia Paradigm?** The area where the greatest change is possible and may indeed already be occurring is in relations between Washington and Moscow. President Vladimir Putin was the first to call President Bush to express outrage over the attack and pledge his support. Russian actions went beyond mere atmospherics. Immediately after the attack, U.S. military forces worldwide were placed on high alert. During the Cold War, this would have automatically prompted Moscow to respond in kind. Even in the post-Cold War world, a decision by Russia to increase its own military alert status would not have been considered out of the ordinary. What was truly extraordinary was Putin’s order for Russian troops to stand down so as not to add to international tensions, a decision he personally relayed to Bush. As Bush later observed, “it was a moment where it clearly said to me that he understands the Cold War is over.”

Since then, Putin has agreed to share intelligence with Washington and to open Russian airspace to U.S. humanitarian and support flights; he has even raised the prospect of Russian search and rescue support for U.S. combat operations, while increasing Moscow's support to anti-Taliban forces. Most significantly, after some initial hedging Putin gave the green light to the former Soviet Central Asian Republics to allow U.S. military forces to stage out of bases there. Much has been written about Chinese concerns about a possible U.S. military presence in Central Asia, but the region remains first and foremost in the Russian sphere of influence. Russian acceptance (much less active support) of a U.S. military presence in its "near abroad" would have been unthinkable on Sept. 10.

It behooves Washington, however, to ensure Moscow (no less than Beijing) that it seeks no long-term military presence in this region. Access rights and staging bases in Central Asia may be critical to conducting sustained combat operations against terrorist camps (and the Taliban leadership) in Afghanistan. Establishing permanent U.S. military bases in the region makes little sense, however, and runs the risk of undermining the chances of genuine long-term cooperation between Washington and Moscow.

**Missile Defense Compromise?** Even with this newfound spirit of cooperation, contentious issues remain. While Washington may be more understanding and tolerant of Moscow's efforts to quell its own terrorist threat (emanating from Chechnya), criticism over human rights and other perceived Russian infringements on civil liberties is sure to continue. And then there's missile defense.

Predictably, opponents of missile defense were quick, in the wake of Sept. 11, to point out that such defenses were useless against the more likely threats America faces today, such as attacks by terrorists that next time may even employ chemical or biological weapons of mass destruction (for which the U.S. seems ill-prepared). Equally predictably, proponents argued that terrorists willing to conduct such a heinous act (and the rogue nations who so blatantly support them) would certainly not hesitate to fire a missile at a U.S. city, were they to get their hands on one. Regardless of which argument one personally favors, in times of crisis Washington politicians and defense planners can be expected normally to err on the side of being more, not less, cautious. It appears inevitable, therefore, that some form of missile defense will remain a key component of Washington's overall homeland defense plan.

However, the debate over what form of MD will be adopted and how comprehensive an umbrella will be built is likely to be affected. Both the shock to the economy caused by the terrorist assault and the massive costs involved in developing a comprehensive homeland defense system provide additional incentive for developing a (less costly) limited system, in order to free up money to address other more pressing concerns. The Congressional decision to reduce the 2002 \$8 billion defense budget allocation for missile defense by \$400 million in order to help fund other defensive measures reinforces this analysis. This, plus the need for greater cooperation from Moscow on international issues in general, helps set the stage for closer relations.

Even before Sept. 11, it appeared that the seeds had been sown for some type of compromise between Washington and Moscow. After all, the size and sophistication of Moscow's nuclear arsenal gives it a great deal of flexibility. Moscow can easily live with a limited MD system aimed only at deterring attack from rogue states or responding to accidental or unauthorized launches. Meanwhile, Washington may also see the wisdom in delaying its decision to scrap the Anti-Ballistic Missile (ABM) Treaty or become willing once again to enter into negotiations on its amendment, now that the Russians have changed from a "no changes" to a "let's discuss it" negotiating stance.

Both President Bush and President Putin seem serious about wanting to redefine U.S.-Russia relations in order to finally put Cold War habits and constraints behind them. The war on terrorism presents them with a golden opportunity to do just that . . . if the hawks in both camps can be held in check.

**An Opportunity for Improved U.S.-PRC Relations.** The war on terrorism likewise presents Washington and Beijing with a common objective upon which to build greater strategic cooperation (even if none dare call it a "strategic partnership"). While I remain less confident about the desire and ability of leaders in both countries (but especially China) to seize this opportunity, fighting international terrorism is one area where U.S. and Chinese strategic objectives clearly overlap, given China's serious concerns about terrorism (in part supported by Osama bin Laden) in its western regions.

China joined the rest of the international community in condemning the Sept. 11 attacks and also acknowledged the appropriateness of a military response, provided it was

directed at those proved to be guilty, avoided civilian casualties (always a U.S. objective), and was preceded by “consultations” with the UN. While Washington was likely not thrilled to have President Jiang calling other UN Security Council members to reinforce these preconditions, they were not particularly onerous.

On the positive side, Beijing sent a team of counter-terrorism experts to Washington to explore ways the two sides could cooperate, amid positive signs that China was willing to share “useful intelligence” with Washington. What was most troublesome about China’s response to 9-11 was its initial attempt to create linkages between Chinese support for the U.S. with American support for China’s own fight against “terrorism and separatism,” which seemed to imply a Taiwan *quid-pro-quo*. This line of thinking was not pursued during Chinese Foreign Minister Tang Jiaxuan’s visit to Washington, but has served (as was no doubt its purpose) to make Taiwanese nervous about possible under the table deals. Addressing these concerns, Secretary Powell has provided assurances that there has been “absolutely no discussion of a *quid pro quo*” – I personally find it unbelievable that any U.S. administration, much less this one, would contemplate such a deal.

The real moment of truth in possibly redefining Sino-U.S. relations should come when Presidents Bush and Jiang meet in Shanghai. On some issues, like the need to combat international terrorism, they will easily agree. On others, like Taiwan, they no doubt will continue to agree to disagree – Bush can be expected to underscore both Washington’s “one China” policy and the need for a peaceful solution. The key to determining if a new Sino-U.S. strategic relationship is possible will be found in the nature of Chinese caveats regarding the war on terrorism and on Chinese statements regarding missile defense. If Beijing is wise enough to seek and then accept assurances from Bush that Washington is committed to a limited MD system that will not put China’s nuclear deterrent at risk and then expresses willingness to enter into a dialogue that acknowledges there are legitimate security concerns on both sides, this could open the door for the “normal, constructive, and healthy” relations Beijing professes to seek with Washington.

**A More Normal Japan?** Immediately after the attack, Prime Minister Koizumi went on record stating that Japan would “spare no effort in providing assistance and cooperation” in support of America’s war on terrorism. He followed this up with even stronger commitments to provide intelligence and military logistical support during his late

September visit to New York and Washington (along with much-needed aid to Pakistan and to the people of Afghanistan).

Backing up these assertions, Koizumi has introduced new legislation that will allow the Self-Defense Forces (SDF) to provide logistic and other noncombatant support to U.S. forces conducting counter-terrorist military operations (including the provision of supplies, transportation, repairs and maintenance, medical services, communications, airport and seaport operations, and base operations). Koizumi also put forth measures to permit the SDF to provide enhanced protection for U.S. forces and facilities in Japan. Polls show the Japanese public is behind Mr. Koizumi's efforts – the fact that over 100 Japanese citizens were among those killed in New York no doubt provides additional incentive to support the U.S. anti-terrorism effort.

Even before Sept. 11, Koizumi had signaled his desire to move Japan beyond the limits imposed by the current interpretation of Japan's Constitution regarding his nation's support for the U.S.-Japan alliance and Tokyo's involvement in other collective defense efforts. (For more, see the Pacific Forum's *Issues & Insights* report on *United States-Japan Strategic Dialogue: Beyond the Defense Guidelines*, May 2001.) However, it appeared unlikely that he would expend the political capital required to effect the change, given the need for painful economic reforms. The war on terrorism has provided Koizumi with the incentive (and excuse) to take a major step toward becoming a "normal" nation, not just to avoid a repeat of the "Gulf War syndrome" (where Tokyo was criticized for just writing a check), but because he sincerely believes that the time has come for Japan to become a more equal partner to Washington and a more active participant in international security affairs.

Nonetheless, it appears doubtful that Japan will seek or agree to become involved in direct combat operations – this would take revision or at least a major reinterpretation of the constitution and also goes well beyond what Washington appears to be seeking from Tokyo in terms of support for the war on terrorism. But Prime Minister Koizumi seems intent on expanding the definition of what constitutes appropriate alliance support, along with the necessary legislative changes (short of a constitutional revision) to make it possible. In this regard, the terrorist attack will have profound implications for the nature of the U.S.-Japan alliance that are likely to last long beyond the immediate war on terrorism.

Interestingly, the response from Beijing and Seoul to Tokyo's expanded (albeit non-combat) military involvement in the war on terrorism has been refreshingly muted, despite their history of strong objection to any action that increases the prospect of Japanese military involvement in just about anything. More true to form, Pyongyang has issued a strong condemnation.

**Korean Peninsula Implications.** South Korea, as expected, strongly condemned the terrorist attacks. ROK President Kim Dae-jung immediately expressed his intention to "fully support" U.S. retaliatory actions and his nation's willingness to participate in any "international coalition" against terrorism. President Kim also proposed that the two Korean states adopt a joint resolution opposing terrorism at their high-level North-South talks in mid-September, a suggestion that was ignored by North Korea (and criticized by ROK opposition politicians). Nonetheless, North Korea joined the South in condemning the terrorist action, even sending a letter of condolences to Washington.

Pyongyang had been offered a golden opportunity by the Clinton administration to get itself off the State Department's list of state sponsors of terrorism but failed to seize this chance. As a result, DPRK critics have been quick to point to Pyongyang's continued presence on this list as Washington plots its comprehensive campaign against international terrorists and the states that support them. While there are no indications that the Bush administration intends to further complicate an already incredibly difficult task by adding North Korea to its list of targets, one can only hope that increased U.S. and broader world attention on states that sponsor terrorism will provide Pyongyang with the extra push needed to take the actions necessary to remove itself from this list, including the expulsion of Japanese Red Army terrorists who have enjoyed safe haven in the North for decades.

If Washington is not likely to focus its anti-terrorist efforts on Pyongyang, it is equally unlikely to expend much effort to further convince Pyongyang to resume its dialogue. Secretary Powell has already stated that the Bush administration is prepared to resume talks anytime, anywhere, with no preconditions. While it would welcome a resumption of dialogue, Washington is not likely to go beyond its current offer and seems comfortable about letting the ball lie on Pyongyang's side of the net.

In response to North Korea's continued recalcitrance, President Kim has inexplicably been calling repeatedly on the United States to "make its best effort to resume talks" with the North. I say "inexplicably" since it is Pyongyang and not Washington that is setting the preconditions. Imagine if President Bush started urging President Kim to try harder to engage the North – Kim would (rightfully) be insulted. It would make considerably more sense, especially in light of current realities, for President Kim to be praising America's willingness to talk and instead admonishing the North to "make its best effort to resume talks."

### **Some Additional Thoughts**

Let me conclude with some final thoughts about the evolving war on terrorism and its implications for Asia.

1. This is a war on terrorism, not a war against Islam, but it could still turn out to be the latter, given the efforts of radical elements to lead things in this direction. Washington and the West in general have been very careful to stress that Islam is not the enemy. But, leaders and clerics from moderate Islamic states and movements have in many instances become their own worst enemies. While condemning the Sept. 11 attacks, many have argued against retaliation and some have gone so far as to assert that an attack on Afghanistan is an attack against Islam. The reverse is actually the case. Osama bin Laden and the Taliban are not out to destroy the U.S., they merely want America to stop protecting the moderate Arab regimes, which are the real targets of their hatred and ambitions. Any Islamic leader or group that fails to subscribe to their radical, extreme definition of Islam is their potential enemy. It seems incomprehensible that moderate Arab and Islamic leaders, including those in Indonesia and Malaysia, are not being more outspoken about eliminating bin Laden and the Taliban since, in reality, they are (or could easily in the future become) the real target. Burying their heads in the sand will not protect them in the long term.

2. While President Bush has stated that "you are either with us or with the terrorists," many states will try to remain essentially neutral (at least publicly) and will likely be allowed to do so. But this position may come back to haunt them. For example, prior to Sept. 11, the Bush administration attached a high priority to helping Indonesia recover from its political and economic crisis while still maintaining its territorial integrity.



Getting Washington to pay attention to anything not terrorist-related will now become more difficult. Convincing Washington to attach high priority to helping nations that have provided lukewarm support or sent strongly mixed signals (as Indonesia continues to do) will likely be impossible.

3. The Taliban must go! This is not just because they are clearly willing co-conspirators through their harboring of Osama bin Laden and his terrorist training camps and network. They must be eliminated in order to send a strong signal to other regimes that appear willing to actively support (or at least turn a blind eye toward) international terrorists located within their borders – this is what the Chinese call “killing the chicken to scare the monkey.” This does not mean trying to conquer or occupy Afghanistan or even to help select or underwrite the Taliban’s successor. That remains the task for Afghans themselves must tackle (with Western moral, humanitarian, and financial support when appropriate).

4. A prolonged, sustained anti-terrorist campaign does not equate to a DESERT STORM-type operation with half a million soldiers swarming over Afghanistan. The instruments of war will be as much or more political and economic as they will be military, and ground forces will likely be used sparingly, with the emphasis on special operations rather than traditional military assaults. This will require expanded access to staging bases throughout the region but should not result in a substantial U.S. military presence on the ground in Pakistan or elsewhere in the Middle East or Southwest and Central Asia. As noted earlier, efforts should be made to assure Russian, Chinese, and regional leaders that no permanent bases are being sought, not only to sustain the coalition but because such bases would likely cause more problems than they would solve over the long run.

5. It was right to lift the sanctions imposed against India and Pakistan after their May, 1998 nuclear tests but it would be wrong to forget about the dangers posed by nuclear arsenals in both countries, but especially in Pakistan. Every effort must be made to safeguard these weapons, including convincing (or compelling) New Delhi and Islamabad not to operationally deploy these weapons. Operational deployment brings with it an increased likelihood not only of accidental or preemptive launch but also of theft or a deliberate turning over of such weapons to terrorists.

6. Under current circumstances, the likelihood that the U.S. would use even tactical nuclear weapons in its war against terrorism ranges from extremely remote to nonexistent. The Pentagon's refusal to rule out anything constitutes a standard response to questions about military options or tactics, not a signal worthy of the hand wringing taking place in the anti-nuclear community. On the other hand, Washington should make it unambiguously clear, as it did during the Gulf War, that the use of weapons of mass destruction – chemical, biological, or nuclear – in any future attack on the U.S. or its friends and allies is likely to draw a response using “all available means at its disposal.” This constitutes simple and direct deterrence.

7. Finally, U.S. preoccupation with the war on terrorism does not mean a lessening of commitment to East Asia security. Speculation to the contrary has already begun. In its first issue after the events of Sept. 11, the *Far Eastern Economic Review* speculated that the attacks could threaten Washington's “willingness to undergird the region's often shaky security,” that the security of shipping through the Malacca Strait had somehow been “thrown into question,” and that the Spratlys “suddenly seemed more vulnerable” as the U.S. 7<sup>th</sup> Fleet “went into self-defense mode.” This is absolute nonsense. The sustained deployment of 500,000 U.S. military forces during DESERT SHIELD/DESERT STORM a decade ago did not result in any diminution of America's security commitment toward Asia; neither should a decision to focus on countering terrorism emanating from the Middle East/Southwest Asia.

### **Democracy in Progress**

While the terrorist attacks helped (at least temporarily) to create a spirit of bipartisanship in the United States, they did little to ease the highly partisan domestic political squabbling in two of the region's young democracies. On the Korean Peninsula, with the resumption of North-South high-level dialogue, Kim Dae-jung's ruling party now seemingly enjoys greater cooperation with the North than with its Southern counterparts, including (former) members of the ruling coalition. Meanwhile, opposition parties in Taiwan seem more willing to cooperate with the government in Beijing than with the one in Taipei.

**Korea.** Prospects for President Kim Dae-jung's already beleaguered Sunshine Policy took a turn for the worse after Aug. 15, when ROK citizens who were permitted to attend

Liberation Day ceremonies in Pyongyang took part in expressly forbidden activities glorifying the North Korean regime. This resulted in an unprecedented no-confidence vote (supported by then-members of the ruling coalition) against Unification Minister Lim Dong-won, the primary architect of the president's Sunshine Policy.

The night before the vote, in what many saw as a crass attempt to influence ROK politics, Pyongyang announced that it was willing to resume high-level North-South talks (suspended by the North since March). This was too little, too late to save Lim but was welcomed nonetheless. However, the real test of North Korea's sincerity remains the willingness of North Korean leader Kim Jong-il finally to set a date for his promised visit to the South and to sign a North-South Declaration of Peace (not to be confused with a still to be negotiated formal Peace Treaty) during his visit. A continued lack of reciprocity on the part of Pyongyang will accelerate President Kim's growing lame duck status and make it even more difficult for him to govern between now and the December 2002 election to choose his successor (he cannot run again).

**Taiwan.** In August, a major stir was created by a Pacific Forum *PacNet* article by Bonnie Glaser (*China's Taiwan Policy: Still Listening and Watching*, *PacNet* 33, 2001), citing PRC interlocutors as claiming that Taiwan KMT opposition party members visiting the mainland were encouraging Beijing not to cooperate with Taiwan President Chen Shui-bian and his Democratic Progressive Party (DPP) government – as if Beijing needed any encouragement in this regard. While the veracity of the Chinese allegations can be questioned – the KMT vigorously denied them – it appears clear that the KMT and other opposition parties (such as the pro-unification New Party) have expanded the domestic political battlefield to the mainland, much to Beijing's delight. This seems self-defeating.

Of note, the Chen administration and all opposition parties were able to come together through an Economic Development Advisory Conference, which reached consensus in early September on setting aside the old “no haste, be patient” cross-Strait economic policy established by former President Lee Teng-hui and formerly endorsed by Chen in favor of an “active opening, effective management” policy that could help stimulate Taiwan's struggling economy (while at the same time pleasing Beijing). It raises the question as to why Taiwan politicians can come together to seek and reach consensus when money is at stake, but can't seem to be able to do it on issues of vital national security.

The Taiwan domestic political situation has become even more complicated with the creation of a new party, the Taiwan Solidarity Union (TSU), openly backed by former President Lee Teng-hui – an action that prompted the KMT to expel its former leader. If the TSU gains a sizable number of seats or expands through additional KMT defections after this December’s parliamentary elections – there are many KMT members sympathetic to Lee who have likely remained “loyal” to the KMT to ensure adequate financing for their campaigns – Lee could be in position to grab a share of the power. A DPP-TSU coalition could have Beijing doubting the wisdom of its current effort to weaken Chen Shui-bian.

### **Asia Policy Still Evolving**

Finally, a few words on Bush’s still evolving Asia policy, the major aspects of which remain essentially unchanged from those described in last quarter’s report (see “Bush Asia Policy Slowly Takes Shape,” *Comparative Connections*, Vol. 3, No. 2). Washington’s focus on strengthening its regional alliances, its desire to engage rather than confront China, and its willingness to resume dialogue with North Korea were all reinforced during Secretary of State Colin Powell’s July visits to Japan, Vietnam, South Korea, China, and Australia. Powell also attended the annual ASEAN Regional Forum (ARF) ministerial meeting in Hanoi, where he signaled a U.S. commitment to support the Asian multilateral security dialogue process. At the ARF meeting, some notable progress was made in examining its future role in the area of preventive diplomacy.

At the risk of sounding like a broken record, I feel compelled to note once again that what’s still missing is a more comprehensive Asia “Vision Statement” spelling out the Bush administration’s overall goals and policies toward East Asia. It was hoped that Bush would provide this during his planned visits to Japan and Korea prior to the October APEC Leaders’ Meeting in Shanghai, which was also to include a follow-on meeting with President Jiang in Beijing. While Bush is still slated to go to Shanghai, his long-anticipated first visit with Washington’s two Northeast Asia allies has become a casualty of the war on terrorism. While this is unlikely to generate charges of “Japan passing,” given the understandable circumstances and Bush’s willingness to hold side meetings with Japanese Prime Minister Koizumi and ROK President Kim Dae-jung (and President

Jiang) in Shanghai, it nonetheless represents a missed opportunity for President Bush finally to lay out his vision for East Asia for a broader Japanese and Korean audience.

In sum, the Sept. 11 terrorist attacks have served as a wake-up call for America and the civilized world writ large. As horrific as the four hijackings and subsequent crashes were, they have helped set the stage for the creation of a post post-Cold War era of cooperation among like-minded nations. While success is by no means assured, the opportunity exists today to create a new global paradigm, built upon the common goal of ridding the world of international terrorism.

### **Regional Chronology July-September 2001**

**July 3, 2001:** EP-3 surveillance plane flown out of China, in pieces, aboard a Russian cargo plane.

**July 5, 2001:** President Bush calls Chinese President Jiang Zemin to raise concerns over arrests of U.S. citizens and green card holders.

**July 9, 2001:** Tokyo replies to Beijing and Seoul that the newly approved history text book contains no “clear mistakes.”

**July 10, 2001:** Former Philippine President Estrada indicted on the capital offense of economic plunder.

**July 11, 2001:** President Jiang expresses indignation over textbook issue and PM Koizumi’s Yasukuni Shrine visit in meeting with LDP Secretary General Yamasaki.

**July 11, 2001:** ROK President Kim Dae-jung refuses to see LDP Secretary General Yamasaki.

**July 11, 2001:** Chinese Communist Party (CCP) and Taiwan’s New Party agree to engage in occasional party-to-party talks.

**July 12, 2001:** Seoul freezes all money transactions and cancels plans to open its market to Japanese music tapes.

**July 13, 2001:** PRC is selected to host 2008 Summer Olympics.

**July 13, 2001:** U.S. and North Korean officials hold talks on resuming North-South dialogue in New York.

**July 15, 2001:** National Security Adviser Condoleezza Rice visits Moscow to discuss MD.

**July 16, 2001:** Secretary Powell meets with Malaysian FM Syed Hamid Albar.

**July 16, 2001:** President Jiang and Russian President Putin sign the Sino-Russian Treaty of Good Neighborliness, Friendship, and Cooperation during Jiang's visit to Moscow.

**July 16, 2001:** Pakistani President Pervez Musharraf and Indian Prime Minister Atal Behari Vajpayee meet in Agra, India.

**July 16, 2001:** DPRK refuses IAEA inspection.

**July 18, 2001:** FM Tanaka and Secretary Powell meet at G-8 Ministerial Meeting in Rome.

**July 19, 2001:** China signs \$1.8 billion deal to buy 40 Russian Su-30 MKK ground attack jets.

**July 21-22, 2001:** Presidents Putin and Bush meet at G-8 summit in Genoa.

**July 23, 2001:** Megawati Sukarnoputri appointed as Indonesian President.

**July 23, 2001:** U.S. Ambassador to China Clark Randt arrives in Beijing.

**July 23, 2001:** Association of Southeast Asian Nations (ASEAN) Annual Ministers' Meeting in Hanoi.

**July 24, 2001:** John Bolton, U.S. undersecretary for arms control and international security, says U.S. TMD could cover Taiwan.

**July 24, 2001:** ASEAN Plus Three meet in Hanoi.

**July 25, 2001:** U.S. abandons talks on 1972 Biological Weapons Convention enforcement.

**July 25, 2001:** ASEAN Regional Forum (ARF) Ministerial Meeting is held in Hanoi; Secretary Powell meets Chinese FM Tang Jiaxuan, among others.

**July 25-27, 2001:** National Security Adviser Rice, U.S. Treasury Secretary Paul O'Neill, and Secretary of Commerce Donald Evans meet with President Putin in Moscow.

**July 26, 2001:** ASEAN Post-Ministerial Conference and China-ASEAN dialogue are held in Hanoi.

**July 26, 2001:** North Korean leader Kim Jong-il begins Russia trip.

**July 26, 2001:** Former ROK President Kim Young-sam meets with President Chen in Taiwan.

**July 27, 2001:** Secretary Powell says Washington is ready for talks with Pyongyang "at the time and place of North Korea's choice" at meeting with President Kim in ROK.

**July 28, 2001:** President Jiang and Secretary Powell meet in Beijing.

**July 29, 2001:** Japan's Liberal Democratic Party (LDP) claims upset win in Upper House election with 64 seats.

**July 30, 2001:** Australian FM Alexander Downer and Minister of Defense Peter Reith meet with Secretary Powell and Secretary of Defense Rumsfeld in Australia for AUSMIN.

**Aug. 2, 2001:** ROK DM Kim Dong-shin and Vietnamese DM Pham Van Tra meet in Seoul.

**Aug. 3, 2001:** Constitutional Court allows Thai PM Thaksin to keep his position.

**Aug. 4, 2001:** North Korean leader Kim meets with President Putin in Moscow; the two sign Moscow Declaration and DPRK-Russia Railway Pact.

**Aug. 6, 2001:** U.S. Senate delegation led by Joseph Biden, chairman of U.S. Senate Foreign Relations Committee, meets with President Chen in Taipei.

**Aug. 6, 2001:** DPRK leader Kim tours Russian satellite launching center in Korolyov.

**Aug. 7-9, 2001:** U.S. Under Secretary of Defense for Policy Douglas Feith and Russian Col. Gen. Yury Bauevsky hold arms talks at the Pentagon.

**Aug. 7-10, 2001:** Biden delegation meets President Jiang at Beidaihe; visits Shanghai and Beijing.

**Aug. 8, 2001:** Philippine President Gloria Macapagal-Arroyo in Malaysia.

**Aug. 8, 2001:** DPRK rejects U.S. agenda for dialogue.

**Aug. 10, 2001:** PM Koizumi re-elected as president of LDP without challenge.

**Aug. 10, 2001:** USTR Zoellick in Jakarta.

**Aug. 10, 2001:** Cambodian King Norodom Sihanouk signs legislation to establish a genocide tribunal.

**Aug. 11, 2001:** Biden delegation meets with President Kim in Seoul.



**Aug. 12, 2001:** Secretary Rumsfeld meets Russian DM Ivanov in Moscow for arms talks.

**Aug. 13, 2001:** PM Koizumi visits Yasukuni Shrine.

**Aug. 13, 2001:** China rejects U.S. offer of \$34,000 to cover the cost of EP-3 collision. China demands \$1 million.

**Aug. 15, 2001:** ROK unification activists taking part in Liberation Day Ceremonies in Pyongyang visit politically contentious monument, prompting arrests and calls for Unification Minister Lim Dong-won to resign.

**Aug. 16, 2001:** APEC Senior Officials Meeting at Dailan, China.

**Aug. 17, 2001:** U.S. Navy holds one-day military exercise in the South China Sea.

**Aug. 20, 2001:** PM Koizumi warns President Putin over Russia's granting licenses to fish off the coast of Kurile Islands to South Korea.

**Aug. 21, 2001:** U.S. Assistant Defense Secretary for International Security Affairs Peter Rodman says that the Defense Department is resuming limited military exchanges with PRC.

**Aug. 21, 2001:** Russia rejects U.S. proposal to withdraw from the ABM Treaty.

**Aug. 21, 2001:** Indonesian President Megawati meets with President Macapagal-Arroyo in Manila.

**Aug. 21, 2001:** Undersecretary of State Bolton meets with Russian Deputy FM Georgii Mamedov in Moscow.

**Aug. 21-25, 2001:** Vietnamese President Truc Duc Long meets with President Kim in Seoul.

**Aug. 22, 2001:** South Korea detains 16 members of a delegation that visited North Korea.

**Aug. 22, 2001:** The PLA launches military exercises around Dongshan Island near Taiwan, the largest ever in terms of scale, duration, and the number of personnel committed (100,000 troops).

**Aug. 22, 2001:** President Macapagal-Arroyo visits Brunei to ask Sultan Hassanal Bolkiah for financial aid.

**Aug. 23, 2001:** APEC Finance Minister's Meeting in Hanoi.

**Aug. 23, 2001:** The Kyoto District Court rules that the central government must pay \$375,000 to 15 Koreans who survived an explosion aboard the Imperial Japanese Navy transport ship during WWII.

**Aug. 23, 2001:** U.S. and China begin missile talks.

**Aug. 24, 2001:** Undersecretary Bolton and DM Ivanov meet to discuss ABM Treaty.

**Aug. 27, 2001:** Indonesia reaches an agreement with IMF over \$5 billion loan program.

**Aug. 27-31, 2001:** U.S.-ROK annual joint military exercises Ulchi Focus Lens begins.

**Aug. 28, 2001:** PM Thaksin meets PRC Premier Zhu Rongji in Beijing.

**Aug. 28, 2001:** President Megawati visits Malaysia, the last stop of her eight-day nine-nation tour. She visited Philippine, Vietnam, Laos, Cambodia, Myanmar, Thailand, and Singapore before Malaysia.

**Aug. 30, 2001:** East Timor's first ballot to chose 88 member assembly to write the nation's constitution occurs; no reports of violence.

**Aug. 30, 2001:** U.S. Assistant Secretary James Kelly in East Timor for talks.

**Sept. 1, 2001:** Japanese Minister of Economy, Trade, and Industry (METI) Hiranuma Takeo and USTR Zoellick meet in Washington.

**Sept. 2, 2001:** North Korea proposes resumption of inter-Korean high-level dialogue, after a half of year silence.

**Sept. 3, 2001:** ROK National Assembly passes no-confidence motion against Unification Minister Lim.

**Sept. 3-5, 2001:** President Jiang meets DRRK leader Kim Jong-il in Pyongyang.

**Sept. 4, 2001:** ROK Cabinet resigns.

**Sept. 4, 2001:** The Kuomintang Party (KMT) expels former President Lee Teng-hui in response to his support for new Taiwan Solidarity Union.

**Sept. 6, 2001:** ROK FM Han Seung-soo expresses objection to possible attendance at APEC by DPRK leader Kim.

**Sept. 6, 2001:** TCOG meets in Tokyo.

**Sept. 7, 2001:** KEDO Executive Director Charles Kartman in Seoul.

**Sept. 7, 2001:** FM Tanaka meets with Adm. Thomas Fargo, commander in chief U.S. Pacific Fleet, in Hawaii.

**Sept. 8, 2001:** The 50<sup>th</sup> anniversary of U.S.-Japan alliance. Secretary Powell and FM Tanaka meet in San Francisco.

**Sept. 8, 2001:** Premier Zhu and Russian PM Mikhail Kasyanov sign the contract for oil pipeline and delivery of 203 civilian planes during his visit to Moscow.

**Sept. 8-10, 2001:** APEC Finance Ministers' Meeting in Suzhou, China; ROK Deputy PM Jin Nyun meets U.S. Treasury Secretary O'Neill.

**Sept. 9, 2001:** Premier Zhu meets with President Putin in Moscow.

**Sept. 9, 2001:** Australian Prime Minister Howard meets with President Bush in Washington.

**Sept. 10, 2001:** Chinese Vice Premier Qian offers Hong Kong-style unification plan under which Taiwan will maintain its currency, customs, military, and government structures.

**Sept. 11, 2001:** Terrorists attack the U.S., destroying the World Trade Center in New York and damaging Pentagon; President Putin is first to call President Bush to offer condolences and support.

**Sept. 11, 2001:** Russian DM Ivanov meets FM Tang in Moscow.

**Sept. 12-14, 2001:** High-level U.S. and PRC military officers meet for the Military Maritime Consultative Agreement (MMCA) in Guam to discuss ways to avoid incidents like EP-3 collision.

**Sept. 12-16, 2001:** ASEAN Finance Ministers' Meeting in Hanoi.

**Sept. 13, 2001:** President Macapagal-Arroyo and PM Koizumi meet in Tokyo.

**Sept. 13, 2001:** North Korea issues statement denouncing terrorist attack on the U.S.

**Sept. 14, 2001:** Shanghai Cooperation Organization prime ministers' meeting in Kazakhstan.

**Sept. 15-18, 2001:** Inter-Korean ministerial level meeting in Seoul.

**Sept. 16, 2001:** Undersecretary Bolton arrives in Moscow for ABM withdrawal talks; meets with Deputy FM Georgii Mamedov.

**Sept. 17, 2001:** WTO approves terms of PRC entry.

**Sept. 18, 2001:** Taiwan wins WTO approval.

**Sept. 18, 2001:** FM Han Seung-soo meets Secretary Powell in Washington.

**Sept. 19, 2001:** Russian DM Ivanov meets President Bush and Secretary Powell in Washington.

**Sept. 19, 2001:** President Megawati meets with President Bush in Washington.

**Sept. 19, 2001:** South and North Korea agree to resume family reunions.

**Sept. 19, 2001:** Deputy Secretary of State Armitage visits Moscow.

**Sept. 20-21, 2001:** FM Tang meets President Bush and Secretary Powell in Washington.

**Sept. 24, 2001:** FM Tanaka and DM Ivanov meet.

**Sept. 24, 2001:** Indian National Security Adviser Brajesh Mishra visits Washington.

**Sept. 25, 2001:** PM Koizumi meets President Bush in Washington.

**Sept. 25, 2001:** President Bush cancels his visits to Seoul, Tokyo, and Beijing, but still plan's to attend October APEC Leader's Meeting in Shanghai.

**Sept. 28, 2001:** President Megawati and PM Koizumi meet in Tokyo.

U.S-Japan Relations:

## Battling the “Koizumi Syndrome”

by Brad Glosserman

Director of Research, Pacific Forum CSIS

This was supposed to be a triumphant quarter for Japan and its alliance with the United States. Prime Minister Koizumi Junichiro was going to retake the initiative in Japanese politics, after leading his party to a resounding win in July’s Upper House elections. Then, he would use that mandate to push through an aggressive and ambitious economic reform program, running over the old guard within his own party who pose the chief obstacle to his efforts. Finally, the quarter would close as the United States and Japan joined together Sept. 8 to celebrate a half century of unprecedented cooperation and friendship and embarked on the next phase of their relationship.

Instead, this quarter has witnessed the emergence of what appears to be a troubling – if not dangerous – pattern in Japanese politics. It is still too early to make a definitive diagnosis, but let’s call it the “Koizumi syndrome”: bold announcements that launch high hopes that are then dashed by a combination of a failure to follow-up and the obstacles and inertia that are built into the Japanese political system. Signs of the “Koizumi syndrome” have been visible since the July Upper House election and in the aftermath to the terrorist blasts that occurred in New York City and Washington, D.C. on Sept. 11. This diagnosis could prove premature: the prime minister might yet confound his critics. But the terrorist attacks have altered Japan’s domestic political terrain, forcing Koizumi to restructure his priorities. They put new pressure on the Japanese government to take decisive action to help its ally, but they simultaneously undermine the economic agenda that Koizumi had hoped to champion. If it derails attempts to reform the country’s ailing economy and blocks substantive efforts to assist the United States in the fight against terrorism, the bilateral relationship could become a victim of the “Koizumi syndrome.”

## **Seizing the Initiative**

The quarter began with an electoral about-face. Japan's Liberal Democratic Party (LDP) rode the popular prime minister's coattails to a convincing win in the July Upper House ballot. Only three months earlier, the LDP was bracing for defeat. Support for the Cabinet of then-Prime Minister Mori Yoshiro had plunged to single digits. Fearing an electoral embarrassment, the party handed control of its fortunes to the "maverick" in an attempt to head off defeat.

The gambit worked. In the vote, LDP candidates won 64 of the 121 seats that were up for grabs in the July 29 ballot, losing just two constituencies and gaining four seats over its previous showing in the legislature. His three-party coalition now holds a comfortable majority, with 140 places in the 247-seat House of Councilors. Koizumi was then re-elected president of the LDP by acclamation, guaranteeing him at least another two years in office and perhaps even longer.

For all his popularity, Koizumi is a weak prime minister. In fact, his popularity is his only asset. His calls for reform alienate many of his party's traditional constituencies and the politicians that have ridden them to power. In a political institution that has traditionally been governed by the power of numbers, Koizumi has been perilously isolated. In theory, then, the LDP election win provided the prime minister with the popular mandate he needed to face down the old guard within his own party, which is the chief obstacle to reform.

The prime minister's reluctance to detail the specifics of his economic rejuvenation program made sense: he did not want to alienate potential supporters both within his party, the government, and the public before he won his mandate. The United States bowed to the logic of that argument and did not press the prime minister on the details of his economic program even as the Japanese economy deteriorated. Just before the July vote, the stock market hit a 16-year low, industrial production fell for the fourth straight month, housing starts recorded their sixth straight drop, and Federal Reserve Chairman Alan Greenspan told the Senate Banking Committee that "the Japanese system is endeavoring to function without an operating financial intermediation system." Japanese newspapers commented that Koizumi's silence went beyond tactics: it reflected the absence of a plan.

That verdict seems to have been validated by subsequent events. As the summer stretched on, and the U.S. economy itself began to slow, Japanese policy makers remained silent. Fortunately, August is a slow month in Washington and grumblings about the silence in Tokyo were muted. But as the U.S. economy slowed and it became clear that the global economy needed more stimulus, Japan's inaction became more worrying.

### **The Gulf War Ghosts**

A similar pattern of inaction appears to be emerging in the wake of the terrorist attacks on the World Trade Center and the Pentagon on Sept. 11. Upon hearing of the strikes, Prime Minister Koizumi stood firmly with the United States, condemning the attacks, pledging \$10 million in aid, and saying he would stand beside President Bush when the U.S. retaliated. And then there was silence.

It was strikingly reminiscent of previous Japanese responses to crises. In fact, the memory of the Persian Gulf War weighed heavily over Japanese deliberations in the wake of the terrorist bombings. In an off-the-record meeting, Richard Armitage, the No. 2 man in the State Department, met with Yanai Shunji, Japanese ambassador to the United States, to express his concern. Supporters of the bilateral alliance knew that Tokyo had to take action or risk severe criticism in Washington and perhaps even a rupture in the relationship.

Within a week, the Japanese government had cobbled together a seven-point program to respond to the crisis. It included measures allowing the Self-Defense Forces to provide logistical support to the U.S. military in the event of a retaliatory strike; strengthening security measures at important facilities in Japan; dispatching Japanese ships to gather information; strengthening international cooperation over immigration control; providing humanitarian and economic aid to affected countries, including emergency assistance to Pakistan and India; assisting refugees fleeing areas that might be hit by U.S. retaliation; and cooperating with other countries to ensure stability in the international economic system. Pursuant to that plan, Japan provided \$40 million in emergency assistance to Pakistan and dispatched envoys to Iran and Pakistan to help build support for the U.S.-led coalition against terrorism.



In addition, the Japanese government announced that it would send warships to collect intelligence in the Indian Ocean and would provide support for U.S. vessels heading for battle stations. The prime minister also promised to push enabling legislation through the Japanese Diet that would allow the government to implement that package in its entirety.

### **Koizumi Takes a Stand**

Nearly two weeks after the attacks, Koizumi went to the United States to meet President Bush and pay his respects to the victims. Some advisers were concerned about the delay; the prime minister was one of the last U.S. allies to visit Washington and support the U.S. in its time of grief. Nonetheless, his meeting with President Bush went extremely well. Koizumi said, “we Japanese firmly stand behind the United States to fight terrorism.” To emphasize the point, he spoke in English. In a statement designed to banish the ghosts of the Gulf War, the prime minister was explicit: “It will no longer hold that the Self-Defense Forces should not be sent to danger spots. There is no such thing as a safe place.”

At the same time, however, the prime minister was careful to insure that there would be no misunderstanding about what Japan would do for its ally. Mr. Koizumi made it clear that Japan would be bound by its constitutional limits. According to the prime minister, “we are making preparations for a new law that will enable Japan to make all possible contributions on the condition that they do not require the use of force.”

President Bush acknowledged the limits and restraints under which the Japanese operate. He applauded the Japanese contribution and noted “people contribute in different ways to this coalition ... resources will be deployed in different ways – intelligence gathering, diplomacy, humanitarian aid, as well as cutting off resources” to terrorists.

And yet even here, the prime minister’s pronouncements may prove to be too ambitious. There is public support for Japanese assistance to the U.S. in the fight against terrorism. An opinion poll conducted by the *Yomiuri Shimbun* newspaper showed that 87 percent of respondents said Japan should cooperate either “actively” or “to some extent” with the U.S. in efforts to militarily eradicate terrorist organizations responsible for the Sept. 11 attacks. Yet 87 percent of those who favored Japanese cooperation prefer rear-area logistical support such as medical services, transportation, and supply missions. Another

survey taken a week later by the more left-leaning *Asahi Shimbun* showed that 62 percent of Japanese favor support for the U.S., but nearly half – 46 percent – oppose plans to dispatch Self-Defense Forces to provide logistical support for the U.S. military.

Hatoyama Yukio, head of the chief opposition Democratic Party of Japan (DPJ), has warned the prime minister about rushing recklessly ahead. While saying that his party was prepared to discuss new legislation as long as it was within the bounds of the constitution, he called for caution. But opposition is not confined to the opposition. The prime minister's own Liberal Democratic Party has a powerful pacifist wing and it is growing more vocal about Japanese action that might erode support for the Peace Constitution. These groups were initially silent in the aftermath of the attack, but they have become more assertive as time has passed, as have other pacifist groups around the world and within the United States. The opposition of senior party officials, including for example former Secretary General Nonaka Hiromu, has kept the government from sending a top-of-the-line Aegis destroyer to the Indian Ocean as planned.

The government has promised to submit emergency legislation that would allow it to implement Koizumi's seven-point plan, but the timetable already seems to be slipping. An extraordinary Diet session was convened on Sept. 27 but the legislation will not be submitted to the legislature until it wins Cabinet approval, which is slated for early October. Debate and deal-making will take time; there's no guarantee that the United States will wait. The risk, of course, is that the U.S. will strike and Japan will not be prepared to participate.

### **Grim Reports from the Economic Front ...**

The United States is expecting Japan to respond on a second front as well: the economic front. The U.S. economy was slowing even before the Sept. 11 attacks. The strike at the heart of the U.S. financial industry and the blow to the nation's confidence, as well as that of consumers, will magnify recessionary pressures. The world needs Japanese growth now more than ever. The Japanese government has promised to ensure stability: immediately after the attack, the Bank of Japan, the United States Federal Reserve, and the European Central Bank pumped extra liquidity into markets and worked together to ensure financial stability and security. That is not going to be enough.

The world economy needs a boost – it needs Japan to regain its footing and to become an engine of growth. There is little likelihood of that in the near future. The economic statistics in the last quarter are grim. Officially, gross domestic product dropped 0.8 percent in the second quarter of this year. Unemployment remains at a record high 5 percent with 3.18 million people officially unemployed. However, Japan's Ministry of Public Management has conceded that the real unemployment rate may be as high as 10.4 percent, or more than twice the official figure. In its World Economic Report released two weeks after the Sept. 11 attacks, the International Monetary Fund forecast that the Japanese economy would shrink 0.5 percent in 2001 and return to growth of 0.8 percent next year.

U.S. officials have become increasingly concerned about Japan's unwillingness to tackle its bad debt problem, which threatens to overwhelm its banking sectors. Washington is becoming more vocal in its criticism of Japanese inaction and is concerned that vulnerability in Japan's financial system could become a global weakness as well.

At this point, the outlook for Koizumi is grim. The prime minister had promised to end the government's reliance on massive public works spending to try to stimulate the economy, and coincidentally provide money for his party's traditional constituencies. One of his few concrete electoral pledges was a ¥30 trillion (\$250 billion) cap on government bond issuance. The terrorist attacks make such restraint look unlikely with the call for stimulation coming from virtually every quarter.

Moreover, reform as envisioned by the prime minister – or at least as many think it would be envisioned – would necessitate restructuring, including the closure of unprofitable businesses and inefficient public sector organizations. In other words, there would be significantly more unemployment. That is unlikely after Sept. 11.

That day changed Japanese domestic political priorities. Until then, the prime minister's agenda was dominated by economic issues; he was only going to play the security card if he was stalemated on that front and needed to rally support from parts of his party alienated by those measures. Now, however, the security card dominates political considerations and Koizumi needs those votes up front; pursuing them is no longer an option, it is a necessity. In other words, he can no longer afford to alienate the old guard.

As a result, he must abandon for awhile the more ambitious elements of his reform program to ensure support for the security package. No doubt, the dinosaurs are smiling.

Japan must act and must be ahead of events if it is to avoid another embarrassment like that of the decade ago. Koizumi seems cognizant of that, but in this, as in his economic reform program, he does not seem to have the wherewithal, the energy, or the support to push his program through as designed. It is essential that the gap between Koizumi's intentions and the program as delivered be as narrow as possible. Unfortunately, it appears to be growing.

### **No Resting on the SOFA**

Amid the spectacular events of this quarter, there are more mundane, but equally pressing developments. Last quarter closed with reports of a U.S. serviceman in Okinawa being charged with rape. After some initial skirmishing between the two governments, airman Timothy Woodland was turned over to the Japanese authorities. The four-day delay, caused by U.S. concerns about the U.S. serviceman's rights, triggered angry debate in the Diet over the Status of Forces Agreement (SOFA). The Lower House Foreign Affairs Committee passed a resolution that called for "radical review" of the pact. Later, U.S. Secretary of State Colin Powell and Japanese Foreign Minister Tanaka Makiko agreed, when meeting in Rome, to work on ways to improve implementation of the SOFA. Prime Minister Koizumi threw his weight behind the talks, warning Powell that a lack of progress could force him to reopen the agreement. His tough stand may have been influenced by recent comments by Kan Naoto, secretary general of the opposition DPJ: Kan said that if he was running the country, the goal would be to close all the U.S. bases on Okinawa and the marines would be sent home immediately.

### **Rethinking the Constitution**

Even before the terrorist attacks made it a real issue, there has been talk about the need for reinterpretation or revision of the Japanese Constitution. In an interview, new U.S. Ambassador Howard Baker noted that "reality" would push Japan to modify its stand on the limits imposed by the Peace Constitution.

More surprising were the comments of former Prime Minister Miyazawa Kiichi at the 50<sup>th</sup> anniversary of the signing of the peace treaty that ended World War II. Miyazawa, a noted “dove,” conceded that the country should reinterpret the constitution to allow Japan to be a better alliance partner. He said, “I propose that Japan should define the right of collective security as a logical extension of the right of self-defense. This, in my view, does not require revision of Article 9 of the Japanese Constitution. The Japanese government, if necessary, should clarify the interpretation of Article 9 with regards to the right of collective defense.” Little did he know how prophetic those words would sound. [Pacific Forum CSIS has addressed the debate in “United States-Japan Strategic Dialogue: Beyond the Defense Guidelines,” Issues & Insights series, May 2001.]

### **Muted Celebrations**

This new test for the U.S.-Japan alliance comes only days after the two countries celebrated 50 years of peace and their bilateral security treaty. On Sept. 8, high-ranking officials from both countries returned to the San Francisco Opera House where 50 years before their leaders had signed a document that officially ended the state of war that existed between the two governments. There was much to celebrate in San Francisco. The bilateral security treaty and the U.S.-Japan alliance are remarkable accomplishments. It is easy to forget how different the two countries are and how little there is that binds them – apart from the will to create a successful relationship.

Once again the relationship is under strain. This time however both governments know precisely what the danger is and what they must do to avoid it. There are bright, intelligent, and hardworking individuals in both capitals working hard to see that the mistakes of the decade ago are not repeated, and that the alliance survives another half century. In the weeks ahead, we will discover whether their efforts are enough to overcome the inertia that seems to be built into the Japanese political system and that it brings to the alliance. We will also see how virulent the “Koizumi syndrome” really is.

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

### **July - September 2001\***

**July 3, 2001:** Okinawa police obtain arrest warrant for U.S. Air Force Staff Sergeant Timothy Woodland for the alleged rape of a Japanese woman.

**July 9, 2001:** Foreign Affairs Committee of Japan's House of Representatives adopts a resolution calling for a review of the Status of Forces Agreement (SOFA).

**July 18, 2001:** Japanese FM Tanaka Makiko and U.S. Secretary of State Colin Powell meet at G-8 Ministers' Meeting and discuss review of SOFA for handling criminal cases in Rome.

**July 23, 2001:** Secretary Powell meets PM Koizumi in Tokyo.

**July 23, 2001:** Okinawa Gov. Nakasone Masakazu urges Brig. Gen. Gary North, commander of Kadena AFB, to put curfews on U.S. military personnel.

**July 29, 2001:** LDP wins 78 percent of the contested seats, 64 seats, in Upper House elections.

**Aug. 7, 2001:** Tokyo announces it will tolerate weaker yen to fight deflation.

**Aug 10, 2001:** PM Koizumi re-elected head of LDP.

**Aug. 17, 2001:** Tokyo Gov. Ishihara Shintaro secures the use of Yokota Air Base for disaster drill.

**Aug. 22, 2001:** First attempt to raise the Ehime Maru fails.

**Aug. 27, 2001:** Japan's official unemployment rate reached 5 percent in July, the highest level in 50 years.

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\*. Chronology compiled by research assistant Nakagawa Yumiko.

**Aug. 26, 2001:** Financial Services Minister Yanagisawa Hakuo announces his plan to cut Japanese major banks' bad loans from ¥17 trillion (\$142 billion) to ¥7 trillion (\$58 billion) by FY 2007, banks write-off all their bad loans in two or three years.

**Aug. 27, 2001:** The Massachusetts Institute of Technology files lawsuit against SONY Electronics Inc. of New Jersey for digital TV patent infringement.

**Aug. 28, 2001:** PM Koizumi limits supplementary budget to ¥2-3 trillion (\$16.7 billion-\$25 billion), while other ministers claims more funds are needed Minister of Economy, Trade, and Industry (METI) Hiranuma Takeo said that the supplementary budget should be ¥5 trillion (\$42 billion).

**Aug. 28, 2001:** The Defense Agency selects Boeing AH64D Apache as next generation attack helicopter. Fuji Heavy Industries will build the Apache under license. Defense Agency plans to build 10 machines a year through FY 2005 at a cost of about \$50 million a machine.

**Aug. 28, 2001:** Nikkei closes below 11,000 for the first time since Oct. 22, 1989.

**Aug. 29, 2001:** Japanese launches H-2A rocket.

**Aug. 29, 2001:** *Nihon Keizai* reports that the Defense Agency seeks a 1.8 percent increase in its FY 2002 appropriation, excluding support for U.S. bases in Okinawa. The Defense Agency is asking for a total of ¥5.02 trillion (\$42 billion).

**Aug. 31, 2001:** Tokyo conducts first local disaster drill using a U.S. base (Yokota AFB).

**Sept. 1, 2001:** METI Minister Hiranuma and U.S. Trade Representative Robert Zoellick meet in Washington and agree to resume bilateral talks on automobiles.

**Sept. 5, 2001:** Minister Yanagisawa indicates Japan may accept IMF inspections of Japanese financial institutions. In Washington, he meets with Federal Reserve Chairman Alan Greenspan and Securities and Exchange Commission Chairman Harvey Pitt.

**Sept. 5, 2001:** U.S. Treasury Secretary Paul O'Neill calls for Japan to take "decisive action" to revive its economy.

**Sept. 6, 2001:** U.S. Embassy in Tokyo issues a terrorist warning.

**Sept. 6, 2001:** Senior officials of U.S., Japan, and the ROK hold Trilateral Coordination and Oversight Group (TCOG) meeting.

**Sept. 6, 2001:** *Asahi Shimbun* reports that the Defense Agency is planning to shift military priorities from large-scale military invasions to counter-guerrilla warfare, the defense of Okinawa and the southern seas, and coping with disaster in the next National Defense Program Outline.

**Sept. 7, 2001:** Government announces real GDP decreased by 0.8 percent in the April to June quarter, 3.2 percent annual rate. Nominal GDP shrank 2.7 percent, at a 10.3 percent annual rate.

**Sept. 8, 2001:** Fiftieth anniversary of San Francisco Treaty. Secretary Powell and FM Tanaka meet. Former PM Miyazawa Kiichi says Japan should reinterpret Article 9 to allow Japanese troops to assist U.S. forces.

**Sept. 13, 2001:** PM Koizumi supports U.S. retaliation for Sept. 11 terrorist strikes. "It's only natural for President Bush to take strong action." When asked if he support U.S. retaliation, he says "of course."

**Sept. 13, 2001:** U.S. declines Japan's offer of rescue team of 100 troops.

**Sept. 15, 2001:** Deputy Secretary of State Richard Armitage meets Japanese Ambassador to U.S. Yanai Shuji to discuss Japan's possible aid to U.S.

**Sept. 17, 2001:** PM Koizumi prepares to support possible U.S. retaliation by providing logistic support and intelligence, "strong support for U.S. fight against terrorism."

**Sept. 18, 2001:** Tokyo begins discussions on extending aid to the U.S. and financial support to refugees from Afghanistan.



**Sept. 19, 2001:** Koizumi pledges to make any needed legal changes to enable the Self-Defense Forces to provide logistic support. Koizumi rules out any use of military force. Koizumi meets U.S. Ambassador to Japan Howard Baker and offers \$10 million to assist rescue work.

**Sept. 19, 2001:** Coalition agrees to write legislation that allows SDF to protect U.S. bases in Japan, Diet, PM residence, and nuclear power plants.

**Sept. 19, 2001:** Koizumi says Japanese ships would be sent to help U.S. in intelligence collection, shipment of supplies, medical services and humanitarian relief.

**Sept. 25, 2001:** PM Koizumi meets President Bush in Washington.

**Sept. 27, 2001:** Extraordinary session of Parliament opens.

**Sept. 29, 2001:** USTR Robert Zoellick criticizes Japan, “the country that disappointed me most,” for pursuing its domestic interests and asks for it to take a more positive role in international trade talks.

U.S.-China Relations:

## Terrorist Strikes Give U.S.-China Ties a Boost

by Bonnie S. Glaser  
Consultant on Asian Affairs

The Sept. 11 terrorist attacks on the World Trade Center and the Pentagon provided a new strategic focus for U.S.-China relations. Chinese President Jiang Zemin immediately condemned the terrorist actions and offered China's support for the Bush administration's global counterterrorism effort. A week following the attacks, Chinese Foreign Minister Tang Jiaxuan arrived in Washington to prepare for President Bush's late October summit with President Jiang that was to be held in Beijing following the Asia Pacific Economic Cooperation (APEC) Leaders' Meeting in Shanghai. After the Tang visit, Beijing sent a delegation of counterterrorism experts to share intelligence with U.S. officials that might aid the Bush administration's war on terrorism. An important step aimed at avoiding future mid-air collisions was taken when Chinese and American military delegations met on Guam in a special meeting of the Military Maritime Consultative Agreement (MMCA). Earlier in the quarter, discord over China's alleged transfer of missile components to Pakistan that resulted in the imposition of sanctions on a Chinese company. U.S. Secretary of State Powell traveled to Beijing in July for talks with Chinese leaders and reassured the Chinese people that the United States views China as a friend, not as an adversary.

### **Tang Jiaxuan Visits Washington to Confer and Prepare for the Summit**

The Sept. 11 terrorist attacks on the World Trade Center and the Pentagon provided a new strategic focus for U.S.-China relations. U.S. President George W. Bush recognized the need for consultation and cooperation with Beijing as part of a U.S. effort to build a

global coalition against terrorism. President Jiang seized on the opportunity to strengthen bilateral ties and reaffirm China's importance as a permanent member of the UN Security Council. Just hours after the United States suffered the deplorable terrorist attacks, Jiang sent a telegram to Bush that, apart from expressing condolences to the U.S. government and grief for the victims, reiterated the Chinese government's consistent opposition to terrorism. The following day President Bush telephoned Jiang and stated that he looked forward to combating terrorism together with President Jiang and other world leaders.

A week following the attacks, Foreign Minister Tang arrived in Washington for a long-planned visit to prepare for President Bush's late October summit with President Jiang following the APEC meeting in Shanghai. Tang's meeting with Secretary of State Colin Powell was devoted in part to planning the summit agenda and included discussion of nonproliferation, human rights, Taiwan, and missile defense. Terrorism was also a key part of the talks. Tang told reporters after the talks that "We firmly oppose and strongly condemn all forms of terrorism in all their evil acts, and both sides agree to carry out even better cooperation on this question in the future." Powell stressed that China "has knowledge and information" as well as influence in Central Asia that "might be of help to us." In subsequent meetings with President Bush, Vice President Dick Cheney, and National Security Adviser Condoleezza Rice, Tang reaffirmed China's willingness to enhance consultations and cooperation in the fight against terrorism together with the United States and with the international community.

In his meetings, Tang set out criteria for U.S. military action against the perpetrators. In combating terrorism, he said, there should be conclusive evidence against the perpetrators; attacks should be made at specific targets based on reliable information; collateral damage to civilians should be avoided; the U.S. should comply with the United Nations charter; and the UN Security Council should play its "proper" role. These criteria signaled Chinese wariness of a possible unilateral response by the U.S. and a few close allies as well as concerns that U.S. retaliatory strikes might be widespread and based on insubstantial proof. They represented Chinese principles regarding an appropriate response, however; they did not embody preconditions for Beijing's consent and cooperation. Moreover, despite statements by Chinese officials prior to Foreign Minister Tang's visit that China hoped for U.S. "support and understanding in the fight against terrorism and separatists" from Taiwan, Tibet, and Xinjiang, Tang did not request any *quid pro quo* for Chinese cooperation.

The Chinese press reported that Powell and Tang reached the following five-point consensus: First, both the Chinese and U.S. sides committed to making concerted efforts to ensure the success of Bush's visit to China and his summit meeting with Jiang. Second, both sides stressed the importance of consultation and cooperation in opposing terrorism and agreed to strengthen their coordinated efforts in the UN Security Council. Third, both sides held that routine dialogues between the foreign ministries of the two countries are of great significance to the development of Sino-U.S. ties and agreed on visits to the United States next year by Chinese Vice Foreign Ministers Li Zhaoxing and Wang Yi. Fourth, the U.S. and China agreed to strengthen international cooperation in preventing and curing AIDS. Fifth, an agreement was reached to hold an official bilateral dialogue on human rights in the near future.

Following Tang's Washington visit, China sent a delegation of counter-terrorism experts to share intelligence with U.S. officials that might aid the Bush administration's war on terrorism. U.S. and Chinese interests overlap in combating terrorism, but also potentially conflict. Beijing worries about instability in Tibet and Xinjiang, where pro-independence Islamic extremists periodically stage terrorist attacks and bombings. Eliminating the Taliban government in Afghanistan might help eradicate this terrorist threat to China's western regions. At the same time, however, China fears that violence in its backyard carries the potential to destabilize the region in ways that could spill across the border into China. Chinese experts say that a limited U.S. military intervention in Afghanistan would be justified, but warn against a NATO occupation of the country that would bring a U.S. military presence close to China's southwest border. More generally, Beijing doesn't want the U.S. global campaign against terrorism to bolster America's position as the sole superpower in a unipolar world.

### **Wrapping Up the EP-3 Incident**

U.S.-China relations had started to improve in July, beginning with the removal of the EP-3 surveillance plane, which had made an emergency landing on Hainan Island on April 1 after colliding with a Chinese F-8 jet fighter over the South China Sea. Beijing refused to permit the plane to be repaired and flown out, instead insisting that it be cut up into pieces and placed aboard a Russian AN-124 cargo plane. China then presented a bill for \$1 million to the U.S. to cover the costs incurred in housing the plane and taking care

of the 24-person crew while they were detained for 11 days. The Bush administration considered the bill excessive and agreed only to pay \$34,567 for “services rendered and assistance in taking care of air crew, some materials, and the contract to remove the EP-3 itself,” according to Pentagon spokesman Rear Adm. Craig Quigley. China deemed the U.S. offer “unacceptable” and expressed “resolute opposition” to the U.S. side, but the Pentagon insisted that the amount was non-negotiable.

Both sides agreed to disagree on the issue of U.S. reimbursement to China, but Beijing only publicly declared that the matter was no longer a sticking point in the relationship on the eve of Tang Jiaxuan’s visit to Washington. In a press conference, He Yafei, deputy chief of mission in the Chinese Embassy in Washington, D.C., acknowledged that the payment issue remained unresolved, but proclaimed that the EP-3 incident is “behind us.” He underscored the importance of taking into account “the big picture of our bilateral relationship” and stressed U.S.-China common interests in building a safer and prosperous world in the 21<sup>st</sup> century.

An important step aimed at avoiding incidents such as the April mid-air collision was taken in mid-September, when Chinese and U.S. military delegations met on Guam in a special meeting of the Military Maritime Consultative Agreement (MMCA). Representatives from the two militaries discussed general principles of international law and treaties as well as principles and procedures for the safety of military aircraft and military vessels operating in the vicinity of one another. In addition, both sides agreed on the importance of continuing to use the MMCA process to reduce the possibility of air and maritime incidents.

### **Secretary of State Powell Seeks to Set Relations on Right Track**

Following the annual session of the ASEAN Regional Forum (ARF) in Hanoi in July, Secretary of State Powell traveled to Beijing for talks with Chinese leaders. China’s decision to expeditiously release three individuals who had been convicted of spying for Taiwan, one American citizen and two U.S. green card holders, markedly improved the atmosphere for the visit. Nevertheless, Powell raised U.S. concerns about China’s respect for human rights and the rule of law in every meeting in Beijing. He congratulated Jiang Zemin on Beijing’s successful effort to host the 2008 Olympics, but put China on notice that its government would be under scrutiny in the coming years.

“The United States looks forward to seeing the changes in the next seven years that this historic event is bound to stimulate,” Powell told Jiang.

In his separate meetings with President Jiang, Premier Zhu Rongji, and Vice Premier Qian Qichen, Powell stressed that “President Bush seeks to build constructive, forward-looking relations with the People’s Republic of China” and is looking forward to his visit in the fall. In a 24-minute interview that was broadcast on a state-run national television network, but only after the government cut small sections of the interview that included Powell’s remarks on human rights and freedom of religion, the secretary of state reassured the Chinese people that the United States views China as a friend, not as an adversary. After returning from his Asian tour, Powell further distanced himself from those who label China as a “strategic partner” or a “strategic competitor.” In a CNN interview, he maintained that such phrases were “not helpful” and instead insisted that U.S.-China ties be described as “a complex relationship with a broad agenda.”

Powell apparently went to great lengths to explain the Bush administration’s plans to build a missile defense system and tried to persuade his Chinese interlocutors that such a system would not threaten China’s nuclear deterrent. Although Beijing remained unconvinced, the Chinese Foreign Ministry spokesman opted to play down the differences between the two sides on missile defense by declining to repeat China’s long-standing objections to U.S. missile defense plans. Instead, the spokesman noted only that the Chinese government’s position had not changed and emphasized that Beijing was willing to continue bilateral discussions on the subject. Chinese leaders also sought to smooth relations with the U.S. by telling Secretary Powell that they welcome an American presence in the Asia-Pacific region as a stabilizing factor.

At the close of Powell’s visit, officials of the two countries announced in separate news conferences that agreement had been reached on holding a series of bilateral meetings on economic and trade issues. The first of these meetings – the 14th China-U.S. Joint Economic Committee meeting – was subsequently held in September and co-chaired by U.S. Treasury Secretary Paul O’Neill with Chinese Finance Minister Xiang Huaicheng. Tang and Powell agreed to convene a meeting of military experts to discuss maritime safety, which also took place in September. The two sides also reached agreement to restart a formal bilateral dialogue on human rights that was suspended after the United States accidentally bombed China’s embassy in Belgrade during the NATO action

against Serbia in May 1999. Finally, the U.S. and China decided to hold expert-level talks on weapons proliferation.

### **Disagreement over Proliferation Results in Sanctions**

Differences on proliferation matters intensified in this quarter, as Washington accused Beijing of violating its commitments to the Clinton administration and China insisted that U.S. charges were “groundless” and based on erroneous intelligence. Under a Sino-U.S. pact forged in November 2000, China promised not to help any country develop nuclear-capable ballistic missiles. Beijing also agreed to set up comprehensive export controls on missiles and missile-related technology, especially to Pakistan and Iran. In return, the U.S. had offered the carrot of resuming the issuance of licenses for U.S. companies to launch their satellites on Chinese rockets or transfer satellite technology to China.

In August, U.S. intelligence officials leaked to the press that they had evidence of a dozen shipments of missile components since the beginning of the year by a Chinese state-run company to Pakistan. According to these reports, the China National Machinery and Equipment Import and Export Corporation (CMEC) had supplied the missile components for Pakistan’s Shaheen-1 and Shaheen-2 missile programs, both of which are strategic missile systems capable of carry nuclear warheads. During Secretary Powell’s visit to China, he raised this issue with Chinese leaders and underscored the importance of resolving the dispute. China’s willingness to meet with U.S. experts “moved the ball forward,” Powell asserted after his talks in Beijing.

The team of U.S. experts returned from Beijing in late August saying that they were not satisfied with Chinese explanations, however. China contended it had investigated the U.S. allegations and had failed to uncover any violations of the November agreement. One week later, the State Department slapped sanctions on CMEC and Pakistan’s National Development Complex, which was accused of receiving the missile components and technology. The sanctions bar the Chinese and Pakistani companies from importing U.S. items that the State Department and Commerce Department deem as having possible military use for two years. At the same time, the Bush administration invoked a ban on new licenses for U.S. companies to launch satellites on Chinese rockets.

In order for the sanctions to be lifted in time for President Bush's visit to China in October, U.S. officials said that Beijing would have to meet four conditions for controlling the proliferation of missile technology. First, China must halt the exports to Pakistan by CMEC. Second, China must reaffirm its agreement last November to refrain from assisting other countries to develop missiles capable of delivering nuclear weapons. Third, China must drop its contention that missile contracts signed before November 2000 are not covered under the accord. Fourth, China must establish a system of export controls to regulate exports of missiles and missile technology as promised last year.

The Chinese government was taken by surprise by the Bush administration's quick decision to levy sanctions without further consultations with Beijing. China's Foreign Ministry spokesman expressed "strong indignation" and "resolute opposition" to what he termed Washington's "hegemonic act of willfully imposing sanctions against other countries according to its own domestic laws." On the eve of Tang Jiaxuan's arrival in the United States, He Yafei from the Chinese embassy stated that China is still willing to be constructive and engage in dialogue with the United States to find a mutually acceptable solution to the disagreement. He warned, however, that the sanctions would have to be lifted before talks can continue. "The U.S. side cannot expect, as with other countries, to continue with China on nonproliferation consultations while sanctions are in place," He declared. Foreign Minister Tang did not repeat this condition when he gave an interview with *The New York Times* prior to his departure from Beijing. Instead, he suggested that the two sides hold another round of consultations and try to explore "a way of resolution." China "can always be counted upon to live up to our commitments," he added.

### **Enhanced Prospects for Sino-U.S. Cooperation**

The terrorist attacks on the United States have injected new momentum into Sino-U.S. relations and raised the prospects for closer bilateral cooperation. To a significant degree, American and Chinese interests converge in fighting terrorism and Islamic extremism. Thus far, however, it is unclear what forms of assistance the Bush administration will ask China to provide and what Beijing can offer. As a permanent member of the United Nations Security Council, China's vote on any future UN resolutions will be important. In addition, Beijing can urge Pakistan to remain steadfast in its support of U.S. actions.



In the final analysis, however, China has only limited resources to contribute to the counterterrorism war and will not likely be a major player.

Nevertheless, Chinese leaders will likely seek to utilize their cooperation and common interests with the U.S. in fighting terrorism to strengthen the bilateral relationship. Ever since the collapse of the Soviet Union, China has searched for a new strategic basis on which cooperative ties with the U.S. could be founded. It hopes that Beijing's willingness to join with the U.S. in the war on terrorism will raise the value of Sino-U.S. relations in the minds of Bush administration officials and improve China's image in the eyes of the American public.

It is also in America's interest to seize this opportunity to put Sino-U.S. relations on firmer footing. The early hawkishness of the Bush administration toward China has unnecessarily unnerved U.S. allies and friends in the region. While there are important differences between Beijing and Washington that require attention, there are also significant shared security interests and concerns. Both the U.S. and China would benefit from greater stability in East Asia, Central Asia, and South Asia. Chinese support for a U.S. military presence and influence in Asia and elsewhere will be difficult if not impossible to obtain if Bush administration policies convince China that it is the target of a revamped U.S. military strategy.

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

### **July - September 2001**

**July 3, 2001:** The EP-3 surveillance plane that landed on Hainan Island April 1 after a collision with a Chinese F-8 fighter jet is flown out of China in pieces aboard a Russian AN-124 cargo plane.

**July 5, 2001:** President Bush calls President Jiang for the first time and holds a 20-minute discussion; Bush raises concerns about the arrests of U.S. citizens and green card holders by Chinese security forces.

**July 13, 2001:** At a meeting in Moscow, the International Olympic Committee awards Beijing the privilege of hosting the 2008 Summer Olympics.

**July 14, 2001:** China convicts Li Shaomin, a naturalized U.S. citizen and business professor, of spying for Taiwan and orders him expelled.

**July 18, 2001:** The House of Representatives votes 426 to 6 against compensating China for plane-related expenses or for housing the 24 crew members detained for 11 days.

**July 19, 2001:** The House of Representatives defeats an effort to suspend normal trade relations with China 259 to 169.

**July 23, 2001:** Clark T. Randt, a lawyer and former diplomat with 20 years of experience in Asia, takes up his post as U.S. ambassador to China.

**July 25, 2001:** Secretary of State Colin Powell and Chinese Foreign Minister Tang Jiaxuan meet in Hanoi while attending the annual session of the ARF.

**July 26, 2001:** Gao Zhan and Qin Guangguang, two Chinese citizens with United States residency who were sentenced in Beijing to 10 years' imprisonment for espionage, are granted medical parole.

**July 28, 2001:** Secretary Powell meets with a full array of top Chinese officials, including President Jiang Zemin, during a one-day stop in Beijing.

**Aug. 7-10, 2001:** U.S. Senate Foreign Relations Committee Chairman Joseph R. Biden tours Shanghai, Beijing, and Beidaihe.

**Aug. 17, 2001:** Two U.S. aircraft carriers, the USS Carl Vinson and the USS Constellation, hold a one-day exercise in the South China Sea while the PLA conducts major maneuvers off the east coast of China on Dongshan Island.

**Aug. 20, 2001:** The navy aircraft carrier Constellation and six other American warships begin a five-day port call to Hong Kong.

**Aug. 24, 2001:** Deputy Assistant Secretary of State Vann Van Diepen leads a U.S. delegation to Beijing to discuss China's alleged continued transfers of ballistic missile technology to Pakistan.

**Sept. 1, 2001:** The Bush administration imposes sanctions on China Metallurgical Equipment Corp., a major Chinese arms manufacturer, because it allegedly transferred sensitive missile technology to Pakistan despite assurances by Beijing last November that it would refrain from these exports.

**Sept. 5, 2001:** Ambassador Randt skips dinner with Beijing officials in protest over China's blacklisting of Credit Suisse First Boston Inc. The investment bank angered Beijing by inviting senior Taiwan government officials to speak at conferences it sponsored earlier this year.

**Sept. 8-11, 2001:** U.S. Treasury Secretary Paul O'Neill attends the Eighth Asia Pacific Economic Cooperation (APEC) Finance Ministers' Meeting in Suzhou and then travels to Beijing to co-chair the 14th China-U.S. Joint Economic Committee (JEC) meeting with Chinese Finance Minister Xiang Huaicheng.

**Sept. 10, 2001:** A U.S. delegation from the Departments of State and Defense arrives in China to provide briefings on U.S. ballistic missile defense programs.

**Sept. 12, 2001:** President Bush telephones President Jiang one day after the terrorist bombings in New York and Washington, D.C. Jiang sent Bush a message of condolence immediately following the bombings.

**Sept. 14-15, 2001:** U.S. and PRC military officials meet on Guam to discuss ways to avoid maritime incidents. Rear Adm. Steven Smith, director for strategic planning and policy for the U.S. Pacific Command, leads the U.S. delegation to the talks.

**Sept. 17, 2001:** The WTO Working Party on China approves terms that the PRC had negotiated to enter the trade body after almost 15 years of negotiations.

**Sept. 20-21, 2001:** FM Tang visits Washington, D.C.

**Sept. 25, 2001:** Chinese counterterrorism experts meet U.S. officials to share intelligence that might help the Bush administration's war on terrorism.

U.S.-Korea Relations:

## President Kim and His Sunshine Policy:

### Twisting in the Wind

by Donald G. Gross

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As this quarter drew to a close, South Korea endured a domestic political crisis and faced high economic uncertainty for the immediate future. Following a no-confidence vote on Unification Minister Lim Dong-won, President Kim Dae-jung replaced his Cabinet and prepared to govern without his party's control of the National Assembly. This political crisis brought to the surface deep misgivings in South Korean public opinion and among politicians about the president's Sunshine Policy toward North Korea. On top of domestic factors, the terrorist attacks on New York's World Trade Center and the Pentagon in Washington ignited fears about significant international damage to South Korea's economy, which was already in the midst of a slow-down and facing a possible recession. Seoul also fears that Washington's preoccupation with the war on terrorism will further reduce the prospects of a resumption of U.S.-DPRK talks.

Ironically, the South's internal political problems likely influenced North Korea's decision to agree to a new round of inter-Korean talks in mid-September, the first such meeting in five months. While no major progress was reported at that meeting, it appeared to get the inter-Korean peace process back on track, in stark contrast to still-stalled relations between Washington and Pyongyang.

### **International Diplomatic Developments**

The most notable development from July through early September was North Korean efforts to strengthen relations with Russia and China, and thereby obtain greater leverage

in future negotiations with the U.S. and South Korea. North Korea held the U.S. at bay during this period, rebuffing the U.S. announcement in June of its willingness to continue negotiations on key security issues.

In mid-July, the State Department officer director for Korea, Ed Dong, met with DPRK representatives at their UN mission in New York to explain the Bush administration's decision to resume negotiations. Although no detailed public statement emerged from this meeting, Dong presumably discussed the diplomatic modalities for getting negotiations underway. This contact took place in the context of a North Korean reaction to the new Bush policy that was less than enthusiastic. In its official media, the DPRK accused the U.S. of attempting to put "conditions" on resumption of negotiations by adding conventional force issues to the negotiating agenda.

In late July, Secretary of State Powell, visiting Seoul, clarified that while conventional forces would be on the *U.S.* agenda, the U.S. was prepared to meet North Korea “without preconditions.” Powell also urged Russian President Vladimir Putin to put pressure on North Korean leader Kim Jong-il to resume negotiations with the U.S. as well as to make a return summit visit to South Korea. Prior to Kim Jong-il’s meeting in Moscow, U.S. Senate Foreign Relations Chairman Joseph Biden also urged the Russian president to provide assistance to Pyongyang on missile verification matters.

In some respects, the joint communiqué issued in Moscow on Aug. 5 clarified North Korea’s response to the new Bush policy. North Korea confirmed its moratorium on the testing of new missiles, but called once again for the withdrawal of all U.S. troops from the Korean Peninsula. In the joint statement, Russia indicated its “understanding” of this North Korean position on troop withdrawals, without fully endorsing it. Presumably, North Korea’s assertion of its standard position on the status of U.S. troops was a response to the U.S. desire to address the issue of conventional forces. The Bush position represented a decided shift from the Clinton administration policy of focusing on missiles and weapons of mass destruction in bilateral U.S.-DPRK negotiations. It may well have caught the North Korean regime by surprise and thus triggered an internal reassessment in North Korea over how to deal with it.

In an overall sense, the Putin meetings with Kim Jong-il in early August underlined the importance Russia gave to allaying a U.S. confrontation with North Korea. Aside from the discussions of security issues, Putin stressed, in general, the importance of economic development and cooperation with North Korea, and in particular, the importance of reconnecting the trans-Siberian railway linking Korea with Russia.

North Korea continued its campaign to build international support through early September when it welcomed Chinese President Jiang Zemin on a three-day visit to Pyongyang. One day before the visit began, Kim Jong-il announced North Korea was prepared to resume inter-Korean talks with South Korea. Presumably, North Korea took this action to show it was acting independently of Chinese pressure, although one of President Jiang’s explicit purposes was to re-start North-South talks as well as to encourage North Korea’s negotiations with the U.S. and Japan. No official joint communiqué emerged from this state visit, although Pyongyang exerted maximum efforts to demonstrate public friendship and a close alliance relationship with Beijing.

In early September, the U.S., Japan, and South Korea conducted another of their regular TCOG (Trilateral Coordination and Oversight Group) meetings. Not unexpectedly, the official statement of the group expressed support for resumption of inter-Korean talks and once again urged Kim Jong-il to make good on his promise to make a return visit to Seoul.

Shortly before the opening of the Sept. 15 inter-Korean talks in Seoul, the tragic terrorist attack on the World Trade Center and Pentagon occurred. The primary concerns in Korea-related diplomacy were North Korea’s reaction and whether a far tougher U.S. anti-terrorism policy would further disrupt U.S.-North Korea relations. Although North

Korea had indicated a willingness to publicly renounce terrorism toward the end of the Clinton administration (in exchange for being taken off the U.S. list of countries supporting terrorism), that agreement was never consummated. So at least as a technical legal matter and based on its past record of undertaking terrorist acts, North Korea could have been considered a legitimate target of American wrath.

This possibility seemed to dissipate, however, when North Korea issued a strong statement of sympathy for the United States and condemned the terrorist attacks approximately two days after they occurred. President Kim Dae-jung, in voicing support for any U.S. reprisal measures, also called for a joint anti-terrorism declaration by the two Koreas at the resumed inter-Korean talks, presumably as an additional measure to defuse the issue and reassure the United States. On the ground in South Korea, security tightened considerably at all U.S. bases and official offices as part of the global U.S. effort to increase readiness. U.S. Forces Korea put its soldiers on the highest level of alert to deal with any unexpected military provocations.

In order to demonstrate solidarity with the U.S., following the terrorist attacks, Korea announced that it would “provide all necessary assistance to the United States...” The ROK National Security Council initially decided to provide non-combatant support in the way of a military hospital unit and transportation aircraft. The government did not rule out the possibility of sending combat troops to help retaliate against the terrorists, but was said to be leaning to providing the same kind and level of support it provided during the 1991 Persian Gulf War. At that time, Seoul gave \$500 million in aid and sent transportation and medical teams to assist the U.S.

Going into mid-September’s inter-Korean talks, a primary South Korean objective was facilitating a decision by Kim Jong-il to visit Seoul by the end of 2001. Although negotiators did not officially include this item on their agenda, South Korean officials hoped that the leader of the North Korean delegation would have the authority to enter into discussions on this issue.

From the ROK standpoint, the window of opportunity for a return Kim Jong-il visit – with its important goal of advancing the Sunshine Policy and inter-Korean reconciliation – would only last through 2001. After that, a decision by the North Korean leader to visit South Korea would likely expose President Kim Dae-jung to severe domestic political criticism: he could be accused of attempting to manipulate South Korean politics (or allowing Kim Jong-il to do so) in the context of South Korea’s presidential campaign, which begins in earnest in January 2002.

Observers considered the results of the inter-Korean talks positive, but no news emerged about a possible Kim Jong-il visit. Negotiators announced agreement that members of divided families from the Korean War would be able to exchange visits in mid-October. Moreover, their agreement called for close cooperation on the Russian proposal to link the South and North Korean railways with the trans-Siberian railway. Among other measures, they agreed to hold future working-level discussions on constructing the proposed industrial complex in Kaesong, just north of the 38<sup>th</sup> Parallel.



In terms of “atmospherics,” observers noted North Korea’s attempt to “hype” the meaning and significance of the ministerial talks. Upon conclusion of the talks, North Korea commented officially that “the talks confirmed once again the validity and vitality of the historic June 15 North-South Joint Declaration and marked a momentous occasion in opening a new turning phase in developing the inter-Korean relations ... instilling hope and confidence into the fellow countrymen.” Why North Korea rhetorically embraced the significance of the inter-Korean talks was not clear, though some commentators suggested it was an indirect way of seeking shelter from possible U.S. anger toward North Korea over “terrorism.”

### **Domestic Political Turmoil**

South Korea’s resumption of negotiations with North Korea in mid-September followed a month-long period of considerable internal political turmoil in Seoul. Kim Jong-il’s diplomatic strategy of building relations with Russia and China while ignoring South Korea and the United States had the effect of undercutting President Kim in South Korean public opinion. Not in a strong position in the first place because of South Korea’s economic weakness and National Assembly infighting, North Korea’s indefinite suspension of inter-Korean talks further discredited the president’s trademark Sunshine Policy. Critics regularly accused him and his administration of engaging North Korea without adequate reciprocity on Pyongyang’s part and of otherwise showing a naïve faith in taking a largely benign view of North Korea’s policies.

A crisis built in the second half of August within President Kim’s political coalition, which for over two years had allied the president’s own party, the Millennium Democratic Party (MDP), with the United Liberal Democrats (ULD), led by former Prime Minister Kim Jong-pil. During Aug. 15 Independence Day festivities in Pyongyang, South Korean participants broke a specific pledge not to show support for the North Korean regime, and thus violated South Korea’s National Security Law. Following their return, Kim Jong-pil called for the resignation of Unification Minister Lim Dong-won, who had permitted their participation in the North Korean celebration. When President Kim refused to demand the resignation of his minister, who is widely considered the architect of the Sunshine Policy, the National Assembly passed a nearly unprecedented no-confidence motion. At that point, Minister Lim and the entire South Korean Cabinet resigned, opening the way for President Kim to appoint a new government.

The break-up of the ruling coalition, together with the no-confidence vote in Unification Minister Lim, cost President Kim his parliamentary majority and conveyed a sense of disarray in the executive branch to the Korean public. These outcomes were considered victories for the opposition Grand National Party (GNP), which is vying to replace the president with its own candidate during the December 2002 national election.

President Kim could take some comfort from the fact that one ULD Blue House official, Prime Minister Lee Han-dong, accepted the president’s request that he remain in the

government to ensure continuity and maintain public support. As a conservative politician, Prime Minister Lee broadened the political base of the government and insulated President Kim, to some extent, from attacks for representing minority “leftist” views. For his decision to remain in office, Prime Minister Lee was ejected from the ULD and branded a “traitor” by his former compatriots.

A new domestic political crisis for President Kim erupted in late September when the main opposition party, the GNP, sought appointment of a special prosecutor to investigate charges of influence-peddling in the president’s home province of Cholla-do. Appointment of a special prosecutor, which requires parliamentary approval, was seen as a test of the new political alliance between the GNP and the ULD.

### **Economic Developments**

Even before the terrorist attack on the United States, there were fears throughout the ROK that the economy would remain stagnant. Primarily because of the slow-down in the United States and the resulting decrease in demand, Korean exports to the U.S. continued to drop during the third quarter. Overall exports for 2001 are expected to be approximately 10 percent below their 2000 levels.

By the end of the quarter, numerous private think tanks were revising downward their 2001 and 2002 growth figures for the economy. In 2001, the economy is now expected to grow less than 2.8 percent. Earlier in the year, the government had suggested the economy could grow by roughly 4-5 percent. In 2002, various think tanks are suggesting growth will be lower than the 5 percent earlier predicted by the government. The government’s projection had been premised on stabilization and growth in the U.S. economy during the first half of 2002.

The terrorist attacks in the United States caused a wave of economic pessimism, based largely on worst-case scenarios that anticipated a sharp contraction of the U.S. economy. With a projected global economic downturn, sharply higher oil prices, further drops in U.S. consumer demand for Korean products, and generally lower industrial output, economists worried that even their scaled-down projections for growth in 2002 were overly optimistic.

In fact, shortly after the terrorist attack, the Korean stock market hit a three-year low and the government decided to institute a package of stabilization measures, including injecting about \$5 billion in public funds into the market, setting up a special fund, and easing various stock regulations. The eased regulations were designed to encourage financial institutions to expand their investments in Korean stocks.

As a consequence of the worsening economic projections, major Korean business conglomerates focused on developing new strategies for the months ahead. To counter a loss of liquidity due to possibly higher oil prices and military conflict in the Middle East, the chaebol encouraged their member companies to build up extra liquidity and supplies

of raw materials to support their production base. They were also developing contingency plans for business operations in the event of a sharp economic downturn.

One bit of good economic news was the late September announcement that GM had signed a memorandum of understanding to take over the ailing auto-maker, Daewoo Motors. The sale of Korea's second largest automobile manufacturer is considered a key element of the Korean government's drive to carry out restructuring of unprofitable enterprises.

### **Prospects for the Future**

As a result of the terrorist attack on the United States, U.S. foreign and defense policy has acquired a new, singular focus. Washington is directing its main regional attention to the Middle East and is striving to build a lasting international coalition, which includes Russia and China, that will endorse tough anti-terrorist measures. As a superpower, the U.S. government is certainly able to "walk and chew gum at the same time" in bureaucratic parlance. But it is not clear whether the administration will be able to devote the degree of attention required in the crucial coming months to launch a new round of productive bilateral negotiations with North Korea and to help foster inter-Korean reconciliation.

Perhaps a greater difficulty and a bigger question mark is the domestic political strength of South Korea's Sunshine Policy. North Korea's determined effort, from March to early September, to suspend inter-Korean talks, ignore South Korea, and enhance diplomatic relations with Russia and China took a political toll on President Kim. North Korea's tactical approach made President Kim look weak and foolish in the eyes of National Assembly members and the South Korean public. That, together with former coalition partner Kim Jong-pil's possible presidential ambitions, made his government vulnerable to the no-confidence motion on Minister Lim and led to the break-up of the president's ruling parliamentary coalition.

The only "good news" from the standpoint of President Kim is that inter-Korean ministerial talks are now back on track and seem to be making moderate progress. But "moderate progress" may not be enough unless it leads soon to the kind of breakthrough in inter-Korean relations that the president seeks: a new agreement to implement the 1991 North-South agreement that provided for comprehensive reconciliation measures. Once South Korea moves into the presidential campaign season in early 2002, such a breakthrough will prove even more difficult to achieve than it does now. Meanwhile, President Kim's outspoken desire to see some movement in U.S.-DPRK relations could generate strains between Seoul and Washington.

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

### **July - September 2001**

**July 1, 2001:** Family of seven North Korean defectors arrives in Seoul. South Korean government reports *chaebol* actual debt ratios exceed 300 percent.

**July 5, 2001:** Sales of foreign cars in South Korea reported to increase by 80 percent in first half of year.

**July 15, 2001:** U.S. official meets North Korean representative in New York to discuss resuming dialogue.

**July 20, 2001:** Korean Development Institute lowers growth estimate to 4 percent for 2001.

**July 25, 2001:** At annual meeting, ASEAN Regional Forum (ARF) urges both Koreas to hold a second summit.

**July 26, 2001:** North Korean leader Kim Jong-il arrives in Vladivostok at beginning of 10-day trip to Russia.

**July 27, 2001:** In Seoul, Secretary of State Powell urges Russia to press Kim Jong-il on resuming negotiations with U.S. and making return visit to South Korea.

**July 28, 2001:** Report of drop in South Korea's industrial output in June, first since October 1998.

**Aug. 1, 2001:** Government reports major drops in South Korean exports and imports.

**Aug. 2, 2001:** IMF recommends major restructuring for the South Korean economy to return to growth in 2002.

**Aug. 5, 2001:** In a joint statement, Russian President Putin and Kim Jong-il confirm North Korea's missile test moratorium; Kim also calls for withdrawal of U.S. forces from Korea.

**Aug. 9, 2001:** U.S. reiterates it seeks talks with North Korea without preconditions.

**Aug. 15, 2001:** In Pyongyang, 100 members of a South Korean delegation participate in event supporting North Korea's concept of reunification, triggering protests in Seoul.

**Aug. 18, 2001:** Seoul announces U.S. Federal Aviation Administration has downgraded South Korea's air safety rating.

**Aug. 21, 2001:** Authorities arrest 16 members of South Korean delegation to Pyongyang for violation of the National Security Law.

**Aug. 24, 2001:** South Korea announces it has fully repaid all IMF loans received during the Asian financial crisis.

**Aug. 30, 2001:** President Kim rejects demand to fire Unification Minister Lim Dong-won for actions of South Korean delegates to North Korean unification event.

**Sept. 2, 2001:** North Korea offers to re-open inter-Korean talks with South Korea.

**Sept. 3, 2001:** National Assembly passes no-confidence motion against Unification Minister Lim, triggering his resignation.

**Sept. 3-5, 2001:** Chinese President Jiang Zemin begins three-day visit to North Korea.

**Sept. 4, 2001:** Trilateral Coordination and Oversight Group meets in Tokyo.

**Sept. 5, 2001:** President Jiang completes visit to Pyongyang, urging an improvement of North Korea's ties with the U.S., Japan, and South Korea.

**Sept. 6, 2001:** South and North Korea reach agreement on resuming inter-Korean dialogue.

**Sept. 7, 2001:** Premier H.D. Lee decides to remain in President Kim's Cabinet.

**Sept. 12, 2001:** KOSDAQ stock index plunges to the lowest point in three years.

**Sept. 13, 2001:** North Korea issues statement denouncing terrorist attack on the U.S.

**Sept. 18, 2001:** At inter-Korean ministerial talks, delegates agree to a new reunion of divided families as well as accelerating preparation of the North-South railway link.

**Sept. 19, 2001:** Conservative opposition parties seek appointment of special prosecutor to investigate President Kim's political allies.

**Sept. 20, 2001:** Bank of Korea says economy grew 0.5 percent during the third quarter, well below prior estimates of 2-3 percent.

**Sept. 21, 2001:** GM signs a Memorandum of Understanding to acquire Daewoo Motors.

**Sept. 24, 2001:** South Korea announces it will provide non-combatant medical support to help the U.S. in a war on terrorism.

**Sept. 25, 2001:** President Bush announces that he will not visit Seoul, Tokyo, and Beijing

during his October APEC Leaders' Meeting trip.

**Sept. 27, 2001:** South Korea announces that President Bush and President Kim will hold a summit meeting on the sidelines of the APEC Leaders' Meeting.

## U.S.-Russia Relations: Will Terrorism be a Salve for Bilateral Relations?

by Joseph Ferguson  
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The events of Sept. 11 put the U.S.-Russia relationship in a whole new perspective. Many are asking whether the leading items on the bilateral agenda of yesterday will take a back seat to the pressing issues of today. Until the terrorist attacks, discussions of missile defense and the Anti-Ballistic Missile (ABM) Treaty, which had assumed a position of major importance in defining the bilateral relationship, seemed dead in the water. The decision to expand NATO to include the Baltic nations in 2002 seemed a foregone conclusion. Chechnya threatened to become a sore point again in relations, as did the issue of freedom of the press. But since Sept. 11, things may have changed. Many analysts are speculating that Russia can use cooperation in the fight against terrorism as a bargaining chip. The new U.S. ambassador in Moscow, Alexander Vershbow, however, has insisted that the agenda with Russia remains unchanged. Vershbow declared soon after the attacks that the U.S. will push ahead with national missile defense (NMD), NATO expansion, and will continue opposing Russian actions in Chechnya. Whatever may be the case, President Vladimir Putin has been unequivocal in his support for the United States, and Washington has much to be thankful for this. Putin undoubtedly realizes, however, that Russia is walking a tightrope.

### **Before Sept. 11**

The bilateral agenda all summer long was centered on missile defense and the ABM Treaty. One American delegation after another crossed the Atlantic to discuss with Russian counterparts how the United States might deploy a national missile defense system without having to confront Russia over the ABM Treaty. National Security Advisor Condoleezza Rice twice visited Moscow to discuss this issue. Secretary of Defense Donald Rumsfeld also made a visit to Russia. Joining the parade of high-ranking U.S. delegates were Deputy Secretary of State Richard Armitage, Deputy Secretary of Defense Paul Wolfowitz, and Undersecretary of State John Bolton. All of these visits were centered on the ABM/NMD issue. In each case there seemed to be little progress. The United States insisted that an NMD system would be deployed and that Russia would have to live with it. Russia countered that a breach of the ABM Treaty would threaten the entire foundation of arms control agreements brokered since the early 1970s.

Presidents Bush and Putin met at the G-8 summit in Genoa, Italy in July and reportedly cemented a deal in which the two agreed to massive cuts in nuclear missiles in exchange for Moscow turning a blind eye to a U.S. withdrawal from the ABM Treaty. Afterward, Putin distanced himself from these reports and denied that Russia was lifting its opposition to U.S. deployment of an NMD system.

Other issues also appeared to be heading toward an impasse. In response to reports that NATO intended to expand into the Baltic states, Putin stated that it would take a “sick mind” to imagine that Russia posed a threat to Europe. In spite of Russian expectations to the contrary, the Bush administration had harped on human rights issues in Chechnya and in Russia itself. Press reports from Russia all summer commented on the malaise in relations that had set in after an optimistic second quarter. Then things changed overnight.

### **After Sept. 11**

President Putin was the first foreign leader to contact President Bush after the terrorist attacks in New York and Washington. This gesture was much noticed and much appreciated in Washington. Putin spoke of the need to eradicate terrorism and stated that Russia would do whatever was necessary to help the United States. Though there appeared to be some backtracking by Russian officials over the next week, by the end of September it was clear that Russia was firmly in the U.S. camp. In a televised address to the Russian nation on Sept. 24, Putin authorized the flight over Russian territory of U.S. planes conducting humanitarian and support missions in Central Asia. He also held out the possibility of conducting search and rescue missions in Afghanistan, were the United States to request Russian assistance. Putin promised that Russia would increase its military support of the Northern Alliance, Russia’s quasi-allies in Afghanistan who have fought the Taliban over the past half-decade. He also reportedly spoke with the presidents of the former Soviet republics of Central Asia and told them that the decision to allow U.S. forces to use bases in these territories would be supported by Moscow. The Bush administration was effusive in its praise of Russian support. Russia has always equated the war in Chechnya with the international struggle against terrorism. Russian leaders are all but saying, “we told you so.”

Russia itself has been a victim of terrorist attacks since the first Chechen War in 1994-96. It has long been suspected that various groups operating in Chechnya (or supporting Chechen separatists) carried out many of these attacks. Russia has insisted that Osama bin Laden supports Chechen “bandits,” and that Arab mercenaries like the “warlord” Khattab are fighting alongside them in Chechnya. As Putin stated in his televised address, “Russia has long been waging self-reliant combat on international terrorism and has on many occasions appealed to the international community to join hands against it.” Undoubtedly, Russian leaders hope that the U.S. declaration of war against terrorism will give them a free hand in Chechnya to prosecute the war as they see fit. This is the spin that all major newspapers in Russia are playing. In this respect, Russia hopes to play the fight against terrorism like Israel did in the Persian Gulf War in 1991: sit back and allow the United States to exterminate a sworn enemy, and do what one pleases internally (in



Chechnya) and hope the international community turns a blind eye. They also hope to play it as Egypt did in 1990-91: support the United States and hope for debt relief.

To expect the Bush administration to completely halt its criticism of Russian actions in Chechnya, however, may be expecting too much. Much depends on the length and severity of the conflict against terrorist networks. An increase in terrorist activities around the world could cause a backlash in the Bush administration and diminish concern for the rights of the Chechens. On the other hand, Washington might take a more severe stance toward Russian actions in Chechnya and pressure them to negotiate. The latter option would be a much wiser choice for the Bush administration. In return for unqualified Russian support it would be best to offer Moscow carrots unrelated to security issues, such as partial debt forgiveness.

Many experts feel that Russia is more apt to be on the receiving end of a terrorist backlash. Most Russians feel that the front line of international Islamic terrorism begins in Chechnya, and Russian cities are but one step away from there. Analysts in the Russian press express concern that if Moscow supports U.S. military actions across the region, Russia will be left without any type of security guarantee. Most of Russia's major dailies have enunciated these fears. NATO members, they point out, can be guaranteed a security net. But where will Russia be? This has increased calls for Russian membership in NATO and a restructuring of that organization to combat terrorism, rather than prepare for a conventional ground war in Europe.

Other analysts (mostly Western) have written that Russia's chief concern is not fear of a terrorist backlash. Instead, the real fear is that U.S. influence in Central Asia would grow (and Russian influence decline), should a successful campaign be carried out with Uzbek, Tajik, or Kazakh assistance. Defense Minister Sergey Ivanov initially stated Russian opposition to any U.S. deployment in the former Soviet republics of Central Asia. "Central Asia is within the zone of competence of the CIS Collective Security Treaty – [there are] no grounds, even hypothetical, for a possible NATO deployment in Central Asian States," he said soon after the attacks. Once it appeared, however, that these young republics might allow U.S. basing rights anyway, Moscow was quick to assure the states of Central Asia that Moscow would support any U.S. deployment in the region. But as Dmitri Rogozin, chairman of the State Duma Committee on Foreign Relations noted, "If the United States uses military bases on the territory of the Commonwealth of Independent States, it is important to make sure that these don't become permanent residences for the Americans." The concerns about U.S. designs on Central Asia still loom large in Moscow.

The new situation could also create interesting dilemmas and/or opportunities for the American-Chinese-Russian strategic triangle. The Shanghai Cooperation Organization (SCO – comprising four Central Asia states and China and Russia) hardly registered on the U.S. radar screen as anything other than a tool for furthering Sino-Russian rapprochement. The participants, however, have stated from the beginning that the forum was created to share intelligence on Islamic separatist movements in the region and to discuss ways to jointly combat terrorist forces linked to these movements. Now that all

members of the SCO (save perhaps Kyrgyzstan) are offering assistance, the United States might find this organization extremely useful. China is wary of spillover, including refugees from Afghanistan into Xinjiang and terrorist attacks in Chinese cities. It seems that on this score, however, China is much less vulnerable than Russia. But like Russia, China is also concerned that this crisis will provide an opportunity for the United States to expand its influence in Central Asia, a region where Chinese influence had been growing. Energy (specifically pipeline) issues also leave Beijing and Moscow nervous. Both countries have felt that U.S. activities in Central Asia are attempts to gain control of key energy export routes. The fight against terrorism has only slightly mollified these concerns.

It will take several years to see the picture clearly; nonetheless, Sept. 11 might one day be seen as the day U.S.-Russia relations were changed forever.

### **Chronology of U.S.-Russia Relations July - September 2001**

**July 5-6, 2001:** A delegation of U.S. Congressmen led by House Minority Leader Richard Gephardt visits Moscow and meets with Duma counterparts and Foreign Minister Igor Ivanov.

**July 10, 2001:** U.S. Ambassador James Collins leaves Russia after serving four years in Moscow.

**July 12, 2001:** The U.S. State Department and the Pentagon announce that the United States will soon begin conducting tests to help with the deployment of an NMD system; the tests “will come into conflict with the ABM Treaty in months, not years.”

**July 13, 2001:** The U.S. Senate confirms the nomination of Alexander Vershbow as the next ambassador to Russia.

**July 15, 2001:** U.S. National Security Adviser Condoleezza Rice visits Moscow to discuss the ABM Treaty and plans for a U.S. deployment of an NMD system.

**July 21-22, 2001:** U.S. President George Bush and Russian President Vladimir Putin meet at the G-8 summit in Genoa, Italy. It is reported that they worked a deal that ostensibly will iron out differences over the ABM Treaty, linking the construction of an NMD system with cuts in the nuclear arsenal of both countries.

**July 25, 2001:** National Security Adviser Rice returns to Moscow with a mandate from President Bush to put arms control talks with Russia on a “fast track.” Concurrently, U.S. Treasury Secretary Paul O’Neill and Commerce Secretary Donald Evans arrive in Moscow to discuss attempts to step up economic cooperation.

**July 30, 2001:** Both the Russian and Western press report that Russia has begun testing and deploying RS-12M Topol (SS-25) ballistic missiles in response to NMD ambitions.

**Aug. 3, 2001:** American Fulbright scholar John Tobin is released from prison after receiving parole for good behavior a full six years before his sentence was due to end. Tobin's incarceration was seen as part of the crackdown on academics in Russia associated with the "spy mania" that had erupted last winter in both countries.

**Aug. 7, 2001:** A Russian defense delegation visits the Pentagon to discuss the ABM Treaty.

**Aug. 12, 2001:** U.S. Secretary of Defense Donald Rumsfeld visits Moscow to discuss with his counterpart Sergey Ivanov missile defense issues and the ABM Treaty.

**Aug. 21, 2001:** U.S. Undersecretary of State John Bolton arrives in Moscow to meet with Russian Deputy Foreign Minister Georgii Mamedov and other top officials about missile defense.

**Sept. 9, 2001:** On Sunday morning talk shows Secretary Rumsfeld and National Security Adviser Rice state that the U.S. will push on with the deployment of an NMD system and a deal over the ABM Treaty is unlikely.

**Sept. 11, 2001:** Shortly after the terrorist attacks in New York and Washington, President Vladimir Putin is the first foreign leader to call President Bush and offer condolences and support.

**Sept. 12, 2001:** President Putin announces that Russia is standing by and ready to help in the rescue efforts in New York, and Russia will share intelligence on terrorist networks and operations around the world.

**Sept. 13, 2001:** Across Russia, citizens observe a minute of silence in memory of those who perished in the terrorist attacks in the U.S.; more than 90 Russian citizens are missing in New York.

**Sept. 16, 2001:** Defense Minister Ivanov rules out "even hypothetical assumptions" that Russia and other former Soviet states would lend troops or bases to any NATO military action.

**Sept. 19, 2001:** Russian Foreign Minister Igor Ivanov meets with President Bush and Secretary of State Colin Powell in Washington. Ivanov reiterates President Putin's promise of Russian support in the war against terrorism. Deputy Secretary of State Richard Armitage arrives in Moscow to discuss the support Russia is willing to offer.

**Sept. 22, 2001:** U.S. warplanes are reportedly deployed to Uzbekistan and Tajikistan in preparation for potential air strikes on Afghanistan. If these reports are true, the Russian decision to allow overflight appears to be an abrupt distancing from earlier comments by Defense Minister Ivanov that U.S. or NATO troops would not be allowed to deploy in former Soviet Central Asia.

**Sept. 23, 2001:** Putin telephones Bush and promises more support and more intelligence on terrorist networks in Central Asia. He also phones the presidents of the Central Asian republics and gives them the OK to allow the deployment of U.S. forces in their countries.

**Sept. 24, 2001:** In a televised speech Putin announces that Russia will increase its assistance to the Northern Alliance operating against the Taliban in Afghanistan to help the world struggle against terrorism. He also says that Russia will allow U.S. overflight of its territory by planes conducting “humanitarian” missions.

## U.S.- Southeast Asia Relations: Solid in Support of the U.S. ...So Far

by Lyall Breckon  
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For this quarter and far into the future, the benchmark for U.S. relations with countries in Southeast Asia – as elsewhere – will be how they respond to the new level of global terrorism initiated in New York and Washington on Sept. 11, and to Washington's call for a worldwide coalition to combat terrorism. Nearly all Southeast Asian governments quickly expressed horror and sympathy. Practical responses were mixed, ranging from unconditional promises of support for military action to some reluctance to become involved, at least for public consumption. U.S. relations with Indonesia warmed substantially with the inauguration of President Megawati Sukarnoputri and her highly successful visit to Washington barely a week after the attacks. Megawati's condemnation of Islamic violence, as spokesperson for the world's largest Islamic country, was particularly welcome. A worrisome backlash surfaced in Indonesia, however, from mainstream Islamic groups as well as extremists.

On other fronts, ASEAN's round of ministerial-level meetings in July produced many words but few concrete results. They did offer an opportunity for U.S. Secretary of State Colin Powell to make clear that the Bush administration was committed to the region. The sharpest criticism of ASEAN's current state came from within, with some leaders calling for efforts to move toward faster integration. In July, Philippine President Gloria Macapagal-Arroyo announced a shift toward expanded relations, including security relations, with the United States.

### **Response to Sept. 11 Terrorism**

Nearly all Southeast Asian governments promptly condemned the Sept. 11 hijackings and terrorist attacks on the World Trade Center in New York and the Pentagon, and expressed deep sympathy for the American people and government. As it became clear that the attacks represented an intricate conspiracy, carefully planned over several years by a network of radical Islamic terrorists working in many countries, Southeast Asians realized the events of Sept. 11 signaled serious new risks for their own security.

Offers of support ranged from the concrete – use of military facilities and dispatch of personnel, in the case of the Philippines – to more conditional expressions, depending on what would be asked and what form the U.S. military response would take. Several regional governments already face armed Islamic opposition within their own borders,

feeding on perceived grievances going back decades or longer, challenging social values, the political order, and in some cases national identity and state integrity. Siding overtly with Washington carried the risk of aggravating these groups. Evidence surfaced that Sept. 11 plotters were physically present in the Philippines and Malaysia as they developed their plans.

Beyond domestic security concerns, Southeast Asian governments also quickly recognized that the economic effects of the attacks would reduce their own chances of recovering from the slow or negative growth rates they were already experiencing.

Much attention was on Indonesia, the world's largest Islamic country, and its new president, Megawati Sukarnoputri. She announced almost immediately that she would carry through on plans to visit the United States the week following the attacks (see below), a visit with great symbolic importance under the circumstances. In New York, she condemned the attacks as "the worst atrocity ever inflicted in the history of civilization." In her joint press statement with U.S. President George W. Bush on Sept. 19, Megawati expressed solidarity and pledged to strengthen cooperation in combating international terrorism.

In Jakarta, however, Megawati's own vice president, Hamzah Haz, blurred her message, by expressing hope that the attacks would "cleanse America of its sins." Islamic groups voiced opposition to Megawati's stand, threatening to bring her down if she supported U.S. attacks against Afghanistan. The Council of Ulemas, representing the mainstream leadership of Indonesian Islam, on Sept. 25 stated that any attack on Afghanistan would be an attack on Islam and urged Muslims everywhere to mobilize against it. Extremists in Jakarta and other cities "swept" hotels for Americans and threatened to attack American citizens, the U.S. embassy, and "wipe out all U.S. facilities" in Indonesia. Indonesian police stepped up security, but were not acting against the groups threatening violence. On Sept. 26, Washington authorized non-essential U.S. mission personnel and family members to leave Indonesia and warned against private travel. This step, while unavoidable, will heighten concern on the part of all expatriate workers living in Indonesia and further weaken foreign investor confidence, already near rock bottom.

Of all Southeast Asian leaders, Philippine President Gloria Macapagal-Arroyo offered by far the strongest backing for the United States. Immediately after the Sept. 11 attacks she promised "all-out support" and was the first to respond positively after President Bush's Sept. 20 address to Congress. On Sept. 26, Arroyo said her government would allow the United States to use Philippine airfields and facilities for the transit and staging of military forces in responding to the attacks and would be prepared to deploy Philippine support and medical personnel, and even combat forces. The following day she announced that her representatives had begun talks with Indonesia and Malaysia on forming a common front against terrorism and hoped for agreement on proposals in time for the ASEAN summit meeting later this year.

Arroyo's stance was courageous, not least because of the 1.3 million Philippine overseas workers in the Middle East. The presence of armed Islamic groups in the southern

Philippines raised the possibility of retaliation at home and further complicated Macapagal-Arroyo's choices. Moderates in Mindanao condemned the Sept. 11 attacks, but the small, extraordinarily violent Abu Sayyaf group is widely believed to have had extensive contacts with Osama bin Laden operatives for years. After Sept. 11, reports surfaced in Manila that bin Laden had been directly involved in Abu Sayyaf's creation. Comments by Macapagal-Arroyo's national security advisor following her speech suggested that the Philippines might want U.S. help in fighting the Abu Sayyaf at home.

Singapore leaders also pledged support. Prime Minister Goh Chok Tong told a memorial service in Singapore Sept. 23 that Singapore "stands with America and the rest of the civilized world in the fight against terrorism" despite regional and domestic sensitivities.

Prime Minister Mahathir bin Mohamad of Malaysia, a sharp critic of the United States who has taken a hard line against Islamic fundamentalists at home, took the unusual step of visiting the U.S. Embassy in Kuala Lumpur to sign the condolence book. He called for an international response to the crime of terrorism, but warned that innocents must not be struck and the Palestinian problem should be resolved at the same time. Fundamentalist reactions in Malaysia reflected a dislike of Western freedoms as well as anger over U.S. Middle East policies, and some Malaysians urged the government not to endorse any U.S. military action. Opposition Pan Malaysian Islamic Party (PAS) leader Nik Abdul Aziz Nik Mat reportedly called the attacks "punishment by God for sinful activities."

Thailand's King Phumiphon Adunyadet sent an immediate message of condolence. Prime Minister Thaksin Shinawatra promised support, but publicly avoided siding with Washington on a military strike and evaded questions about U.S. use of Thai military facilities to facilitate a response. A number of Thai, including leaders of the Islamic community, urged that Thailand remain neutral, although the head of the Central Islam Committee endorsed international action against the terrorists.

### **U.S.-Indonesia Relations**

Strained relations with Indonesia, the key country in Southeast Asia for recovery of regional unity and resumption of economic growth, have hampered Washington's efforts to influence developments since the East Timor crisis of 1999. The long-running crisis of the presidency of Abdurrahman Wahid ("Gus Dur") came to a head in July as Parliament, reacting to desperate presidential moves to stay in office, met earlier than scheduled and voted to replace him with Vice President Megawati Sukarnoputri. Megawati's prompt moves to re-establish confidence at home and abroad won quick support in Washington. In particular, her appointments to key economic posts, including highly respected figures drawn from the "Berkeley Mafia" that led the country to rapid growth in the 1980s and '90s, including former ambassador in Washington Dorodjatun Kuntjoro-Jakti, won much respect. Washington and other capitals were also impressed with her early moves to reinstate Indonesia's financial standing and win investor confidence.

Leahy Amendment prohibitions on most forms of U.S. military engagement with Indonesia until the Indonesian military (TNI) brings human rights abusers to account

have limited U.S. ability to influence that institution, arguably the most powerful in the country. Calls increased during the quarter for greater flexibility in working with the TNI. A Council on Foreign Relations report concluded that “the U.S. must cease hectoring Jakarta” and re-engage with the military. A key member of Sen. Leahy’s staff told the Singapore *Straits Times* in early July that Leahy would not view all forms of contact as a bad thing, and several officials, including Defense Secretary Donald Rumsfeld, suggested that some military engagement could resume soon.

It was thus not surprising that President Megawati’s highly successful Sept. 19-21 visit to Washington resulted in U.S. agreement to somewhat increased military contact, as well as extensive economic support. President Bush promised to work with Congress to obtain at least \$130 million in bilateral assistance in FY2002, as well as additional aid to deal with internal disruption and conflict in the Moluccas and Aceh, and increased training for Indonesia’s police forces. A U.S. pledge to seek up to \$400 million in loans and guarantees from trade and development agencies, and \$100 million in additional import benefits, brought the total aid package announced during the visit to more than \$650 million. On the military side, Megawati acknowledged that Indonesia must resolve past human rights violations, and the United States agreed to a significant expansion of military interaction, including a new security dialogue, an end to the embargo on the sale of non-lethal military items, and – Congress willing – U.S. funding to educate civilians on defense matters.

### **The United States, ASEAN, and the ARF**

ASEAN’s annual July high season of ministerial-level meetings, hosted for the first time by Vietnam, took place against a backdrop of dismal economic figures and the political crisis in Indonesia. The 10 foreign ministers or representatives met July 23-24 to consider an agenda under the hopeful rubric “ASEAN: Stable, United, Integrated, and Outward Looking.” Discussions were largely dominated by trade and economic issues, including slow progress toward an ASEAN Free Trade Area, the development gap between the original six and the newer members, and competition for foreign investment. China now receives 80 percent of new foreign direct investment in Asia, against 20 percent for ASEAN – an exact reversal from the ratio before the crisis that began in 1997.

The meeting resulted in a 60-article, 4,800-word joint communiqué commending the work of many committees and noting that ASEAN had adopted documents on preventive diplomacy, experts and eminent persons, and an enhanced role for the ASEAN Regional Forum (ARF) Chair. Thailand sought to convince its partners to move toward regional integration, but had to backtrack. Regional press comment described the meetings of the 10 foreign ministers as “a torrent of words” devoid of new initiatives. The harshest criticism came from ASEAN’s own secretary general, Rodolfo Severino, who said the region is “in disarray and rudderless.” In August the prime ministers of Singapore and Thailand agreed on the need to reinvigorate ASEAN to avoid its marginalization.

The 23 members of the ARF, including among others the United States, China, Japan, Canada, the Republic of Korea, Australia, and India, met July 25. Secretary of State



Colin Powell said the meetings had been “very, very useful,” and restated the Bush administration’s commitment to ASEAN and the region, which critics had said had been unclear since January. Concrete ARF achievements were hard to identify, however. An ASEAN “Code of Conduct” with China on reducing the chance of conflict over conflicting claims in the South China Sea remained stymied. The hoped-for participation of North Korea’s foreign minister in the ARF failed to materialize.

Some American critics of ASEAN and the ARF renewed calls after the July meetings for Washington to find alternative structures for Asia-Pacific engagement, in light of ASEAN’s ineffective track record. A U.S.-led effort to organize the region would be resisted as forcing states to align with either Washington or Beijing, however, and would almost certainly not succeed. The glacial pace of ASEAN integration stems from the region’s own complex dynamics rather than from weak architecture. It still serves to dampen conflict among members and provide a vehicle for communicating on region-wide problems. And it can’t be ruled out that a serious external security challenge – perhaps global terrorism – might jolt it into greater cohesiveness.

### **U.S.-Philippine Relations**

Well before her positive statements after Sept. 11, President Gloria Macapagal-Arroyo had pushed for closer relations with the United States, including security relations. In a major foreign policy speech July 12 she identified the military alliance with the U.S. as a “strategic asset for the Philippines,” and said she would like to see a “blossoming” of the overall relationship responsive to the realities of globalization. Arroyo specifically endorsed the U.S. initiative to expand its major bilateral military exercises in the region into a multilateral regional exercise. Defense Secretary Angelo Reyes said at the same time that Manila was considering turning Subic Bay into a “naval base for hire,” making it available to the U.S. Navy as well as forces from other countries. He made clear it would not be a formal military base, which he said would violate the Philippine constitution.

U.S. Commander in Chief, Pacific Adm. Dennis Blair, in Manila for a meeting of the U.S.-Philippine Mutual Defense Board, said the U.S. was looking for flexible arrangements that would enable its forces in the Pacific to operate together quickly. He noted that the U.S. was not looking to re-establish its former bases. The public dialogue nonetheless roused opponents of U.S. bases to criticize the proposed steps and exhume old grievances. Sen. Blas Ople, a key figure two years ago in ratifying the bilateral Visiting Forces Agreement under which U.S. military personnel enter the country, quickly specified that while combined exercises were acceptable, unilateral training for U.S. forces in the Philippines would not be. At the same time, critics (and their allies in the U.S.) maintained pressure on the Philippine government to insist that the U.S. pay for cleanup of toxic wastes and unexploded ordnance allegedly left at the former bases at Subic Bay and Clark Airfield.

## Looking Ahead

Regional governments and Washington will need to find ways to cooperate in fighting global terrorism that have broad domestic support within states that have Islamic majorities, as well as those with minority communities. Most Southeast Asian Muslims have traditionally pursued a moderate form of Islam, largely compatible with the ethnic complexity of the region's countries and with the goal of modernization. They have been seen as largely immune to the extremism and violence seen in the Middle East and South Asia. Could Southeast Asia's tolerant brand of Islam give way to militant fundamentalism following Sept. 11? It is being tested by travel by numbers of young Southeast Asians for study in militant Islamic institutions, growing contacts with *mujahedin* from Afghanistan's wars, and recruitment for violent *jihad*. Southeast Asia's worsening recession will aggravate the problem.

For the region's governments, the task will be to lead in ways that reinforce moderate Islamic majorities and forestall threats or attacks on foreigners, including Americans. For the United States, it will be essential to communicate strategy and goals effectively, to publics as well as to governments. Flexibility will be needed, to make it possible for governments to cooperate with and support the U.S.-led campaign against terrorism without jeopardizing their own stability and economic recovery.

## Chronology of U.S.-Southeast Asia Relations July - September 2001

**July 2, 2001:** Philippine President Gloria Macapagal-Arroyo announces at the 54<sup>th</sup> anniversary celebration of the Philippine Air Force that the United States would provide the PAF one C-130 aircraft and five HU1H helicopters.

**July 5, 2001:** The U.S. and Vietnam agree to hold a joint conference on the effect on humans of the defoliant Agent Orange and to conduct a pilot study on screening soil and sediments for dioxin, the carcinogenic substance in Agent Orange.

**July 10, 2001:** A spokesman for the Moro Islamic Liberation Front in Mindanao, in the southern Philippines, states that American hostage Guillermo Sobero was reported to have been sighted alive.

**July 10, 2001:** U.S. Defense Department notifies Congress that Singapore has requested the sale of 12 Apache attack helicopters and associated equipment, spare parts, and training, a deal valued at \$617 million.

**July 12, 2001:** Defense Secretary Angelo Reyes tells an interviewer that he and USCINCPAC Adm. Dennis Blair had agreed on "intelligence sharing" against the Abu Sayyaf.

**July 12, 2001:** Philippine presidential spokesman says that reports indicate a Lebanese terrorist named Ahmad Yasser Ismail is en route to Manila to carry out attacks, including against the U.S. and Israeli embassies.

**July 12, 2001:** Hanoi VNA reports that the Communist Party of Vietnam, in a gesture more quaint than significant, will send a delegation to the 27<sup>th</sup> National Congress of the Communist Party of the United States in Milwaukee, Wisconsin.

**July 12, 2001:** President Macapagal-Arroyo states the U.S. military alliance is a “strategic asset for the Philippines.”

**July 13, 2001:** Thailand and the U.S. agree on the sale of advanced medium-range air-to-air missiles (Amraam) to Thailand for use on its F-16 jet fighters; Thailand will be the first country in Southeast Asia to acquire this system.

**July 16, 2001:** Secretary of State Colin Powell and Malaysian Foreign Minister Syed Hamid Albar meet in Washington.

**July 19, 2001:** ExxonMobil announces it has resumed gas production in Aceh, but only on a small scale and on a day-to-day basis in light of continuing security concerns.

**July 23-24, 2001:** ASEAN Annual Ministers’ Meeting is held in Hanoi.

**July 25, 2001:** ARF is convened.

**July 27, 2001:** Thai Foreign Minister Surakiart Sathirathai tells the press following the Hanoi ASEAN ministerial meetings that the U.S. had agreed to assist efforts that result from an anti-narcotics summit meeting in Kunming, China, among four “Golden Triangle” countries – Myanmar, China, Laos, and Thailand – at a date not yet specified. Officials’ and ministers’ meetings will precede the summit.

**Aug. 2, 2001:** Malaysian PM Mahathir, responding to reports that FM Syed Hamid Albar had been told during his Washington visit that a Bush-Mahathir meeting would depend on human rights reforms, says that he is not aware of any conditions and that the meeting should not have preconditions.

**Aug. 3, 2001:** President Macapagal-Arroyo expresses irritation at reports that the U.S. government has expressed “impatience” over the government’s handling of the Abu Sayyaf bandits.

**Aug. 10, 2001:** State Department Spokesman Richard Boucher welcomes Cambodian King Norodom Sihanouk’s signature of a law establishing special courts to try members of the Khmer Rouge for atrocities committed between 1975 and 1979 as a step to “come to terms with the past.”

**Aug. 10, 2001:** U.S. Trade Representative Robert Zoellick visits Jakarta.

**Aug. 17, 2001:** Two U.S. Navy carrier battle groups, led by the USS Carl Vinson and the USS Constellation, conduct an exercise in the South China Sea, reportedly to reinforce the right to free navigation through sea lanes in that contested area, and also to signal concern at large-scale Chinese military exercises simulating assault on outlying Taiwanese islands.

**Aug. 23, 2001:** The United States authorizes three U.S. airlines – Delta, Northwestern, and United – to provide service to Vietnam through code-sharing arrangements.

**Aug. 27, 2001:** Indonesia and the International Monetary Fund (IMF) sign an agreement restoring relations, making it possible to resume disbursement of portions of a \$5 billion loan package and putting debt rescheduling back on track.

**Aug. 31, 2001:** Jose Ramos Horta, East Timor political leader responsible for foreign affairs in the interim administration, states in a press interview that after independence his country will likely have defense arrangements with the United States and other countries providing for training, equipment, and other forms of engagement, but will not have a defense treaty or military bases.

**Sept. 3, 2001:** A spokesman for the Free Aceh Movement (GAM) announces that commercial shippers using the Straits of Malacca should seek GAM permission to transit the straits if they wish to avoid incidents of piracy, such as one Aug. 25 in which six crewmen were held for 300 million rupiah (\$34,000) in ransom.

**Sept. 3, 2001:** Indonesian police and military forces are sent to Riau to protect Caltex Pacific Indonesia oil field facilities on the island, in response to increasing theft and damage to equipment and pipelines. Material losses over the past two months amounted to \$1 million per month, according to company sources.

**Sept. 19-21, 2001:** Indonesian President Megawati visits Washington; condemns the attacks on the U.S.

**Sept. 23, 2001:** PM Goh Chok Tong states that Singapore “stands with America and the rest of the civilized world in the fight against terrorism.”

**Sept. 25, 2001:** Council of Ulemas, representing the mainstream leadership of Indonesian Islam, state any attack on Afghanistan would be an attack on Islam.

**Sept. 26, 2001:** President Macapagal-Arroyo states the Philippines will allow U.S. use of airfields and facilities as a staging area and would deploy Philippine support, even combat forces.

**Sept. 26, 2001:** Washington authorized non-essential U.S. mission personnel and family members to leave Indonesia.

**Sept. 28, 2001:** Vietnamese Foreign Minister Nguyen Dy Nien states that his government is strongly opposed to a bill passed in the U.S. House of Representatives condemning Vietnam's human rights record, but indicates it would not affect Vietnam's ratification of the Bilateral Trade Agreement with the United States.

## China-Southeast Asia Relations: Developing Multilateral Cooperation

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During the third quarter, China reaffirmed its support for multilateralism by attending a series of meetings held in conjunction with the annual gathering of ASEAN foreign ministers and by hosting a four-nation ministerial conference on drug control. On the bilateral level, Thailand's prime minister visited China, while Li Peng, chairman of the Standing Committee of China's National People's Congress, journeyed to Hanoi. China and ASEAN were still unable to reach agreement on a Code of Conduct for the South China Sea. Officials are now studying a compromise formulation drafted by the Philippines.

### **The ASEAN Meeting Process**

In the third quarter of each year ASEAN holds its annual ministerial meeting (AMM) of foreign ministers. The AMM is then followed by a meeting between ASEAN and its 10 dialogue partners, and a meeting of the ASEAN Regional Forum (ARF). In recent years, an additional meeting between ASEAN and China, Japan, and South Korea (ASEAN Plus Three) has become a regular feature. China was represented by Foreign Minister Tang Jiaxuan, who used the setting to reaffirm China's support for regional multilateralism.

Tang first attended the ASEAN Plus Three meeting on July 24 and reiterated China's support for the process. In a speech to the ASEAN Post-Ministerial Conference on July 26, Tang called for enhanced multilateral regional cooperation to deal with the negative effects of globalization and transnational issues. Tang called upon the developed countries to "reduce or waive their debts or extend the repayment period," provide economic aid, technical assistance and technology transfers, and open their markets and reduce trade barriers. Tang also called upon developed countries to "promote reforms in the international financial setup, launch a new round of WTO trade negotiations, [and] narrow the development gap." At the China-ASEAN dialogue meeting, Tang made three suggestions for cooperation: raising the level of political relations; deepening mutual cooperation in five key areas (agriculture, human resources, Mekong River development, information and communication technologies, and mutual investment); and strengthening coordination in international and regional affairs.

The Eighth ASEAN Regional Forum, held on July 25, was notable for its adoption of three major documents – the Paper on Concepts and Principles of Preventive Diplomacy, the Terms of Reference for the ARF Experts/Eminent Persons Register, and the Paper on the Enhanced Role of the ARF Chair. Tang indicated China's caution in proceeding too quickly down the multilateral path in this area: "The Chinese side supports the Forum in making efforts to implement the relevant documents where consensus has been reached..." Tang argued that "Principles such as non-interference in each other's internal affairs and consensus-building, which have taken shape and proved to be effective should continue to be observed." On the question of multilateral cooperation in dealing with transnational security threats, Tang was more forthcoming. He declared that "China is in favor of progressive development of dialogue and cooperation by the Forum in the non-traditional security field and stands ready to take an active part and play its due role."

Immediately following the ASEAN annual meetings in Hanoi, China made a strong push to encourage the formation of a free trade area (FTA) embracing China and all 10 ASEAN members. This proposal was put to a meeting of senior economic officials in Brunei in mid-August. Chinese delegates proposed tariff reduction and other measures to be phased in over seven years from 2003-09. The Chinese representatives stated that a free trade area would produce a division of labor in which China would focus on labor-intensive products and leave skilled manufacturing production to ASEAN countries. ASEAN representatives responded cautiously, proposing a 10-year phase-in period without specifying a starting date. Some observers felt that a successful China-ASEAN FTA could serve as a model for Japan and South Korea.

### **Multilateral Efforts to Control Illegal Drugs**

In recent years there has been an explosion in the production of chemical drugs in the Golden Triangle area of mainland Southeast Asia. Myanmar has been identified as the major source for the production of methamphetamines. It is estimated that 800 million tablets are produced annually. Both China and Thailand have become alarmed by the rise in illegal drug use. Thai Prime Minister Thaksin Shinawatra has made drug control one of his top priorities. He has continually pressed China to join in multilateral efforts to control the illicit drug trade. China has responded cautiously.

In July, China's minister of public security, Jia Chunwang, was dispatched to Bangkok for discussions with his counterpart, Gen. Thammarak Issarangkura na Auuthaya, head of the Narcotics Control Board. Their discussions focused on stemming the flow of precursor chemicals used in drug production, drug control along the Mekong River, and a proposal for a four-nation drug summit. As a result of Thai prodding, China agreed to host a ministerial meeting of officials from Myanmar, China, Laos, and Thailand in Beijing in late August. China was leery, however, about Thailand's push to have China host a summit of government leaders.

On Aug. 28, the four-nation ministerial meeting on drug control was held in Beijing. China was clearly concerned not to be seen as interfering in Myanmar's internal affairs and gave cautious endorsement to multilateral efforts to control the illegal drug trade.

China's State Councilor Luo Gan, for example, called for cooperation on the basis of "shared responsibility" and cautioned against international efforts to control narcotics that were politically motivated and interfered in the internal affairs of another country.

According to the *Bangkok Post* (Sept. 4), the drug summit was rescued at the last minute by Chinese and Thai officials who drew up a "shaky but workable" package deal including plans for a summit. The four-nation ministerial meeting adopted a statement called the Beijing Declaration that sets out the agreed efforts for coordinating narcotics control on the basis of the region's existing mechanism. The Beijing Declaration also laid out in general terms a comprehensive approach involving cooperation in narcotics prevention, education, law enforcement, information sharing, addiction treatment, rehabilitation, chemical control, crop substitution, and personnel training.

### **Thai Prime Minister Visits China**

In late August, coinciding with the ministerial meeting on drug control, Thai Prime Minister Thaksin made his first official visit to China at the invitation of Premier Zhu Rongji. He was accompanied by a large delegation from the private sector.

Thaksin called for the development of a "strategic partnership, not only politically but also economically" between Thailand and China. He pressed Zhu for a commitment to purchase Thai agricultural products and to consider increasing the currency swap credit line from \$2 billion to \$3 billion. Premier Zhu advocated pushing forward all the cooperative projects listed in their 1999 Joint Statement on Cooperation in the 21<sup>st</sup> Century. Among the projects was a controversial eucalyptus pulp and paper joint venture that had been stalled due to Thai environmental concerns. Zhu indicated he would give consideration to raising the credit line but on the principle that the conditions should be the same for all ASEAN countries. He also gave assurances that China would continue to purchase Thai rice and rubber. After their discussions both leaders witnessed the signing of three agreements: cultural cooperation, the establishment of a bilateral commercial council for the promotion of international trade, and investment.

Thaksin also met with President Jiang Zemin and Li Peng, chairman of the Standing Committee of the National People's Congress. In his discussions with Jiang, Thaksin lobbied for special tax privileges for agricultural products, greater cooperation under the ASEAN framework, support for the establishment of a Chinese language school in Thailand, and China's hosting of a drug summit. Jiang agreed to consider these proposals but indicated his reluctance to host a drug control summit. Jiang agreed to continue assistance to the Thai armed forces in maintaining weapons it had bought previously. He promised to send a team to Thailand in October to assess repairs and upgrading.

The final joint communiqué noted, "the two sides wished to continue pushing the (anti-narcotics cooperation) process forward. The Thai side voiced its desire to host a conference of a higher level at the appropriate time." The discussions between Thaksin and Li Peng focused on how to develop "strategic cooperation" through exchanges between their respective national legislatures.



## **Li Peng Visits Vietnam**

Li Peng paid an official friendship visit to Vietnam in September at the invitation of the Central Committee of the Vietnam Communist Party and Standing Committee of the National Assembly. Li's visit followed that of the deputy chairman of Vietnam's National Assembly, who had visited China to study the lessons of the Three Gorges Project. Li met with his counterpart, Nguyen Van An, and was received by Vietnam's top leadership. He also met with the two former party secretaries general. Li's visit was later described as a "strategic diplomatic action" by the official Chinese media.

Li was the highest level Chinese visitor to Vietnam after its Ninth National Party Congress held in April. Li came to assess future policy directions and to develop personal ties with Vietnam's new collective leadership. Although the tone of official reporting was upbeat, Hanoi-based diplomats and other observers noted that a number of potentially contentious issues were open for discussion, such as rampant smuggling across the border, low rates of Chinese investment in Vietnam, and Chinese assistance to four major projects (hydropower, iron and steel, nitrogenous fertilizer, and bauxite plants).

According to the public record, the discussions between Li and An focused on in-depth cooperation by their respective legislative specialists and committees, and coordination in international and regional parliamentary organizations. One issue of mutual interest was the recent proposal by General Secretary Jiang Zemin to admit private entrepreneurs into the Chinese Communist Party. Earlier, the Ninth VCP National Congress rejected a proposal to permit party members to engage in private enterprise. Nevertheless, Vietnam's National Assembly is currently considering amendments to the 1992 state constitution to provide more legal protection to the private sector. Vietnam was also keen to learn about China's experience in the Three Gorges Project in light of its decision to proceed with the construction of a major hydroelectric power project at Son La. An was particularly interested in the ideological implications of Jiang's July 1 speech, which introduced the concept of the "Three Represents" (the party represents the advanced production forces, advanced Chinese culture, and the basic interests of the people in modernizing the nation). Li and An also discussed practical steps to be taken to implement the historic agreements on borders and maritime boundaries and fishery cooperation.

After discussions with party Secretary General Nong Duc Manh, Li declared, "The political foundations of Sino-Vietnamese relations have been more sound and solid than ever, and mutual trust and cooperation for development have been the common aspiration of both countries." As evidence, it was announced that later in the year the two party secretaries general would pay reciprocal visits.

## **South China Sea Code of Conduct**

Differences within ASEAN and between ASEAN and China continued to delay progress in reaching a South China Sea Code of Conduct. Vietnam insists that the Paracel Islands be included in the code's geographic scope. China rejects this. On July 20, the Philippines in a bid to break the impasse circulated a new draft Code of Conduct to the ASEAN Senior Officials Meeting (SOM). The new draft dropped reference to geographic boundaries. According to one anonymous official, "Boundaries are irrelevant because the code is not meant to settle disputes. The code is a confidence building measure."

The new draft states the parties "undertake to exercise self-restraint in the conduct of activities that would complicate or escalate disputes and affect peace and stability, including among others, refraining from action of inhabiting the presently uninhabited islands, shoals, cays, and other features and to handle their differences in a constructive manner." The draft continues "Pending the peaceful settlement, territorial and jurisdictional disputes, the parties concerned undertake to intensify efforts to seek ways, in the spirit of cooperation and understanding, to build trust and confidence between and among them." Despite the urging of their foreign ministers (July 23) "to expedite the completion of the drafting of the code of conduct" ASEAN senior officials could not reach consensus in time for the eighth ARF meeting. ASEAN Secretary General Rodolfo Severino called the new draft a "compromise formulation" that would hopefully elicit agreement. The Philippine draft will now be considered by senior officials in November when they are scheduled to meet in Brunei.

After the eighth ARF, Severino journeyed to Beijing. After meeting with Chinese officials he announced they "assured me that they have been exercising self-restraint and that they have taken no action in the South China Sea since discussions on the Code of Conduct started ... There are now new formulations ASEAN is working out with cooperation of China and China gave its assurance it will be open-minded with regards to these formulations (on a Code of Conduct)."

U.S. Secretary of State Colin Powell's attendance at and participation in the ASEAN Post-Ministerial Conference and the eighth ASEAN Regional Forum meeting in Hanoi in July were welcomed in the region as a sign of renewed attention by Washington. ASEAN foreign ministers expressed their judgment that the management of China-U.S. relations was the key to maintaining regional stability. Foreign Minister Tang spoke of an improvement in relations with the United States. As the third quarter was about to end on an optimistic note, all eyes turned to the APEC summit to be held in Shanghai in October. The tragic terrorist events of Sept. 11 have completely changed the regional security framework. How the U.S. responds to the threat of international terrorism will largely determine whether regional security issues can be addressed cooperatively on a multilateral basis.

## **Chronology of China-Southeast Asia Relations July - September 2001**

**June 26-July 4, 2001:** Phan Dien, member of the Vietnam Communist Party (VCP) Politburo, visits China.

**July 6, 2001:** Myanmar's minister of finance and revenue, U Khin Maung Thien, visits China.

**July 9-12, 2001:** Nguyen Phu Trong, secretary of the Hanoi VCP Committee and member of the VCP Politburo, visits China and meets with Vice President Hu Jintao.

**July 11-14, 2001:** Taiwan's minister of economics, Lin Hsin-yi, leads a 46-member delegation to Manila to attend the ninth ROC-Philippine Economic and Trade Conference.

**July 13-August 6, 2001:** Mai Thuc Lan, vice chairman of Vietnam's National Assembly, visits China.

**July 16, 2001:** Philippine President Macapagal-Arroyo reaffirms that the Philippine government's policy is to settle its maritime territorial disputes in the South China Sea with China through bilateral and multilateral diplomatic approach including confidence building measures.

**July 18, 2001:** In response to Taiwan Premier Chang Chun-hsiung's call for "peaceful settlement, joint exploration and sharing of resources" in the South China Sea, a Chinese Foreign Ministry spokesperson announced that Taiwan will not be allowed to join a South China Sea Code of Conduct.

**July 19-21, 2001:** Wu Wen-ya, director general of Taiwan's Ministry of Economic Affairs' Board of Trade, visits Indonesia after stopping in the Philippines, Thailand, and Malaysia.

**July 19-25, 2001:** Jia Chunwang, China's minister of public security, visits Thailand for discussions on drug control efforts. Jia also meets separately with Prime Minister Thaksin.

**July 20, 2000:** ASEAN Senior Officials Meeting, Hanoi.

**July 23, 2001:** ASEAN Ministerial Meeting, Hanoi.

**July 23, 2001:** Chinese Foreign Minister Tang Jiaxuan visits Hanoi to attend ASEAN-related meetings. He meets with party Secretary General Nong Duc Manh, Premier Phan Van Khai, and Foreign Minister Nguyen Dy Nien.

**July 24, 2001:** ASEAN Plus Three meeting, Hanoi.

**July 25, 2001:** President Jiang Zemin sends a congratulatory message to Megawati Sukarnoputri on her election as president of Indonesia.

**July 25, 2001:** ASEAN Regional Forum meeting, Hanoi.

**July 25-30, 2001:** Jia Chunwang visits Vietnam at the invitation of his counterpart, Police Minister Le Minh Huong.

**July 26, 2001:** ASEAN Post-Ministerial Conference with 10 dialogue partners, followed by ASEAN-China dialogue meeting, Hanoi.

**July 27, 2001:** Deputy FM Wang Yi states that China backs ASEAN's efforts to establish a Southeast Asia Nuclear Weapon Free Zone.

**July 28, 2001:** The second Ministerial Meeting on Mekong-Ganga Cooperation is held in Hanoi. The issue of Chinese membership was reportedly raised.

**July 31-Aug. 1, 2001:** ASEAN Secretary General Rodolfo Severino holds talks in Beijing.

**July 31-Aug. 6, 2001:** Mai Thuc Lan, vice chairman of Vietnam's National Assembly, visits China.

**Aug. 5-7, 2001:** Taipei City Mayor Ma Ying-jeo visits Kuala Lumpur.

**Aug. 7-10, 2001:** Khachatphai Burutphat, secretary general of Thailand's National Security Council, visits China.

**Aug. 10, 2001:** Four-nation (Myanmar, China, Laos, and Thailand) Senior Officials Meeting on drugs held in Rangoon.

**Aug. 16, 2001:** Third Senior Officials Meeting of the 13<sup>th</sup> APEC Ministerial Conference meets in Dalian, China.

**Aug. 17, 2001:** Siho Bannavong, president of the Lao Committee for Peace and Solidarity, visits China.

**Aug. 21, 2001:** Harry Angping, chairman of the Committee for Trade and Industry, Philippine House of Representatives, visits Beijing.

**Aug. 23, 2001:** Deputy FM Wang Yi visits Myanmar and signs an agreement on economic and technical cooperation with the deputy minister for Rail Transport.

**Aug. 23, 2001:** APEC Finance Ministers' Meeting is held in Dalian, China.

**Aug. 27, 2001:** Vu Dinh Cu, vice chairman of Vietnam's National Assembly, visits China and is received by Li Peng, chairman of the Standing Committee of the National People's Congress.

**Aug. 27-29, 2001:** Thai PM Thaksin visits President Jiang, Premier Zhu, and other high-ranking officials in Beijing.

**Aug. 28, 2001:** Four-nation ministerial meeting on drugs held in Beijing.

**Aug. 29, 2001:** Phung Khac Dang, deputy director of the Vietnam People's Army's General Political Department, visits China.

**Aug. 29-30, 2001:** Eighth APEC Small and Medium Enterprises Ministerial Meeting is held in Shanghai.

**Aug. 31, 2001:** Wang Zaixi, deputy director of the China State Council Taiwan Affairs Office, visits Indonesia. Wang previously visited Thailand, Malaysia, and Singapore.

**Sept. 6, 2001:** A CCP delegation makes a goodwill visit to Laos and Vietnam.

**Sept. 7, 2001:** Le Hai Anh, deputy chief of staff of the Vietnam People's Army, visits Beijing and holds discussions with Fu Quanyou, chief of the PLA General Staff.

**Sept. 7, 2001:** A seven-member political work delegation from the General Political Department of the Lao People's Army visits China.

**Sept. 7-10, 2001:** Li Peng visits Vietnam.

**Sept. 10-11, 2001:** Third Asia-Europe Economic Senior Officials and Economic Ministers' Meetings are held in Hanoi.

**Sept. 12-16, 2001:** ASEAN Finance Ministers' Meeting is held in Hanoi followed by consultative meeting with dialogue partners, including China.

**Sept. 12-22, 2001:** Singapore President S. R. Nathan visits China and is received by President Jiang.

**Sept. 18, 2001:** Myint Swe, commander-in-chief of the Burmese Air Force, visits Beijing for discussions with Fu Quanyou.

**Sept. 19-21, 2001:** Thai Deputy PM Chawalit attends the second Sino-Thailand seminar on trade in agricultural products in Kunming, China.

**Sept. 23, 2001:** Lt. Gen. Su Shuyan, deputy director of the PLA's General Logistics Department, pays a working visit to Vietnam. He is received by Defense Minister Senior Lt. Gen. Pham Van Tra.

**Sept. 26, 2001:** The Philippine Navy reports that one of its boats fired at a Chinese fishing vessel after an attempted ramming incident near Palawan.

**Sept. 26, 2001:** A spokesperson for the Chinese Embassy in Manila demands the release of the 48 detained Chinese fishermen and a "specific explanation to their being arrested by Philippine authorities."

## **China-Taiwan Relations: Of Economics and Elections**

by David G. Brown  
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The stalemate in cross-Strait political dialogue has continued in large part because Beijing has no incentive to make progress with Taiwan President Chen Shui-bian that would benefit the Democratic Progressive Party (DPP) in Taiwan's December elections. Rather, Beijing has continued to indicate its preference for dealing with the opposition – a tactic that may again prove counterproductive. Taiwan's economy has slid into recession. Economic problems and pending World Trade Organization (WTO) accession have focused Taipei's attention on cross-Strait economic relations. In these circumstances, Chen overcame resistance within his own party to closer economic ties with China. The Economic Development Advisory Conference (EDAC), convened by Chen, produced a new political consensus that should mark a watershed in the development of cross-Strait economic relations. Separately, the prospect of Sino-U.S. cooperation against international terrorism is creating some anxiety in Taiwan.

### **No Formal Dialogue**

After a period in which attention had been focused on the policies of the new Bush administration, developments in Taiwan re-emerged as the dynamic element in cross-Strait relations this quarter. Most of the action concerned economics and economic policy. But these developments did not lead to any institutional dialogue between Beijing's Association for Relations Across the Taiwan Strait (ARATS) and Taipei's Straits Exchange Foundation (SEF). Beijing is not willing to work with Chen Shui-bian without conditions, and Chen is not willing to accept Beijing's terms for dialogue. China's hosting of Asia Pacific Economic Cooperation (APEC) activities continued to provide venues for meetings between officials from the two sides. Finance Ministers Yen Ching-chang and Xiang Huaicheng met on the fringes of an APEC meeting in Suzhou, but when the two emerged from their meeting smiling, they told reporters they had discussed APEC and regional economic issues, not cross-Strait policy.

### **Taipei's New Consensus to Expand Cross-Strait Economic Ties**

Evidence that Taiwan's economy was headed toward recession gradually accumulated during this quarter. In mid-August, the Directorate General for Budget, Accounts, and

Statistics reported that the economy had contracted 2.35 percent in the second quarter, confirming what was widely anticipated. Facing increasing criticism of his administration's mishandling of the economy and with elections scheduled for December, President Chen proposed convening a broadly representative Economic Development Advisory Conference to chart a course for Taiwan's economic recovery. At first the opposition Kuomintang (KMT) hesitated over participating in an initiative that, if successful, would benefit the DPP. In the end, the KMT decided that the greater risk was to be perceived by voters as blocking efforts to revive the economy, and it named former premier and current KMT Vice Chairman Vincent Siew to serve as one of five vice chairmen of the conference.

The EDAC had panels dealing with finance, investment, employment, and industry, but from the beginning it was planned that cross-Strait economic issues would be a central issue handled by a separate panel. The conference leadership and membership were weighted toward business and economic figures, many of whom, like Formosa Plastics Chairman Wang Yung-ching, have long favored direct cross-Strait trade and the relaxation of investment controls. The panel on cross-Strait relations included few who were publicly supportive of the current "no haste, be patient" policy restricting the development of economic ties. Consequently, there was little surprise when the EDAC's cross-Strait panel recommended on Aug. 12 a very different approach under the new slogan "active opening, effective management." In carefully crafted language, the panel called for a deliberate policy of opening direct trade and transportation with the mainland, easing restrictions on investments in China, facilitating the repatriation of capital to Taiwan, and gradually opening Taiwan to investments and tourism from China.

President Chen had long called for moving in this direction, but his administration's consideration of specific policies had been hamstrung by opposition from within the government and DPP on a variety of security, economic, and political grounds. The Mainland Affairs Council (MAC) filed a brief with the EDAC presenting the arguments for continuing past policy. The decline of the economy apparently convinced Chen that he must take decisive action to overcome these concerns, and the EDAC became Chen's vehicle for accomplishing this. Immediately after the cross-Strait panel's recommendations were released, Chen strongly endorsed them. Almost simultaneously, Vice President Annette Lu rather emotionally criticized the panel for undercutting the development of Taiwan's economy by making it too dependent on the China market. This further example of open disagreement naturally sparked controversy, but Chen stuck to his guns. In late August, the EDAC completed its report and adopted the cross-Strait panel's conclusions. In remarks to the concluding session, Chen committed his government to implementing the conference's recommendations and called for concrete plans within two weeks.

With Beijing withholding judgment on the EDAC, Taipei has moved expeditiously to implement conference recommendations, including those aspects of the cross-Strait panel's recommendations that Taiwan can carry out unilaterally. The Cabinet has presented some draft implementing legislation. Even before the EDAC had completed its work, the KMT took the initiative of proposing an intra-party meeting to coordinate



passage of the needed legislation through the Legislative Yuan (LY), in which the KMT retains a majority. The heads of parties in the legislature (a formula that excludes the new Taiwan Solidarity Union [TSU]) met before the opening of the LY session in September to pledge cooperation in passing this legislation as well as 14 bills required to implement Taiwan's commitments in joining the WTO.

Nevertheless, implementing even those recommendations that do not require PRC cooperation will not necessarily be smooth because there is a tension between the "opening" and the "management" of cross-strait economic ties that the EDAC's consensus language leaves unresolved. This tension is most apparent on the issue of relaxing restrictions on investments in the mainland. Officials from different agencies have made contradictory comments, and it is not yet clear what new policy framework or bureaucratic procedures will be devised to replace those of the discarded "no haste, be patient" policy.

Many of the EDAC's recommendations were linked to WTO accession. In mid-September, agreement was reached at the WTO on terms for China's accession. The day after, the WTO approved Taiwan's accession protocol. The way is therefore clear for the WTO ministerial to approve both membership applications in November. Once the LY passes the necessary legislation, Taiwan will be in a position to join the WTO. It is expected that both Taipei and Beijing will complete this process early in 2002. Officials in Beijing and Taipei have both said that their accessions will create new conditions favorable to expanding cross-strait economic relations. Just how this will occur will depend on political decisions. The EDAC represents a political consensus in Taipei; Beijing's approach to negotiating economic issues with Taiwan will likely not be reviewed and decided until after Taiwan's elections.

Separate from the EDAC, Taiwan is taking a couple of other steps to loosen restrictions on cross-strait contacts. In August, Taipei revised procedures governing the cross-strait transshipment center in Kaohsiung to permit sea-air inter-modal transshipment of goods from China through Kaohsiung to world markets. In September, the Executive Yuan announced plans to expand the "mini three links" to include Penghu so that ships could sail directly from Penghu to ports in Fujian. Taiwan's Education Ministry announced that beginning next year Taiwan universities would be permitted to open branches and conduct extension courses in the mainland.

### **Business Developments**

The global downturn in the information technology sector has essentially halted the expansion of cross-strait trade in the first half of 2001. Statistics from Taiwan's Board of Foreign Trade put first half trade at \$14.4 billion, down 6 percent from a year earlier. Figures released by Beijing put cross-strait trade at \$14.99 billion, up 6.8 percent from a year earlier. China was Taiwan's second largest market, and Taiwan was China's third largest source of imports.

A number of new deals and discussions were reported that reflect the potential for broadening cross-Strait economic ties. In September, Taiwan's China Air Lines signed an agreement with China's China Eastern Airlines to take a 25 percent stake in the mainland's China Air Cargo Corporation. In August, the press reported that Taiwan's China Petroleum Corporation had resumed discussions, broken off several years ago, with the PRC's China National Offshore Oil Corporation concerning possible joint exploration of an area in the southern portion of the Taiwan Strait. The Taiwan Power Company (Taipower) has obtained authorization not just to purchase coal from China on the spot market but to enter into long-term contracts for Chinese coal. Following the EDAC, Morris Chang, the chairman of Taiwan Semiconductor Manufacturing Corporation (TSMC), reversed his previous views and said that the time had come for TSMC to invest in China.

In September, representatives of shipping associations from Taiwan and the PRC met in Shenzhen for the first time in four years to discuss issues related to direct sea transportation across the Strait. At about the same time an unofficial delegation from the PRC civil aviation sector was in Taipei to discuss traffic control and air safety issues.

### **Election Impacts**

As noted above, election politics had a great deal to do with the dynamics behind the EDAC, the consensus reached there on measures to revitalize Taiwan's economy, and the multi-partisan cooperation in the LY on implementing legislation. Despite some criticisms from his own party and from former President Lee Teng-hui, Chen's new policy for encouraging cross-Strait economic relations has been generally welcomed in Taiwan.

Taiwan's election also continues to be an important tactical consideration shaping current PRC policy toward Taiwan. Not surprisingly, there has been no authoritative policy response from Beijing to the EDAC recommendations. Beijing does not want to give Chen any credit that would benefit the DPP's electoral prospects. One focus of the PRC's limited public commentary on the conference has been criticism of the EDAC's failure to reach agreement on using the "1992 consensus" concerning "one China" as the basis for resuming dialogue with the PRC. These are the standard points that Beijing has been using for over a year to pressure Chen to accept its terms for reopening dialogue. The understandings in 1992 that formed the basis for the first Wang-Koo talks in 1993 contain enough ambiguity and flexibility that they could be used a basis for resuming dialogue if both sides were politically ready to do so. However, events this quarter illustrate that this is not the case: Beijing continues to insist rigidly on its interpretation of the "1992 consensus" and there is no political agreement in Taiwan about whether and what consensus was reached on "one China" in 1992. The political will to resume dialogue is still lacking and is unlikely to develop until after the elections. (For background on recent discussion of the "1992 consensus" see "Groping for a Formula for Cross-Strait Talks," *Comparative Connections*, Vol. 2 No. 2.)

This quarter, Beijing has continued to indicate rather crudely its preference for working with the opposition in Taiwan. Delegations from the New Party and KMT continue to be received warmly in Beijing. For example, in September, Vice Premier Qian Qichen told a visiting KMT delegation that China would approve a request from the KMT to set up a party office in China to provide assistance to Taiwan businesses. By contrast, there has been no contact with the DPP.

The formation of the Taiwan Solidarity Union, the new political party sponsored by Lee Teng-hui, prompted a stream of negative commentary from Beijing. From Beijing's propaganda perspective, this was another effort by Lee to stir up separatist sentiment. Politically, observers in Beijing were concerned that Lee's efforts would weaken the KMT and benefit the DPP, which is the opposite of what Beijing desires. Nevertheless, Beijing publicly welcomed the KMT's decision in late September to expel Lee because of his sponsorship of the TSU. The bad news for Beijing is that Lee has been attracting large crowds at TSU campaign rallies. The good news is that even though Chen is holding open the possibility of cooperating with the TSU after the election, he has rejected Lee's "no haste" policy on cross-Strait economic relations.

### **Reverberations from the Sept. 11 Terrorist Attacks**

The tragic events of Sept. 11 prompted President Chen to call upon Beijing to cooperate in maintaining peace in the Taiwan Strait. Subsequently, the Foreign Ministry spokesman in Beijing commented that in supporting the fight against terrorism, Beijing would look for understanding from the U.S. in its own struggle against "terrorism and separatism." When Foreign Minister Tang met Secretary of State Powell in Washington later in September he reiterated China's desire to cooperate against terrorism and said publicly that Beijing would not link its cooperation on terrorism to the Taiwan issue. The Taiwan press reported later that the spokesman for the Taiwan Affairs Office (TAO), Zhang Mingqing, had told reporters in Beijing that it remained to be seen how the U.S. response to the Sept. 11 tragedy would affect arms sales to Taiwan. These comments were not included in the *People's Daily* version of Zhang's meeting with reporters. Nevertheless, Beijing's mixed messages created anxiety in Taipei. Both Prime Minister Chang Chun-hsiung and Foreign Minister Tien Hung-mao have sought to reassure the Taiwan public that relations with the U.S. would not change. In these circumstances, it would not be surprising if Taipei was privately pressing Washington for evidence of its willingness to sustain the arms sales relationship.

### **Policy Implications**

Economic developments have been the dynamic element this quarter, and they hold considerable potential for improving cross-Strait relations next year after Taiwan's elections and after both sides join the WTO. Military developments have been occurring, principally the continuation of PRC military exercises around Dongshan Island and announcements of various U.S. arms transfers to Taiwan. But these have been less prominent publicly. At an international conference in Beijing in early September, Vice Premier Qian and Vice Chief of the General Staff Xiong Quangkai repeated familiar

formulations on cross-Strait issues without issuing ultimatums or threats. Qian said the PRC could be patient in pursuing its peaceful reunification policies – if Taiwan adheres to the “one China” principle. Tensions in the Strait remain relaxed as both sides focus on their domestic challenges and Washington adjusts its priorities in response to the tragic attacks on Sept. 11.

## **Chronology of China-Taiwan Relations July - September 2001**

**July 5, 2001:** Mainland Affairs Council (MAC) unveils plan for tourism from China; says talks needed for implementation.

**July 11, 2001:** Vice Premier Qian and New Party delegation agree on “one China.”

**July 13, 2001:** Chairman Lien proposes KMT adopt confederation proposal.

**July 20, 2001:** Dept. of Defense spokesman confirms U.S.-Taiwan defense officials meet in Monterey, California.

**July 24, 2001:** Beijing convicts Gao Zhan, a U.S. green card holder, and others of spying for Taiwan.

**July 26, 2001:** Lien decides not to press confederation proposal at KMT congress.

**Aug. 7, 2001:** Press reports PRC participants boycott meeting with Taiwan counterparts sponsored by National Committee on American Foreign Policy.

**Aug. 12, 2001:** Economic Development Advisory Conference (EDAC) panel recommends opening direct trade and easing investment restrictions with PRC.

**Aug. 12, 2001:** Taiwan Solidarity Union (TSU) is inaugurated with former President Lee Teng-hui’s support.

**Aug. 13, 2001:** *People’s Daily* article attacks Lee for creating new party to promote separatism and nativism.

**Aug. 14, 2001:** Chen publicly supports call to open direct trade and ease investment limits.

**Aug. 15, 2001:** Direct cross-Strait sea-air transshipment service is inaugurated in Kaohsiung.

**Aug. 21, 2001:** *People’s Daily* reports new military exercises on Dongshan Island.

**Aug. 22, 2001:** PRC trade official Long Yongtu says joint WTO accession will spur cross-Strait trade.

**Aug. 22, 2001:** Taiwan pop star A-Mei performs at opening of University Games in Beijing.

**Aug. 26, 2001:** EDAC concludes; recommends liberalizing cross-Strait economic relations; Chen calls for prompt implementation.

**Aug. 29, 2001:** Education Minister Tzeng says Taiwan universities will be authorized to establish branches and offer extension courses in PRC next year.

**Aug. 31, 2001:** China disqualifies CSFB (Credit Suisse First Boston) from bidding on government board placements because it organized an investment seminar in Europe involving Taiwan officials.

**Sept. 4, 2001:** KMT expels former President Lee Teng-hui in response to his support for TSU.

**Sept. 5, 2001:** Taipei announces plans to expand “mini three links” to permit ships to sail directly from Penghu to nearby mainland ports.

**Sept. 6, 2001:** China Air Lines signs deal with China Eastern Airlines to acquire a 25 percent stake in China Air Cargo.

**Sept. 8, 2001:** Finance Ministers Yen and Xiang meet on fringes of APEC Finance Ministers’ Meeting.

**Sept. 10, 2001:** Private shipping associations from Taipei and Beijing meet in Shenzhen.

**Sept. 11, 2001:** PRC civil aviation delegation in Taipei for exchanges.

**Sept. 11, 2001:** KMT announces desire to establish business facilitation office in China.

**Sept. 13, 2001:** Taiwan stock exchange falls below 4,000 mark, the lowest point in eight years, and 60 percent below its high in 2000.

**Sept. 14, 2001:** UN again decides not to put Taiwan issue on UN General Assembly agenda.

**Sept. 17, 2001:** WTO reaches agreement on China accession protocol.

**Sept. 18, 2001:** WTO approves Taiwan accession protocol.

**Sept. 20, 2001:** PM Chang reassures public there will be no change in U.S.-Taiwan ties.

**Sept. 21, 2001:** FM Tang meets Secretary Powell; states PRC will not link anti-terrorism and Taiwan issue.

**Sept. 26, 2001:** Taiwan Affairs Office spokesman criticizes EDAC for talk without action.

## **North Korea-South Korea Relations: Back on Track?**

by Aidan Foster-Carter  
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Inter-Korean relations during the past quarter were marked by two major events. True to form, each pointed in opposite directions. In August, a contentious visit to Pyongyang by a group of Southern unification activists brought tensions within the ROK over Northern policy to boiling point, leading to the forced resignation of the unification minister and the collapse of the ruling coalition. But in September, doubtless under pressure from Moscow and Beijing, Pyongyang suddenly announced its readiness to resume dialogue with the South, having frozen this for most of the year in reaction to the Bush administration's initial hostility. Ministerial talks were duly held in Seoul, and a schedule was set to reopen most of the various tranches of dialogue and cooperation that had been in abeyance – as well as some encouraging new ones.

Our last two articles concentrated on business and civilian links, as an important substratum that has continued – and is probably irreversible – even in the absence of official North-South contacts. This time the focus reverts to the inter-state level and assesses the prospects for real progress. Minimally, we are back where we were in February in terms of formally picking up the various strands and projects. That is positive, but it may not be enough. The past half-year's freeze plus Northern provocations did real damage to the incipient peace process: they soured the public mood in South Korea and severely weakened South Korean President Kim Dae-jung politically.

Hence to rebuild the initial post-summit optimism and momentum of a year ago will take more than merely formal meetings. South Koreans will now demand substantial progress and real reciprocity from the North on concrete issues like reconnecting road and rail links. Absent that, in little over a year they will vote in – as may happen anyway – a new president who will be less generous than Kim Dae-jung. The window for North Korean Leader Kim Jong-il is thus closing, with much hinging on whether and when he makes his long delayed visit to Seoul. And over all this now looms the dark shadow of Sept. 11, although so far the fall-out for Korea looks oddly positive.

### **South-South Conflict**

The Korean penchant for aphorisms has a new coinage. Controversy over Kim Dae-jung's Sunshine Policy is now tagged as "South-South conflict," never mind North-South. That conflict peaked in August, which is always an inter-Korean focus since Aug.

15 – Liberation Day from Japan in 1945 – is a holiday on both sides of the demilitarized zone (DMZ). While refusing any joint events or to send a delegation south, North Korea invited Southern non-government groups to Pyongyang for the dedication of a new unification monument. The ROK initially refused, as the statuary in question celebrates Kim Il-sung and Northern positions exclusively. But it relented after a last-minute DPRK fax promised to move the event to a different site. Over 300 activists from a range of civic groups flew to Pyongyang – only to find the venue unchanged after all. Most did not go to the suspect site, including – to her credit, and the North’s chagrin – Lim Su-kyong, dubbed the “flower of unification” (and later jailed in Seoul) for an illicit trip north as a student in the 1980s. But about 100 Southerners did dance to the North’s tune: a few keenly enough to be arrested for suspected breaches of the National Security Law on their return, which saw riot police at Incheon airport struggling to separate student supporters from outraged war veterans.

This incident brought to a head tensions in South Korea and within the ruling coalition. With an eye to next year’s elections, Kim Jong-pil, *eminence grise* of the third party United Liberal Democrats (ULD), saw his moment to break with Kim Dae-jung’s Millennium Democratic Party (MDP), not for the first time. The ULD voted with the opposition Grand National Party (GNP), the largest force in the National Assembly, to dismiss Unification Minister Lim Dong-won, architect of the Sunshine Policy. Though this had no binding force – the president, not Parliament, appoints the Cabinet – it is very rare and could not be ignored. Lim resigned (to be swiftly re-appointed as a special presidential adviser) and was replaced by Hong Soon-young, a career diplomat and former foreign minister, currently serving as ambassador in Beijing.

So the Sunshine Policy brought down both its chief champion and the ROK government. How did this happen? That question unpacks into several more. As cries of appeasement mounted in Seoul, why had the government not tried harder to defend its approach and build consensus? And why did it authorize a visit that was bound to cause trouble, even allowing leftists wanted by the police to join the party? One intriguing suggestion, in the Seoul daily *JoongAng Ilbo*, is that Lim was bending over backward to help his Northern opposite number, Party Secretary Kim Yong-sun, who allegedly spent several days under arrest in March.

Whether that is so, it is entirely plausible that Pyongyang, like Seoul, has hawks who find the whole peace process deeply suspect, and that currently the doves are on the defensive. But why did the North decide to humiliate the South and weaken Kim Dae-jung, which hardly seems wise? All this occurred while Kim Jong-il was on his lengthy train odyssey in Russia and word is that the dear leader was not amused. According to ROK sources, those in Pyongyang who plotted the Aug. 15 shenanigans have since had to undertake “severe self-criticism.”

### **Back to the Table**

While that too cannot be confirmed, it gains plausibility from the fact that in early September – a day before the vote on Minister Lim’s ouster, but too late to save him –



North Korea suddenly declared its readiness to resume dialogue with the South. The timing will also have been to pre-empt pressure from China to do this, on the eve of Chinese President Jiang Zemin's visit to the DPRK. Since then events have moved faster in four weeks than in the preceding six months. The fifth North-South ministerial talks, originally due in March but cancelled by the North on the very day they were due to start, were held in Seoul on Sept. 15-18. The talks went well, producing a raft of dates for future meetings including a sixth round of ministerial talks in Pyongyang on Oct. 28-31. This suggests reversion to a regular monthly schedule, as in late 2000 before the cycle became a quarterly one (or would have, if March had gone ahead). At this stage, the more the merrier.

Unusually, the DPRK published a long (11 items) advance agenda, much of it music to ROK ears. The eventual joint statement produced no fewer than 13 agreements. As ever, the proof of the pudding will be in the eating. Meanwhile it is worth scrutinizing the list in detail, trying to evaluate which projects have the best chance of success, and looking at what progress may now follow.

First up, a fourth round of family reunions is due Oct. 16-18. This will be as before: a mere 100 from each side – ordinary folk chosen by lot in the South, elite figures from the North – meeting in Seoul and Pyongyang, not their hometowns, for brief one-time and rather public encounters. This is better than nothing, but not much (the same goes for March's one-off letter exchange by 300 from each side, with no chance even of a reply). South Korea wants to move to a permanent forum for reunions, preferably at the DMZ; and eventually to the relaxation that now obtains between China and Taiwan, where kin can write, phone, and visit almost freely. It is unsure how far or fast Pyongyang will feel able to shift here, but Southern opinion is already impatient with the present restricted, mainly symbolic, poignant, and arguably painful format.

### **DMZ: From Front Line to Front Door?**

Second, four separate items involve breaching the hitherto impenetrable DMZ. The most fundamental are road and rail links north of Seoul. South Korea has already done much construction, unlike the North, which also has yet to ratify a protocol on work within the DMZ. Both sides have now committed to getting on with this rapidly. A new reference to onward rail links to Russia indicates where the renewed impetus is coming from. President Kim Dae-jung and Russian President Vladimir Putin are both keen to build an "iron silk road": or less romantically, a freight route linking South Korea to Europe via Siberia. Putin pressed Kim Jong-il on this when he visited Moscow (by rail) in August. This also entails much upgrading of DPRK track: Russian engineers are already doing surveys, and Moscow is counting on Seoul to foot the bill.

For its part, the ROK and especially the ailing Hyundai group are focusing closer to home: on the proposed Kaesong industrial complex just across the DMZ and on opening a more easterly cross-border route to Mt. Kumgang to cut costs on Hyundai's no longer popular cruise tours. In principle both are already agreed, but in practice nothing has happened. That Pyongyang pattern has to change. Kaesong is especially significant,

economically and militarily. It could make real money, though it will first need major investment. And if it becomes like Shenzhen to Seoul's Hong Kong, with regular traffic across the DMZ, that would *de facto* transform the security situation on the ground, even if the North remains reluctant to commit to any formal defense agreements, an area notably not covered as such in the recent talks and joint statement.

The Korean People's Army (KPA) reportedly remains opposed to any opening of the DMZ. It may object less to a pipeline bringing gas from Sakha (Yakutia) in Siberia to South Korea, crossing the North. This is a new topic on the formal agenda, though Hyundai's patriarch Chung Ju-yung first mooted it over a decade ago. As so often, one can only wonder what took North Korea so long to come around. The ROK's state-owned KOGAS held its own talks on this in Pyongyang ahead of the ministerial meetings and is keen to expedite it. Politics aside, the cost will be substantial, but the vulnerability of existing liquified natural gas (LNG) sources in Aceh and the Middle East is a major incentive.

### **Fishing in Troubled Waters**

Several further items involve economic cooperation. Two are general in scope. A previously established Economic Cooperation Committee is to hold its second meeting in October, and there is a pledge to ratify and implement a basic four-point pact on investment protection and the like, already agreed last December. Southern firms, few of which have yet ventured north, hope this will end the all too frequent abuses summed up in the title of a recent *Business Week* article: "See Ya, Suckers." While a legal and institutional framework is important, more so is confidence that such codes really will put an end to whims and scams.

Three more specific items all involve water. There are to be talks on letting merchant ships use each other's territorial waters. In June Northern boats several times did this without permission. This puzzling provocation infuriated Southern hawks, including the navy, which was ordered to hold its fire. Separate talks will discuss joint fishing in DPRK waters, an eminently practical idea put forward by Pyongyang in February that fell foul of the general freeze in ties. Held over too is flood control on the Imjin River, which rises in the North and debouches in the South. This may prove more contentious: Southern farmers complain that Northern dams cut the flow of water downstream, while the more paranoid suspect the North – here and elsewhere – of deliberately building dams that could unleash a wave of water on Seoul as a weapon.

### **Much Went Unmentioned**

As ever, what the two sides did not agree on is also of interest. The lack of any direct reference to defense issues was already mentioned. Less remarked is that unlike in earlier bouts of inter-Korean dialogue, no one seems to be suggesting visits of parliamentarians. But South Korea badly wants – and Kim Dae-jung needs, politically – the promised return visit by Kim Jong-il. On this the joint statement was silent, and on one of President Kim's less bright ideas: a joint anti-terrorism statement. Predictably,

North Korea would not sign up to anything so explicit. But it has expressed shock at the events of Sept. 11, and even semi-endorsed the idea of a coalition against terrorism. Cynics suggest that this, and indeed resuming North-South talks at this juncture, are ploys to ensure that a regime that is still on the State Department's terrorist list – and accused of contacts with suspected mastermind Osama bin Laden as recently as 1999 – does not find itself in the firing line. Fortunately for peace on the Peninsula, nothing appears to link the DPRK with the recent attacks on the United States, neither is anyone much in Washington now gunning for Kim Jong-il.

For its part, North Korea could not win Southern consent on two of its own priority issues. One is electricity supply, which at the start of this year it treated as a *sine qua non* of progress across the board – yet refused Seoul's offer of a joint inspection team in the first instance. Though the North's need is acute, for the South to supply it would involve both technical and political snags: the latter a reference to U.S. fears that this would be to the detriment of the ongoing project to supply light-water reactors under the Agreed Framework, which has its own problems. Yet it is hard to imagine the Kaesong industrial zone going ahead unless powered by the ROK grid.

Also unmentioned was food aid, currently under intensive discussion in the South because of a larger than expected rice harvest. Even the opposition GNP – eyeing the farming vote, rather than any softening toward the North – has suggested that two-thirds of the surplus, amounting to two million seok (10.24 million bushels), be given to the North. The conservative *Chosun Ilbo* daily noted that this would be worth \$500 million, or almost twice as much as the total \$270 million spent under Kim Dae-jung for direct aid to the North, and has joined Kim Jong-pil and ex-President Kim Young-sam – who appear to be plotting to build a new hard-right third force, to the GNP's alarm – in opposing this. The official line is that any rice will be given on purely humanitarian grounds, but the MDP too wants the farmers' vote, and if Pyongyang plays ball on at least some of this lengthy agenda, it looks likely to get its reward.

### **Taekwondo, but Whose Rules?**

All in all, on paper inter-Korean prospects currently seem bright. But they did a year ago, only to disappoint. There can be no guarantee that North Korea will not once more find some excuse to freeze or delay matters, as it did citing the Bush administration for most of this year. If (as at present seems unlikely, but is not impossible) the U.S. war against terrorism should find fault with Pyongyang, that would be sufficient pretext. A change of government in Seoul from February 2003, which looks more than likely, could also cause a hiatus. Hopefully Kim Jong-il will not miss this last window of opportunity with Kim Dae-jung as he did with former President Clinton: moving faster could have both struck him a missile deal and got the DPRK off the terrorist list.

The final item in the North-South joint statement looks easy. At the North's behest, the Koreas will exchange taekwondo teams during the next two months. Unfortunately, as the *Chosun Ilbo* points out, over the years practices have diverged, such that the two sides now play by different rules. Whereas the Southern rule professes broad goals of health

and even spiritual well-being, the North's simply aims to hit hard and hurt. It is tempting to see this as a metaphor for how the wider North-South encounter has too often panned out in the past. Let us hope that henceforth the North will edge closer to playing by Southern (i.e., global) rules, and no backsliding.

## **Chronology of North Korea - South Korea Relations**

### **July - September 2001**

**July 2, 2001:** Hyundai Asan pays \$22 million in overdue fees for its Mt. Kumgang tours to North Korea, thanks to loans made possible by a tie-up with the Korea National Tourism Corp.

**July 4, 2001:** ROK officials say Hwang Jang-yop, the highest ranking North Korean defector ever, will not be allowed to accept an invitation to the U.S., ostensibly for safety reasons.

**July 10, 2001:** An ROK official claims that the DPRK's apparent withdrawal of its railway workforce from the DMZ reflects a change of route, rather than abandonment of the project.

**July 11, 2001:** South Korea's minister of commerce, industry, and energy says his ministry is studying ways of sending electricity to North Korea, perhaps in exchange for coal or minerals.

**July 11, 2001:** A Seoul National University professor, Lee Sang-myun, claims that South Korea's current drought is aggravated by dams built in North Korea in recent years.

**July 18-19, 2001:** Northern and Southern civic groups, meeting at Mt. Kumgang, fail to agree on joint celebrations of Liberation Day (Aug. 15).

**July 25, 2001:** The ROK Unification Ministry reports that inter-Korean trade in the first half of 2001 fell 2.7 percent year on year to \$197 million. South Korea had a surplus of \$77 million, but if aid items are excluded the North had a surplus of \$37 million.

**Aug. 2, 2001:** Hana Program Center, an inter-Korean computer software joint venture, opens in Dandong, China. Ten ROK IT engineers will teach 30 DPRK trainees.

**Aug. 10, 2001:** South Korea's Red Cross proposes an early resumption of family reunions.

**Aug. 13, 2001:** The *Chosun Ilbo* claims that its Kumgang tourist project has cost Hyundai \$520 million so far, while North Korea has paid nothing.

**Aug. 14, 2001:** South Korea allows a delegation of unification activists to visit Pyongyang, after a faxed assurance that they will not be made to visit a politically contentious monument.

**Aug. 15, 2001:** The 337 ROK activists fly into Pyongyang, the largest direct contingent yet. At their hosts' bidding, about 100 do in fact attend ceremonies at the controversial statutory.

**Aug. 21, 2001:** The delegation returns to Seoul, amid demonstrations for and against them. Sixteen are arrested at Incheon airport under the National Security Law; nine are later released.

**Aug. 24, 2001:** South Korea's opposition GNP tables a motion in the National Assembly to dismiss Unification Minister Lim Dong-won over the Aug. 15 events.

**Aug. 24, 2001:** South Korea's ruling MDP proposes sending 300,000 tons of rice to the North.

**Aug. 24, 2001:** KOTRA, South Korea's trade and investment promotion agency, reports that only one ROK firm has shown interest in a DPRK trade exhibition due to open shortly in Beijing.

**Aug. 31, 2001:** An ROK opposition member of Parliament claims that Korea Gas Corporation (KOGAS) has done feasibility studies on supplying gas to the proposed Kaesong industrial zone project.

**Sept. 2, 2001:** In a broadcast, North Korea proposes the resumption of talks with South Korea. Seoul promptly accepts.

**Sept. 3, 2001:** Korea National Tourism Corp. reportedly refuses to loan Hyundai Asan a further W45 billion (\$35 million), on top of W45 billion it has already lent.

**Sept. 3, 2001:** The ROK National Assembly votes 149-118 to dismiss Lim Dong-won; the ULD voting against, with the GNP, Lim resigns a few hours later.

**Sept. 5, 2001:** The entire South Korean Cabinet tenders its resignation.

**Sept. 6, 2001:** The two Koreas hold talks in Pyongyang about a project for a gas pipeline from Sakha in Russia across North Korea to South Korea; agree on a joint feasibility study.

**Sept. 7, 2001:** Kim Dae-jung reshuffles his Cabinet. Hong Soon-young, an ex-foreign minister, takes the unification portfolio. Lim Dong-won becomes a special presidential adviser.

**Sept. 15-18, 2001:** Fifth inter-Korean ministerial talks are held in Seoul.

**Sept. 16, 2001:** LG Electronics says it will offer the first after-sales service on appliances in North Korea, for the 700 South Koreans working in Kumho on the light-water reactor project.

**Sept. 18, 2001:** Thirteen point inter-Korean agreement announced, including a schedule of dates for future meetings.

**Sept. 26, 2001:** The two Koreas exchange lists of names for upcoming family reunions.

**Sept. 25-28, 2001:** An 11-strong delegation from the Federation of Korean Trade Unions visits Pyongyang, the first ROK NGO to make the trip since the Aug. 15 controversy.

## China-Korea Relations: Navigating the Swiftly Shifting Currents

by Scott Snyder  
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After almost one year of intensive expansion in the Sino-South Korean economic and political relationship, this quarter there was a breather and old themes re-emerged. Chinese President Jiang Zemin visited Pyongyang for the first time in over a decade to re-consolidate relations with the DPRK and to repay two successive visits by North Korean Chairman Kim Jong-il to Beijing in May of 2000 and to Shanghai in January of this year. Although Jiang's trip was overshadowed by Chairman Kim's anachronistic three-week pilgrimage to Moscow in August, the visit re-solidified the DPRK-PRC relationship and re-confirmed Chinese commitments to assist the DPRK economically. It was also an indirect catalyst for renewed inter-Korean dialogue.

On the Sino-South Korean economic front, this quarter provided an important opportunity to assess the long-term future of the economic relationship. South Korean business redoubled its rush to take advantage of its proximity to the only island of sustained growth in the global economy. However, this quarter also saw the public emergence of second thoughts among South Korean researchers who began to see clouds on the horizon, mainly in the form of China's rising competitiveness, which threatens to become a force that could eventually overtake South Korean competitiveness in key sectors of the global market. The dark side of rapid growth in Sino-South Korean ties was evident in the form of increased drug smuggling from China, illegal entries by an increasing number of ethnic Korean Chinese using fake Korean passports, frustrations over perceived unequal treatment of ethnic Korean Chinese when they returned to Korea, and continuing under-the-surface tensions on how to manage North Korean refugees.

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<sup>†</sup> The opinions expressed in this article are those of the author and do not necessarily represent the views of The Asia Foundation.

## **Bear Hugs and Mao Suits: Reconsolidating the PRC-Russian-North Korean Axis?**

In combination with Kim Jong-il's nearly month-long sojourn in Russia, President Jiang's three-day return visit to Pyongyang – the first by Jiang in over a decade – appeared anti-climactic. The visit did represent the formal mending and consolidation of a relationship that had been troubled in recent years, and it appears that Chairman Kim was able to reap rather substantial benefits in the form of diesel fuel and an additional commitment of 200,000 tons of food. President Jiang could also indirectly take credit for catalyzing renewed inter-Korean dialogue by stimulating a proposal from the North for ministerial talks on the eve of Jiang's arrival in Pyongyang. Whether by accident or by design, Pyongyang's proposal for renewed dialogue breathed new life into the Sunshine Policy just as it was being dismantled in Seoul by political opposition in the form of a no-confidence vote against ROK Unification Minister Lim Dong-won.

President Jiang is also known to have brought messages from the South designed to facilitate renewed inter-Korean contacts. China's own interests are served not by re-creation of a Cold War Northeast Asian axis, but by defusing DPRK-U.S. tensions in ways that will help win over neighbors in the event of U.S.-PRC confrontation, especially on issues such as missile defense. China seemed to be more an innocent bystander to Kim Jong-il's retrograde diplomatic strategy than a willing participant, although many analysts have argued that it is necessary for Kim to strengthen relations with Moscow and Beijing, to the extent possible, before he can confidently pursue diplomatic opening with Seoul, Tokyo, and Washington. Of course, the proof for such theories lies in the hands of Kim himself: he will provide it when he pursues pro-active diplomatic initiatives toward those three capitals. This theory also perhaps unnecessarily belittles the importance of the Sino-DPRK relationship as a critical source of material and psychological support for the DPRK's survival and steps toward opening that are increasingly necessary to assure that objective.

## **South Korea's Precarious Role**

During the third quarter, the Sino-South Korean trade relationship celebrated a symbolic milestone as the PRC finally surpassed Japan as the second largest recipient of exports from South Korea, with a \$10.69 billion share over the first half of the year compared to Japan's \$10.37 billion. As a result of weak economic growth in the United States, China has also surpassed the U.S. as the leading destination for Korean foreign investment during the first half of 2001. China received almost 12 percent of all Korean exports as of this past July on the strength of Korean exports in organo-metallic compounds, electrical goods, petroleum, steel products, and textiles. The Korean trade surplus with China totaled almost \$10 billion, a chronic source of irritation on the Chinese side of the bilateral relationship.

There are a number of industrial sectors in which Korea currently enjoys great advantages over Chinese counterparts. Exports to China across many of these sectors, such as semi-conductors, steel, automobile production, chemical fiber, textile production,



electronic sub-components manufacture, and even possibly telecommunications, may be areas in which China's sustained ability to acquire foreign direct investment (FDI), substantial technology transfer, modern plants, and significant know-how regarding international best practices through joint venture operations may turn China into a fierce competitor that can overwhelm Korean competitiveness in key foreign markets, including the United States.

Public reports from Korean think tanks during the third quarter of this year began to take note Korea's potential lack of future global competitiveness in combination with China's emergence as a stiff competitor in many of these market categories. For instance, the Korea International Trade Association (KITA) released a report that showed Korea with a narrow advantage in the number of categories of products it produces as measured by export volume. According to the study, China was rapidly catching up in a wide range of areas, including freezers, tires, glasses frames, dairy products, microwave ovens, and television tubes, and had surpassed Korea during the past year in almost 10 percent of the product categories measured.

A separate study by the Korea Center for International Finance (KCIF) warned that four-fifths of all Korean exports to China are dependent on products used in the manufacture of Chinese export goods and expressed concern that the combination of Japanese technology and Chinese labor could squeeze intermediate economies such as South Korea. KCIF noted that China's export growth had dropped from 28 percent last year to only 8.8 percent in the first six months of this year. The Korea Trade-Investment Promotion Agency (KOTRA) predicted that exports to China would slow even further during the last half of 2001, and a September report from the LG Economic Research Institute revealed that FDI to the ROK shows a low technology transfer effect. As a result Korea is a less attractive destination for foreign investment than China. The report asserted that Korean-bound FDI usually was focused on expanding market share rather than on attracting technology transfer or on inducing investment.

Now that Beijing is officially hosting the 2008 Summer Olympics, the Bank of Korea predicts that infrastructure related projects will add 1-3 percentage points to China's GDP and that bilateral Sino-South Korean trade will soar to over \$100 billion by 2008. Korea's competitive shares in the Chinese communications, petrochemical, and auto sectors are predicted to rise, while China will benefit from a lowering of Korean tariffs on Chinese agricultural goods. However, the Korea Economic Research Institute (KERI) downplayed the economic benefits likely to accrue to South Korea from China's hosting of the 2008 Olympics, noting that China's domestic information and environmental technology sectors were developing rapidly, and warned that Korean competitiveness in the Chinese market lags behind Japan, Taiwan, and the United States.

## **The Drive to Gain a Foothold for China's Entry into the WTO**

One of the major drivers for ROK companies to expand into China during the past several years has been the perception that China's entry into the World Trade Organization (WTO) will lead to a playing field that would be more favorable to foreign participants than in the past, when Beijing could protect its own markets with impunity while serving as a low-cost manufacturing base for export items to the rest of the world. In the rush to establish Chinese production facilities, Korean firms are quickly cannibalizing the competitiveness of their own domestic production, dramatizing the need for industrial restructuring inside South Korea. Current plans inside South Korea call for a 30 percent cut in domestic production in chemical fiber production, even while the industry faces dumping charges by China and Korean overseas investment in chemical fiber production facilities in China continues to expand. Hyundai Heavy Industries and Daewoo Heavy Industries and Machinery have captured almost 45 percent of the Chinese market for excavators, defeating other international rivals on the strength of installment plans and after-sales service in China.

Korean telecom sectors are scurrying to submit plans for joint ventures by Oct. 15, and Hyundai Merchant Marine has attempted to pre-position itself to exploit China's transportation network along major riverways, establishing over 15 local offices in China to manage its river transport network.

Korean companies continue to be interested in the telecommunications sector, particularly in building the infrastructure for China's future Internet needs. Korea Telecom is linking up with Chinese partners China Unicom and China Telecom to promote ADSL (asymmetrical digital subscriber lines) in China, and Samsung and LG Electronics retain hopes of playing a major role in development of China's CDMA (code-division multiple access) mobile telephone system in major Chinese cities. Samsung Electronics has concluded a deal to supply cable TV modems and high-speed ADSL. One measure of the emerging importance of the information technology (IT) sector in Sino-South Korean trade is the recent decision to post a director-general level IT specialist at the ROK Embassy in Beijing. However, those hopes may have also been clouded by unverified media reports that Qualcomm, the originator of CDMA-technology, may undercut Korean makers by making direct-royalty deals with Chinese manufacturers that would potentially cut Korean CDMA developers out of a large portion of the market.

## **Will South Korean Cultural Exports Have Staying Power?**

One interesting phenomenon that has emerged over the past year has been the unprecedented popularity in China of South Korean cultural products, from pop stars to movies to Korean-produced computer games. As a result of the "Korean wave" of popularity among young Chinese fans, some pop music groups have been able to realize unprecedented album sales due purely to the fact that the developing Chinese market is so much bigger than the Korean domestic pop music sector. In Taiwan, it has been reported that plastic surgeons receive requests from women for surgery to look more like famous

Korean actresses. South Korean music groups such as H.O.T., Clon, N.R.G., and Ahn Jae-wook have performed in China and Taiwan to sell-out crowds, and young, upwardly-mobile Chinese girls are joining package tours to Korea to attend concerts and meet heart-throb musical idols. A forthcoming Korean-directed historical epic entitled “Musa,” or “warrior,” is set in China and blends a Chinese and Korean cast that will hit movie screens shortly. And Andre Kim’s often-flamboyant fashions have recently been featured in Hong Kong, where several prominent actresses are modeling his artistic creations.

The “Korean wave” is sufficiently important commercially that it has drawn the attention of the Korean government, which is moving to support and extend Korean penetration of the Chinese pop culture market by promoting tourism sites in Korea that highlight Korean contributions in music and computer gaming culture. Since Korea’s \$8 billion music market is tiny by Chinese standards – and the Chinese middle class is still emerging – one assumption behind Korean marketing efforts to China is that it is possible to sustain an international fan base. The Korean government and private sector are supporting “Korean wave” projects, including emphasis on the joint marketing of music albums, videos, and games in Korean and Chinese languages as well as the proposed establishment of a “Korean Wave” building near Tongdaemun designed as a meeting point for Chinese tourists to experience trends in Korean culture.

### **Clouds on the Horizon**

A number of problems have persisted in the Sino-South Korean relationship, all of which are likely to continue to be a drag on the relationship. The immigration flows of ethnic Korean Chinese to Korea that have developed as a result of the relative prosperity of Korean society have stimulated significant interest among ethnic Korean Chinese in opportunities for short-term work assignments, educational opportunities, illicit business, and legal or illegal immigration paths. In addition, issues of how to deal with North Korean refugees and South Korean non-governmental organization (NGO) efforts to assist North Korean refugees in China are sources of tension in the political relationship. Persistent difficulties with tainted shipments of Chinese sea and fish products to Korea continue to beset the trade relationship. All of these problems are by-products of the success of the economic relationship, but they may occasionally blow up into major political problems that must be managed by the two governments.

During this quarter, one focus has been the inequality of the 1999 Act on Overseas Koreans, a measure that eased requirements for overseas Koreans to return and gain work in Korea. However, the provision of the act defined overseas Koreans as ethnic Koreans who had previously been citizens of the Republic of Korea (i.e., since 1948), excluding Koreans who had left the country prior to that time to move to China, Russia, or Japan. The Korean Sharing Movement and other South Korean NGOs have advocated and demonstrated on behalf of the 100,000 Korean Chinese currently living in South Korea, about 60 percent of whom are illegal immigrants. Many of these visitors from China are reported to have suffered human rights violations in the course of gaining work in the South. The Ministry of Justice responded by announcing in July that it would develop

more humane policies for ethnic Koreans from China and would crack down on exploitation by Koreans in recruitment and labor to minimize human rights violations. The South Korean government has also uncovered a trafficking ring that provided cash to South Koreans who “lose” South Korean passports in China that are then used to smuggle ethnic Koreans living in China.

Another growing problem in the Sino-South Korean relationship involves illicit smuggling of drugs and people from China. Drug smuggling cases uncovered by the Korean Customs Service have skyrocketed by over 700 percent this year, and 95 percent of drugs smuggled into Korea are introduced either from China or Thailand. During the first half of this year, Korean authorities confiscated over 58 kilograms of *hiroppon* (heroin), an increase of 180 percent over the same period in the year 2000.

Finally, the issue of North Korean refugees and their treatment is always a potentially explosive issue in Sino-South Korean relations, as South Korean activists and human rights NGOs continue their activities to develop an “underground railroad” whereby North Korean refugees may arrive in South Korea via China and other countries. The ROK government has attempted to limit damage to the official Sino-ROK relationship from this issue by denying political asylum to most North Korean defectors who arrive at consulates in Shenyang, Beijing, and Shanghai, forcing North Korean refugees to travel via the Mongolian desert and border crossings from southern China to South Korean embassies as far afield as Bangkok and Hanoi in order to arrive safely in Seoul.

However, one North Korean defector family succeeded in defecting to the offices of the UN High Commissioner for Refugees in Beijing in late June. Although China acted quickly to defuse this potential diplomatic stand-off on the eve of the International Olympic Committee’s decision to award Beijing the 2008 Olympics by sending the family to a third country and then on to Seoul, there has been a severe crackdown on North Korean refugees in Jilin Province during the last quarter as part of China’s domestic “Strike Hard” campaign against illegal activities across China. The international public and media attention given to China’s campaign to crack down on North Korean refugees will remain one source of leverage that South Korean NGOs may continue to use in an attempt to embarrass the Chinese leadership into showing greater flexibility in treatment of North Korean refugees; however, China’s own domestic political considerations thus far appear to have trumped attempts to utilize international pressure in this way. With the award of the 2008 Olympics to Beijing and heightened tensions in the run-up to the PRC’s leadership transition, look for the issue of human rights for North Korean refugees in China to play a heightened role as a “hot potato” in the PRC’s relations with both parts of the Korean Peninsula.

## **Chronology of China-Korea Relations July-September 2001**

**July 10, 2001:** South Korean Ministry of Justice announces that it would develop more humane policies for Korean Chinese and would work to stop corrupt practices and minimize human rights violations in the areas of labor and recruitment.

**July 24, 2001:** South Korean Foreign Minister Han Seung-soo and Chinese Foreign Minister Tang Jiaxuan meet on the sidelines of the ASEAN Regional Forum (ARF) in Hanoi and agree that Seoul and Beijing should exert joint criticism to pressure Tokyo into revising its controversial history textbooks.

**July 29, 2001:** The ROK Ministry of Construction and Transportation announces plans to resume negotiations with Taiwan over the reopening of the air route between the two countries, which was suspended in 1992 when South Korea established diplomatic ties with China.

**Aug. 7-11, 2001:** Taipei Mayor Ma Ying-jeou visits South Korea for talks with Seoul Mayor Goh Kun and other officials.

**Aug. 8-12, 2001:** Twenty-two executives of the ROK Federation of Korean Industries (FKI), led by FKI Chairman Kim Kak-choong, visit China to inspect the country's latest economic developments and discuss bilateral cooperation toward the 2008 Beijing Olympics.

**Aug. 17, 2001:** Korean chemical fiber manufacturers announce that they will send a delegation to China in a move to narrow losses from a Chinese dumping investigation on Korean polyester fibers and polyethylene terephthalate chips.

**Aug. 21, 2001:** Seoul establishes the China Experts Forum, consisting of about 30 prominent representatives from government, business, and academia, to develop long-term strategy to enhance trade and investment between the two countries.

**Aug. 28, 2001:** South Korean consulate-general opens in Guangzhou to assist Korean companies operating in the region and help arrange personnel exchanges.

**Aug. 28, 2001:** ROK Ministry of Culture and Tourism announces measures to support the export of Korean pop culture to China and East Asia.

**Sept. 3-5, 2001:** PRC President Jiang Zemin makes his first visit to Pyongyang in over a decade, symbolically restoring the PRC-DPRK relationship to normal status.

**Sept. 4, 2001:** Korean Customs Service announces that surveillance on drug smuggling will be toughened at Incheon International Airport.

**Sept. 7, 2001:** Korea Center for International Finance warns that a slowdown in the growth of China's exports would take a huge toll on Korea since more than 80 percent of Korea's exports to China are used in the manufacture of Chinese export products.

**Sept. 25, 2001:** NITGen ([www.nitgen.com](http://www.nitgen.com)) signs contracts to export \$16.5 million worth of fingerprint identification solutions to China.

**Sept. 25, 2001:** According to the Korean International Trade Association (KITA), Chinese products exported to global markets are rapidly challenging or surpassing their rival Korean products in competitiveness across the board.

## Japan-China Relations: Spiraling Downward

by James J. Przystup  
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The summer provided no respite from the controversies troubling Japan's relations with China. Japan's internal debate over history, in this instance the adoption of a history textbook for middle schools, continued to buffet bilateral relations with China. At the same time, Japanese Prime Minister Koizumi Junichiro's announced intention to visit the Yasukuni Shrine on Aug. 15, to many the very symbol of Japanese militarism, only further exacerbated relations. The issue came to dominate bilateral discourse. As Aug. 15 approached, it was almost all Yasukuni, almost all the time. In the end, Koizumi yielded to internal and external (read: Chinese) pressures, visiting the shrine on Aug. 13. Following the visit, Koizumi turned Japanese diplomacy toward a damage limitation strategy.

It was also rough going on the economic front. The trade dispute over Japan's imposition of temporary safeguards on Chinese agricultural exports and China's own retaliation against Japanese automobile and electronic exports remained unresolved. Meanwhile, other Japanese industries were exploring similar relief from Chinese exports.

Security relations continued to be troubled by the appearance of Chinese maritime research vessels in Japan's exclusive economic zone (EEZ). Their activity appeared to contravene the protocols of the prior notification agreement negotiated earlier in the year. At the same time, the release of "Defense of Japan 2001," Japan's defense White Paper, gave greater definition to China's military modernization and the implications for Japanese security.

### **Textbooks and History**

The textbook issue continued to smolder this quarter. Both China and South Korea asked Tokyo to make revisions in the "New History" text, with China requesting nine changes and South Korea 25. In early July, Fusosha, the textbook publisher, announced that it had self-initiated minor changes in the controversial text, including some of those insisted on by Beijing and Seoul. These changes, the publisher informed the Japanese Education Ministry, involved corrections of wording, not fact, and were made at the request of the authors, not in response to entreaties from China and Korea. Chief Cabinet Secretary

Fukuda Yasuo welcomed the changes as preserving “the spirit of the textbook authorization process.”

To increase understanding on the textbook problem and tamp down fires building toward the prime minister’s announced intention to visit the Yasukuni Shrine on Aug. 15, the secretaries general of Japan’s three-party ruling coalition traveled to South Korea and China July 8-11. In China, the delegation met with President Jiang Zemin, Vice Premier Qian Qichen, and Foreign Minister Tang Jiaxuan.

Decisions on textbooks began in mid-July. In Tochigi Prefecture, eight textbook screening councils announced their intention to adopt the new history textbook for the 2002 school year. Less than two weeks later, however, the district boards of education, meeting strong, organized opposition, rejected the text. In early August, the Tokyo Board of Education adopted the text for use in schools for disabled students. This decision marked the first commitment to the text by a public school system. On Aug. 8, Ehime Prefecture also adopted the text for use in schools with disabled children. However, the results of an mid-August national survey conducted by the *Asahi Shimbun* indicated that less than 1 percent of Japan’s national and municipal middle schools had adopted the text.

### **Security: The Defense White Paper**

On July 6, the Cabinet approved the Defense Agency’s White Paper, “Defense of Japan 2001.” The White Paper added not only greater length to its coverage of China but greater specificity as well. The document devoted three additional pages, 12 in total, to China. In terms of specificity, the 2001 report noted that medium-range Chinese missiles had increased in number from 70 to 100, while inter-continental ballistic missiles (ICBMs), last year described as “some 10,” were approximately 20 in number. The report also drew attention to the intelligence activities of Chinese research ships in Japan’s EEZ and to the PLA Navy’s aim of becoming a “blue water navy.”

Like the “Defense of Japan 2000,” which broke new ground by identifying Japan as falling within the range of Beijing’s medium- and ICBM-range missiles, this year’s White Paper posed the question whether China’s defense modernization budget, 10 percent plus for the past 13 years and a 17 percent increase this year – the largest in the past six years – could be judged as going beyond what is necessary for defense. While taking into account increasing personnel costs, the report for the first time called attention to the PLA’s interest in preparing for local war under high-tech conditions and again raised transparency as an issue. The report also called attention to China-Taiwan relations as a cause of instability in the Asia-Pacific region.

On July 12, the Chinese Foreign Ministry’s Deputy Spokesperson Zhang Qiyue expressed “regret and dissatisfaction” with the White Paper. Zhang explained that China’s military was “defensive” in nature and “not a threat to any country.” She indicted the White Paper for failing “to build mutual trust and understanding in the area of security.”



Also with regard to defense policy, the *Nihon Keizai Shimbun*, on Aug. 6, reported that the Koizumi government had decided to initiate a review of Japan's National Defense Program Outline (NDPO). The NDPO sets the objectives for the Mid-Term Defense Plan; the current Mid-Term Defense Plan concludes in 2005. The NDPO was last revised in 1995 after a period of 20 years. In light of the potential for conflict on the Korean Peninsula and in the Taiwan Strait, the NDPO would focus on shifting Self-Defense Forces to the south, to bases in Kyushu and Okinawa.

### **Chinese Naval Activity**

On July 9, a Japanese Coast Guard airplane discovered a Chinese research ship operating in Japan's EEZ near the Senkaku Islands. The ship had entered Japanese waters without giving prior notification of its intent to conduct research activities, thus contravening the Japan-China agreement on prior notification signed earlier this year in Beijing. The accord provided for two months prior notification of research activities, intended area of operation, and nature of scientific research. The July incident marked the first violation of the agreement. Four days later, on July 13, the coast guard confirmed that a second Chinese ship was operating in an area other than that previously identified. On July 16, a Chinese icebreaker was found off Okinawa, apparently conducting intelligence activities.

On July 17, the Japanese minister in Beijing asked that China exercise self-restraint in such matters so as not to invite misunderstanding and suspicions. In reply, a Chinese official stated that Beijing had absolutely no intention to exacerbate relations, would pay particular attention to the Japanese protest, and wanted to strictly observe the February agreement. The good intentions lasted less than a day – on July 18 the coast guard spotted another Chinese ship operating off Okinawa without prior notification.

On July 26, the government released a five-year survey of Chinese maritime activities within Japan's EEZ. The survey pointed to illegal resource-related research activities and raised the possibility that some operations may have been for military purposes, citing anti-submarine activities carried out in the areas surveyed. The possibility of military-related research was underscored by a July 28 *Tokyo Shimbun* report of a Chinese research ship operating since July 11 off southern Kyushu. Military sources suggested that the ship was mapping the sea floor in order to develop routes from the South China Sea to the Pacific Ocean for Chinese submarines.

Foreign Minister Tanaka Makiko took up the issue with her Chinese counterpart during the ASEAN Regional Forum (ARF) meeting in Hanoi, asking for China's self-restraint in the matter. Foreign Minister Tang replied that China attached great importance to the agreement and would continue strictly to adhere to it. Less than a month later, the coast guard found a Chinese ship operating near the Senkaku Islands in violation of its prior notification agreement.

## **New ODA Relations**

In early June Finance Minister Shiokawa Masajiro announced his intention to cut Japan's overseas development assistance (ODA) program by 10 percent in FY 2002. Shiokawa, however, raised eyebrows when, during an election campaign rally in Osaka on July 14, he again addressed the ODA program. Reiterating his call for a 10 percent cut, Shiokawa went on to say that he found it "absurd" for Japan to provide development assistance to countries with nuclear weapons and missiles capable of striking Japan. Three days later, at a press conference following a Cabinet meeting, the minister made clear that his remarks should be taken in a global context and not be understood as directed at China. However, during an Aug. 26 town meeting on the ODA program held at Kobe University, the Foreign Ministry found such views being expressed by speakers from among the approximately 3,000 attendees.

## **Economic Relations: Trade Tensions**

In April, reacting to a surge in Chinese agricultural imports, the Japanese government imposed temporary safeguards on the importation of leeks, shitake mushrooms, and reeds used in making tatami mats. In mid-June, Beijing reacted, raising tariffs to 100 percent on Japanese automobiles, cell phones, and air conditioners; Japan, in turn, called for consultations.

On July 3-4, negotiators from Japan's Foreign Ministry, Agricultural Ministry, and the Ministry of Economics, Trade, and Industry (METI) met with their Chinese counterparts in Beijing. The talks failed to resolve the outstanding issues. Japan argued that the safeguards were not targeted at Chinese goods *per se* but were in accordance with WTO rules, which allowed such actions to deal for a limited time with sudden import surges. At the same time, it was argued that China's retaliatory 100 percent import duties were aimed at specific Japanese exports and thus were in violation of the Japan-China trade agreement and WTO rules. China refused to repeal the tariffs, insisting that Japan first remove its safeguards on Chinese agricultural products.

Following the agriculture precedent, Japan's towel industry was also looking for safeguard protection from towels imported from China. However, the calls for protection were opposed by Japanese towel makers who had set up production in China and were exporting back to Japan. Deadline for a government decision is Oct. 15.

Moreover, the Finance Ministry was reportedly prepared to impose prohibitive duties, in the range of 35-50 percent, on imported Chinese table salt beginning in April of 2002, when liberalization of Japan's salt industry is scheduled to be completed. The tariff would be imposed for an initial period of three years.

As in the case of agricultural safeguards, Beijing was quick to react to the towel industry's call for safeguards. On July 16, the spokesman for China's Ministry of Foreign Trade and Economic Cooperation made clear that China was resolutely opposed

to protectionism under any guise adopted by the Japanese government and that Beijing would pay careful attention to the salt issue.

Hopes for better trade relations were bolstered Sept. 17, when the World Trade Organization (WTO) working group in Geneva approved China's accession protocols.

## **The Yasukuni Visit: Almost All Yasukuni; Almost All the Time**

### **Part I: The July Run-up**

The Yasukuni issue had its origins in April's LDP presidential election campaign. Speaking to officials of the Japan War-Bereaved Association, then-candidate Koizumi said "I will pay homage at Yasukuni Shrine after I become president of the LDP." The statement initially made during a telephone conversation was soon front-page news. As prime minister, Koizumi returned to this promise, stating "I want to express regret and gratitude to war victims ... I cannot understand how my intentions can be criticized."

Others, however, most notably Koreans and Chinese, were having trouble understanding his intentions. As in the textbook issue, their concerns, in particular, focused on Japan's understanding of its history. As noted above, the secretaries general of the ruling coalition – Yamazaki Taku, LDP; Fuyushiba Tetsuzo, New Komeito; and Noda Takeshi, New Conservative Party – traveled to South Korea and China in an attempt to deal with the issues and explain the prime minister's thinking. During the meeting with President Jiang Zemin, Jiang made clear his concerns with recent developments, in particular the potential of a Yasukuni visit to damage, if not destroy, the bilateral relationship.

In an earlier meeting with Tang Jiaxuan, China's foreign minister told the delegation that China "could not accept a visit by a Japanese leader to the Yasukuni Shrine, where Class-A war criminals are enshrined." With respect to history issues, Beijing had carefully limited its criticism to "a small number of rightists," and differentiated between Japan's general population, which it has accepted as victims of the war, and Japan's war criminals. However, Tang made clear that a visit to the shrine by the prime minister would challenge that analysis and make it difficult for Beijing to sustain it.

Three days later, on July 24, Foreign Ministers Tanaka and Tang met in Hanoi just prior to the ARF. Tang came right to the point, the prime minister's still expressed intention to visit the Yasukuni Shrine. Speaking in Japanese to maximize time for discussion during the 50-minute meeting, Tang stated that should Koizumi persist in visiting the shrine, it would evoke a "strong reaction among the Chinese people." Tanaka stated that she would convey the message to the prime minister. Before leaving for Tokyo, Tanaka indicated to reporters that she opposed the Yasukuni visit.

### **Part II: Countdown to Decision**

As July turned to August, the prime minister continued to develop political space on the visit. On Aug. 1, he asserted that he had never made a "public pledge to visit the shrine

on Aug. 15,” explaining that he made the statement only in response to a question about his plans to visit Yasukuni. The next day, during a meeting with new Chinese Ambassador Wu Daiwei, Koizumi returned to his “careful consideration” line in discussing the Yasukuni visit. The debate in Japan intensified.

On Aug. 13, the prime minister, in a surprise move, visited Yasukuni and ended the debate. Briefing the press on the visit, Chief Cabinet Secretary Fukuda read the text of a statement by the prime minister. In it, the prime minister acknowledged that Japan had caused “tremendous sufferings to many people in the world, including its own. In particular, toward the various countries of Asia, Japan during one period in its past carried out colonial rule and aggression based on mistaken policies, inflicting immeasurable horrors and pain on these people.” The prime minister went on to acknowledge this “regrettable history” and to express his “profound regrets” and “feeling of remorse toward all those sacrificed in the war.” He declared that Japan “must never again pursue a course leading to war.”

He also took time to explain why he was not visiting the shrine on Aug. 15. As the anniversary approached, the prime minister explained that “voices arose at home and abroad criticizing the propriety of ... visiting the Yasukuni Shrine.” Thus, because of concerns that his visit to the shrine might be misinterpreted and usher in “doubts here and abroad about Japan’s basis principle of renouncing war and embracing peace,” he had decided not to pay homage on Aug. 15 but to do so at an alternative date of his choosing. The prime minister also said that retracting his previous pledge was a “deeply embarrassing” act. Nevertheless, as prime minister he had to “cast aside personal matters and consider broad national interests” in making his decisions.

### **Part III: Aftermath in Beijing**

The visit had the predictable results. Vice Foreign Minister Wang Yi called in the Japanese ambassador to protest the visit. Expressing China’s “strong anger,” the vice minister said that the visit had “destroyed the political foundation of Sino-Japanese relations” and would affect “the healthy development of bilateral relations.” At the same time, he noted that the prime minister had avoided Aug. 15, “the most sensitive date” and had both acknowledged and regretted “the historical fact of Japan’s aggression.” Japanese flags were burned in front of the Japanese embassy, and protesters were allowed their day.

However, the *Asahi* reported that the public reaction was noticeably restrained and nothing like the mass emotion that erupted over the EP-3 incident. Previously, it had speculated that China’s restraint in the textbook issue was a function of the growing importance Beijing attached to relations with Japan. Seeming confirmation of Beijing’s efforts to exercise restraint came when the Chinese State Council’s press spokesperson stated that China wanted “to see news reporting keep balance, not focusing only on that issue.”

Nevertheless, Chinese sources reported that even if reactions within the Communist Party and among the general population could be restrained, the visit would “unavoidably affect diplomacy.” The visit put at risk the opportunity for Koizumi to meet with Jiang Zemin during the APEC Leader’s Meeting in Shanghai. A Chinese Foreign Ministry spokesperson said that it was incumbent on Japan to “create the necessary environment and conditions” for such a meeting. Yet Foreign Minister Tang told the *Asahi Shimbun* that there was “no change” in China’s policy, articulated last year by Jiang Zemin, of placing great importance on relations with Japan and that he hoped that Japan would soon take steps to put the relationship back on a normal footing.

#### **Part IV: Aftermath in Tokyo**

Foreign Ministry sources reported that the prime minister wanted to meet with Jiang Zemin and Kim Dae-jung to explain his visit. In an attempt to moderate reactions, Koizumi sent LDP Secretary General Yamasaki to Southeast Asia. At the same time, the Japan-China New Century Association dispatched a supra-partisan group of Diet members, led by former Diet member Endo Otohiko to China. On Aug. 28, they met with Li Peng, chairman of the Standing Committee of the National People’s Congress. Referring to recent history-related issues, Li told the group that Japan should “follow the path of pacifism.” Also at the end of the month, Hayashi Yoshiro, LDP member and president of the Japan-China Parliamentarians’ Friendship League announced that he would travel to China Sept. 12 with hopes of righting the relationship and paving the way for a visit by the prime minister.

At the same time, early reaction to the visit held some good news for the prime minister. A *Mainichi Shimbun* public opinion poll, conducted on Aug. 18 and published on Aug. 20, found 65 percent of respondents supporting the prime minister’s decision while 28 percent opposed it. Of those supporting it, 39 percent thought it properly reflected consideration for the concerns of China and Korea. Overall support for the Koizumi government stood at 81 percent, suggesting the visit had only minimal impact on the prime minister’s popularity.

### **Chronology of Japan-China Relations July-September 2001**

**July 3-4, 2001:** Trade negotiators meet in Beijing to discuss Japan’s safeguards and China’s special import duties.

**July 6, 2001:** Japan issues “Defense of Japan 2001.”

**July 8-11, 2001:** Secretaries general of the ruling coalition travel to South Korea and China to discuss textbooks and Yasukuni visit.

**July 14, 2001:** Minister of Finance Shiokawa questions whether Japan should provide ODA to countries with nuclear weapons and missiles capable of striking Japan; later explains he did not mean “China” specifically.

**mid-July, 2001:** Chinese research ships found operating in Japan’s EEZ in contravention of protocols of Mutual Notification Agreement.

**July 24, 2001:** Foreign Ministers Tanaka and Tang meet in Hanoi prior to the ARF meeting; Tang requests cancellation of shrine visit.

**July 31-Aug. 5, 2001:** Former LDP Secretary General Nonaka Hiromu visits China at invitation of Chinese leadership; Yasukuni is central issue of discussion.

**Aug. 6, 2001:** Koizumi government announces intention to revise National Defense Program Outline.

**Aug. 10, 2001:** Koizumi meets with secretaries general of ruling coalition in preparation for final decision on Yasukuni visit.

**Aug. 13, 2001:** Koizumi visits the Yasukuni Shrine and issues statement of regret.

**Aug. 15, 2001:** School districts overwhelmingly do not adopt “New History” textbook.

**Aug. 28, 2001:** Japan-China New Century Association meets with Li Peng, chairman of the Standing Committee of the National People’s Congress, in Beijing.

**Aug. 29, 2001:** Hayashi Yoshiro, chairman of the Japan-China Parliamentarians Friendship League, announces plans for mid-September visit to China.

**Aug. 31, 2001:** Foreign Minister Tang Jiaxuan tells the *Asahi Shimbun* that there is no change in China’s policy of placing great importance on relations with Japan.

**Sept. 3, 2001:** China commemorates 56<sup>th</sup> anniversary of the victory of the War of Resistance against Japan.

**Sept. 6, 2001:** Vice Foreign Minister Wang Yi expresses Chinese hopes to restore relations with Japan, but leaves it to Tokyo to decide how to do this.

**Sept. 13, 2001:** Jiang Zemin meets with visiting Japanese parliamentarians and expresses his lack of understanding of the Yasukuni visit.

**Sept. 17, 2001:** WTO working group in Geneva accepts China’s accession protocol; formal approval to take place in November at trade ministers meeting in Doha, Qatar.

**Sept. 18, 2001:** China commemorates 70<sup>th</sup> anniversary of the Mukden Incident. Foreign Ministry spokesperson urges Japan to draw “profound lessons” from its past and “go down the road of peaceful development.”

**Sept. 18, 2001:** WTO working group in Geneva clears Taiwan for membership as customs territory; formal approval to take place in November at trade ministers’ meeting in Doha, Qatar.

## Japan-Korea Relations: Quicksand

by Victor D. Cha  
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The quarter's events were obfuscated by the Sept. 11 terrorist attacks on New York City and Washington, D.C. Seoul and Tokyo responded to the horrific events with statements of support for America's anti-terrorism campaign. On the bilateral fronts, Japan-South Korea relations continued their downward spiral from last quarter because of history-related disputes with little hope of resolution in sight. Japan-North Korea relations remain dead in the water. Is there any good news? Not really. But being the perpetual optimist, this column notes some interesting developments that shed light on an otherwise gloomy quarter.

### **Sept. 11 through the Japan-Korea Lens**

Japan and South Korea responded promptly to the terrorist attacks in the United States with statements of material and moral support for America's international campaign against terrorism. South Korean President Kim Dae-jung made such commitments in the context of the mutual defense treaty (Sept. 17) and promised to review promptly any U.S. calls for specific types of support. Japan went one step further, issuing a 7-point statement (Sept. 14) that included the provision of emergency aid to Pakistan and the dispatching of Self-Defense Forces (SDF) and intelligence vessels to support U.S. forces in the Indian Ocean. The meaningfulness of these measures for the U.S.-Japan alliance is dealt with elsewhere in this volume, but from the Japan-Korea perspective, the reactions in Seoul and Pyongyang again illustrate Tokyo's maddening leadership dilemma. On the one hand, Japanese Prime Minister Koizumi Junichiro's initiative represented a desire to avoid the fiasco of the Gulf War and respond rapidly and assertively to this international crisis in a manner commensurate with Japan's overall capabilities and visions as a responsible international leader. On the other hand, any actions that hint modestly at changes in Japan's traditional postwar security paradigm meet with deep regional suspicions. The DPRK's official Korean Central News Agency (KCNA) supported an international campaign against terrorism, but flat-out opposed Japanese participation and covert ambitions to become a military power. ROK officials were less animated than their Northern brethren yet could not resist noting their interest in monitoring the contents of the bill that would go to the Diet.



## **Japan-South Korea: All This and Fish Too**

Fueling the parochial reactions to Koizumi's anti-terrorism initiatives was of course the continuing history row between Seoul and Tokyo. Like quicksand, the more pressure put on relations by historically contentious Japanese acts, the more deeply mired the two governments became. Moreover, official attempts to get out of this funk only resulted in the two sides sinking even deeper. All of the markers laid out in last quarter's analysis of poor relations [see "Questions, Questions, and More Questions," *Comparative Connections*, Vol. 3. No. 2] were unceremoniously met: in response to the textbook controversy (and later Koizumi's Aug. 13 visit to Yasukuni Shrine), Seoul 1) filed formal diplomatic protests; 2) froze market liberalization measures for Japanese music and culture; 3) passed National Assembly resolutions to comprehensively review ties with Japan; 4) canceled over 100 scheduled sports/culture/educational friendship exchanges; and 5) canceled scheduled security exchanges. The last of these is perhaps the most damaging. The visit by Gen. Cho Young-gil, chairman of the ROK joint chiefs of staff, to the Japan Defense Agency (JDA) and the scheduled port call by Maritime Self-Defense Forces (MSDF) vessels at Incheon in September were important symbols not only of the budding post-Cold War bilateral security relationship, but also emblematic of a "new Japan-Korea identity" in which cooler heads would prevail when it came to political-military cooperation between these two U.S. allies.

If things were not bad enough, the quarter also saw a Japanese fishing dispute with South Korea and Russia. At the center of the problem was a Russia-ROK fee agreement (effective July 15) allowing South Korea saury fishing boats to operate in waters off Russian-held islands near Hokkaido that are claimed by Japan. Tokyo lodged formal protests with Seoul and Moscow (Aug. 2) and the issue appeared to near resolution (Sept. 20) by the end of the quarter but not without a maritime accident involving a Japanese patrol boat and Korean fishing trawler in Japanese waters (Sept. 26).

What is most worrying about the current state of affairs is that the usual behind-the-scenes attempts to get relations back on track have been unusually unsuccessful. For example, a high-level delegation of Japanese ruling party officials carrying a personal letter from Koizumi to Kim Dae-jung (July 8) were denied a meeting with the South Korean president because of a "schedule conflict." The South Koreans instead responded with a set of preconditions for a normal resumption of relations (Aug. 20). Efforts later in the quarter by Japanese Foreign Ministry officials to set up a bilateral summit were all declined. Even initiatives to set up sideline meetings between the two leaders at third-party events (e.g., the UN Special Session on Children in September) were unsuccessful. Such initiatives only highlighted how bad relations had become. As one Japanese Foreign Ministry official described it, usually beneath the surface of these sorts of disputes is frenetic diplomatic activity to restore relations. This time, officials are at a loss about what to do next.

## **Japan-DPRK Relations: Dead in the Water**

Japan-DPRK relations have yet to emerge from the deadlock in normalization talks reached in the last quarter of 2000 [see “Ending 2000 with a Whimper, not a Bang,” *Comparative Connections*, Vol. 2 No. 4]. In addition, not only did Pyongyang find new issues to protest with Japan (i.e., Japan’s anti-terrorism initiative), but also unleashed scathing criticisms of Japan’s space launch vehicle program this quarter. The state-run KCNA criticized Japan’s first successful test of its H2-A rocket (Aug. 29) as destabilizing to the region’s peace and security; in addition, it threatened to end its own self-imposed moratorium on missile test launches (Sept. 11). The likelihood of North Korea carrying through on the latter threat is low (given that this moratorium is keyed more to U.S.-DPRK relations than Japan-DPRK), nevertheless, it’s another issue for this relationship to work through.

### **Any Good News?**

Those who follow this column know that it cannot resist the temptation to find something positive in an otherwise gloomy quarter. For the better (albeit in minuscule increments), there were some positive developments. A Japanese Liberal Democratic Party (LDP) fact-finding delegation returned from the DPRK (Sept. 22) reporting that it discovered no major problems with the integrity of distribution and management system for rice donated to Pyongyang by Tokyo. Skeptics of the DPRK might find this finding a bit of a stretch, but the delegation’s report was based on inspections of at least 24 food distribution centers, elementary schools, and homes in seven districts. It offers one step forward in surmounting domestic political obstacles in Japan created by the lack of transparency in rice aid shipments, which Tokyo hopes to use as engagement tools.

On the Seoul-Tokyo front, while the banner headlines on history screamed about textbooks and Yasukuni, the quarter saw two less-publicized but noteworthy developments. First, a Kyoto district court ruled against the government of Japan in a case involving Korean conscripted laborers killed or injured by an explosion while aboard a Japanese vessel (Ukishima Maru) shortly after World War II (case filed in 1992). The court ruled that the Japanese government was negligent in the safe transport of the passengers and ordered monetary compensation for 15 Koreans (and relatives) confirmed to have been on the vessel (the plaintiff’s demand for an official apology was not upheld by the court). Although this result did not meet the expectations of the plaintiffs, legal experts find it an important precedent for a host of other court cases filed against the Japanese government involving compensation for conscripted laborers. Second, Tokyo appears ready to act on another historical issue with Korea: atomic bomb survivors. Japan’s Minister of Health, Labor, and Welfare Sakaguchi Chikara was one of the few (indeed first) Cabinet officials to visit Seoul after Koizumi’s shrine visit and pledged that Japan would reconsider its laws governing atomic bomb survivors, offer Korea’s 2,200 survivors medical aid, and invite a South Korean representative to join the ministry’s Atomic Bomb Victims Relief Law review panel.

On political-military issues, Seoul arguably could have been accused of a moment of cooperation with its conspicuous silence (versus Pyongyang's diatribes) with regard to Japan's H-2 rocket launch. Such an event undoubtedly cast hope on South Korea's own pipedream of a national space program. The institution of the Trilateral Coordination and Oversight Group (TCOG) continued to be upheld by the three allies this quarter, with meetings in Tokyo (Sept. 6). As in past meetings, the joint statement emphasized the importance of trilateral coordination of policy toward North Korea – not distinctive in its own right, but an important reminder of where the Seoul-Tokyo relationship should be, rather than where it is today.

### **Chronology of Japan - Korea Relations July - September 2001<sup>‡</sup>**

**July 2, 2001:** Insisting decision to make changes to controversial texts is “voluntary” and not response to ROK requests, Japan's Fuso Publishing Inc. notifies Education Ministry of plan to rewrite text in nine parts.

**July 2, 2001:** Japan's FM Tanaka sends second letter to Russian counterpart, Igor Ivanov, urging Moscow to retract its decision allowing South Korean vessels to fish in waters around Russian-held islands off Hokkaido (first letter sent June 19).

**July 8, 2001:** ROK President Kim Dae-jung refuses to meet with high-level Japanese ruling party delegation carrying a letter from PM Koizumi asking to meet and for understanding on the textbook issue.

**July 9, 2001:** Riot police battle demonstrators protesting at Japanese Embassy in Seoul against Tokyo's refusal to change history textbooks.

**July 9, 2001:** High-ranking officials of Japan's ruling coalition meet with FM Han Seung-soo to propose joint history research and teacher exchanges to improve strained ties between the countries. Similar proposals will be made to China

**July 12, 2001:** ROK announces sanctions against Japan over textbook controversy, including postponing high-level military exchanges, postponing liberalization measures to open ROK markets to Japanese cultural imports, and canceling over 100 sports and private-level exchange programs

**July 18, 2001:** South Korea's National Assembly unanimously passes resolution calling on government to make comprehensive review of ties with Japan, banning Japanese associated with textbooks from entering ROK, urging blockage of Japan's efforts to gain permanent UN Security Council seat

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<sup>‡</sup>. Chronology compiled by research assistant Sandra Leavitt.

**July 20, 2001:** South Korea officially demands that Japan remove names of Koreans who died in World War II from Yasukuni Shrine in Tokyo. Japanese government to deliver request to shrine.

**July 23, 2001:** Japan, ROK, and U.S. send high-level representatives to ASEAN Regional Forum (ARF) meetings in Hanoi; bilateral meetings between ROK-Japan.

**July 25, 2001:** Preparatory meeting held for upcoming Japan-South Korea governors' summit.

**July 26, 2001:** Japan's Nippon Steel Corp. and South Korea's Pohang Iron & Steel Co. (POSCO) announce plans to cooperate on procurement of raw materials, including iron ore.

**Aug. 1, 2001:** ROK fishing boats start fishing in waters around Russian-held islands claimed by Japan. Japan invalidates license for the ROK saury boats to operate in the region.

**Aug. 2, 2001:** Japan's Senior Vice FM Uetake Shigeo lodges formal protest with Moscow and Seoul over fishing waters dispute.

**Aug. 5, 2001:** Memorial service for Koreans killed by atomic bombing of Hiroshima held in Peace Memorial Park.

**Aug. 7, 2001:** Tokyo Metropolitan Board of Education votes to use controversial history textbook at three public schools for disabled children, first time book approved for public schools.

**Aug. 13, 2001:** PM Koizumi visits Yasukuni Shrine, two days before 56<sup>th</sup> anniversary of Japan's surrender in WWII.

**Aug. 14, 2001:** ROK Vice FM Choi Sung-hong lodges formal protest over visit to Yasukuni Shrine by PM Koizumi.

**Aug. 15, 2001:** On Liberation Day in ROK, President Kim Dae-jung reiterates in televised speech country's serious concern over Koizumi's visit to Yasukuni Shrine.

**Aug. 20, 2001:** FM Han in National Assembly sets out preconditions for ROK and Japan to hold bilateral summit talks.

**Aug. 20, 2001:** PM Koizumi lodges protest with Russian President Putin for granting fishing rights to other countries, including South Korea, in waters around disputed islands off Hokkaido.

**Aug. 23, 2001:** Kyoto District Court rules out official apology but orders government of Japan to pay \$375,000 to 15 South Korean survivors from 1945 ship explosion that killed 524 Korean forced laborers.

**Aug. 28, 2001:** Koizumi sends letter to Kim, expressing regret over Yasukuni Shrine controversy and offering to visit Seoul for summit.

**Aug. 29, 2001:** Japan successfully launches its first H2-A rocket (space launch vehicle designed for satellites).

**Aug. 29, 2001:** Japan's Minister of Health, Labor, and Welfare Sakaguchi Chikara arrives in South Korea, first Japanese Cabinet member to visit Seoul since Koizumi's visit to shrine.

**Sept. 1, 2001:** Japan's Health Minister Sakaguchi pledges that Japan will reconsider A-bomb law, offer Korea's 2,200 survivors medical aid, and invite South Korean representative to join ministry's Atomic Bomb Victims Relief Law review panel.

**Sept. 6, 2001:** TCOG meets in Tokyo.

**Sept. 11, 2001:** DPRK threatens to suspend missile test moratorium in response to Japan's Aug. 29 satellite launch vehicle test.

**Sept. 11, 2001:** Tokyo Gov. Ishihara Shintaro meets with U.S. Deputy Defense Secretary Paul Wolfowitz and calls for U.S. political support if Tokyo takes a greater role defending territorial waters in the East China Sea and Sea of Japan, arguing that North Korean ships continue to invade Japan's waters.

**Sept. 17, 2001:** ROK and Japanese governments express support for U.S. anti-terrorism campaign in context of their mutual defense treaties with the U.S. (Japanese announcement is on Sept. 14).

**Sept. 18, 2001:** Five-person Japanese Diet delegation leaves for North Korea to inspect integrity of rice aid distribution.

**Sept. 18, 2001:** Forbes.com reports that Japanese Red Army terrorists have been traveling between DPRK and Middle East for past decade active in drug trafficking, small arms sales, and counterfeiting.

**Sept. 20, 2001:** Seoul National University history professor Shin Yong-ha reveals military document found in U.S. National Archives claiming agreement among Allied Powers in 1949 recognizes Tok-do islets are Korean territory.

**Sept. 20, 2001:** Russia and Japan agree to negotiate solution to fishing-rights/poaching conflicts in waters around Russian-held islands claimed by Japan. Affects earlier Russia-South Korea agreement.

**Sept. 22, 2001:** Japanese fact-finding mission to DPRK states it has no concern about the disposition and distribution of rice aid provided by Japan to the North.

**Sept. 24, 2001:** DPRK official Korean Central News Agency (KCNA) criticizes Japan's proposed efforts to support U.S. anti-terrorist actions as veiled attempt to break out of Peace Constitution.

**Sept. 25, 2001:** White House announces postponement of President Bush's scheduled summits in China, South Korea, and Japan after the APEC Leaders' Meeting in Shanghai (Oct. 20).

**Sept 26, 2001:** Japan Fisheries Agency reports maritime accident between a Japanese patrol boat and ROK trawler fishing in Japanese waters.

**Sept 28, 2001:** DPRK's KCNA criticizes Japan for what it called a bid to develop nuclear missiles by stealth through SLV program.

China-Russia Relations:

## A “Nice” Treaty in a Precarious World

by Yu Bin

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The third quarter began with the signing of a historic friendship treaty between Russia and China that was inspired, at least partially, because of their difficult relations with Washington in the post-Cold War years. By the quarter’s end, however, both Moscow and Beijing found their foreign policy priorities significantly altered by the tragic terrorist attacks on the United States on Sept. 11. Russia and China are now faced with the possibility of a strategic plunge by the world’s sole superpower into their highly volatile and sensitive “backyard.” Indeed, the Sino-Russian friendship treaty and the Shanghai Cooperative Organization (SCO) – the two pillars of Moscow and Beijing’s regional foreign and security policies – are subject to severe test by a fast changing security environment at both the global and regional levels.

### **The “Everything-and-Nothing” Treaty**

Twenty years after the expiration of the Sino-Soviet alliance treaty and 10 years after the Soviet collapse, the Sino-Russian Treaty of Good Neighborliness, Friendship, and Cooperation was officially signed in Moscow by Chinese President Jiang Zemin and Russian President Vladimir Putin on July 16, 2001. The 25-article treaty, which covers almost every aspect of bilateral relations in the past 10 years, can be reduced to four main areas of joint concern: basic principles, border issues, security base-lines, and cooperative areas.

The text of the treaty begins with some basic principles, including political equality, economic mutual benefit, mutual trust for security, consultation for world affairs (Articles 1 to 5), and not aiming at any third party or forming a bloc (Articles 7 and 22). Among these general principles are two crucial statements: not targeting nuclear weapons against the other (Article 2) and adhering to the “one China” stance (Article 5).

The second area provides assurance for the 4,300 km border that has long been a burden for both countries. While Article 6 fixes the current border line as permanent (98 percent of the border settled except two islands along the Heilongjiang/Amur River) and should be respected in the context of international law, Article 7 calls for more action in the areas of confidence building and force reduction in the border areas.

Perhaps the most important part of the friendship treaty is the third area, which draws parameters for future bilateral relations. That is, each country should refrain from developing and conducting any foreign and defense policy that would jeopardize the interests of the other. Specifically, Russia and China will not join any alliance or take any action if such a move threatens to undermine the sovereignty, security, and territorial integrity of the other signatory (Article 8). If one of the parties faces a threat of aggression, the two countries should immediately consult each other “with the aim of removing the threat” (Article 9).

In order to achieve these goals, the treaty specifies areas for cooperation that include strengthening dialogue mechanisms at all levels (Article 10); observing international laws for peace and stability (Article 11); jointly safeguarding “global strategic balance and stability” (opposing U.S. missile defense) and arms control (Article 12); cooperating in multilateral fora (Article 13); furthering regional stability (Article 14); promoting cooperation and exchanges in the areas of economics, science, military technology, humanity, intellectual property rights, human rights, and environmental protection; and combating terrorism, separatism, extremism, and cross-border crimes in both bilateral and multilateral spheres (Articles 15 to 21).

Both sides hailed the treaty as “historic” and “a milestone” for “a new type of inter-state relations” and for “Russian-Chinese friendship from generation to generation.” Moscow and Beijing, however, were also busy publicizing an “everything-and-nothing” theme: maximum cooperation by the two sides on every conceivable area and minimal impact on any third party. Officials of the two countries stressed time and again that their treaty was not based on “anti-Americanism,” and neither did it have a hidden agenda. In his speech at the Moscow State University after signing the treaty, Jiang Zemin vowed to continue to pursue an “independent, peace-oriented” foreign policy. Russian Deputy Foreign Minister Alexander Losyukov went as far as to say “a strategic partnership with China is not a union, neither a civilian, nor a military one. It is absolutely wrong to say that the partnership between Russia and China is aimed against anyone in the West. The West must understand there is a certain line neither we nor the Chinese are willing to cross.”

### **Looks Good and Tastes Good**

In December 1949, Mao Zedong traveled to Moscow for Stalin’s 70<sup>th</sup> birthday. Once Mao was in Moscow, however, he surprised his Russian host by asking to sign a “political document” that both “tastes and looks good.” The Russians were sincerely puzzled because they thought that their 1945 treaty with the Nationalist government was still binding and applicable in their relations with the Chinese communists. In the next two months, a team of Chinese officials and diplomats – who traveled the trans-Siberia railways all the way from China – worked day and night. The 30-year Sino-Soviet Treaty of Friendship and Alliance was signed on Feb. 14, 1950, and targeted specifically Japan and its protector, the U.S.



In the next three decades, however, this “tastes-and-looks-good” document led to the “best” and “worst” times of bilateral relations: from the “honeymoon” of the 1950s to the open military conflict of the 1960s and 1970s. Stability and normal relations between the two countries were lacking.

In 1996, President Jiang Zemin, like Mao, again took the initiative and proposed a treaty that would govern bilateral relations for the new millennium. This time, the guiding philosophy seemed to be “political correctness,” meaning not to offend anybody. In other words, it first and foremost “looks good.”

Media and official reactions outside the two countries tended to offer diverse assessments of the treaty. On one hand, they highlighted the limitations of the treaty since it was not an alliance, the traditional animosity, the disappointing bilateral trade volume, and the countries’ need for Western resources for their economic development. On the other hand, some in the West argued that the current treaty does have real, though hidden, teeth. Fixing, in legal terms, of Russia’s opposition to Taiwan’s independence (Article 5) is a specific constraining factor aimed at both Taiwan and its main supporters (the U.S. and Japan).

The truth, however, may lie somewhere between the two opposing views. The dual character of the treaty – minimalism and maximism – reflects the complexities of their bilateral relations and relations with the outside world. On one hand, the goal of an open-ended treaty based on comprehensive and maximum cooperation is pursued as a result of the bitter learning experience. A return to the past is simply unacceptable. Both are keenly aware of the need to maintain normal relations, though such a job can be routine and even boring in contrast to previous extremes that ranged from “honeymoon” to hostility.

On the other hand, the desire of Moscow and Beijing not to offend any third party is derived from a strategic imperative on both sides to work with the U.S.-led international system, no matter how difficult it may be. This is largely the result of their painful and costly pursuit, in the past, of two alternatives: being part of a separate and inefficient communist trading bloc controlled by Moscow and/or a self-imposed “splendid isolation.” For both, economic development will have to be achieved within the Pax Americana, even if such a system is not considered to be perfect.

The current treaty, though stressing “political correctness,” is also made to “taste good” with certain binding features. Articles 8 and 9 are rather explicit in limiting each other’s freedom of action insofar as neither government should pursue any policy that would harm the interests of the other. It also stipulates prompt consultation in crises that affect their security and interests. These are a minimum for any policy coordination and joint action. Although the treaty twice stipulates that it is not against any third party, its bottom-line and open-ended approach to cooperation and coordination will certainly be able to accommodate future contingencies.

In sum, the wording of the current treaty provides both sides with assurance at a time when each needs support from the other in some areas (domestic stability, anti-terrorism and separatism, and a multipolar world order) and when both need to obtain resources and benefit from the West-dominated world system. In the final analysis, a stable, peaceful, and predictable bilateral relationship is perhaps the best that Moscow and Beijing can count on in a highly fluid and even “hot” post-Cold War world, one in which the world’s sole superpower enjoys a freedom of action exceeding that of any time in its history.

Yet, before the end of the third quarter, the Sino-Russian strategic partnership, which has been anchored with a new treaty and a growing SCO, would face a real test.

### **“9-11” for Moscow and Beijing**

Several hours before the fateful terrorist bombing of New York City and Washington, D.C. on Sept. 11, Russian President Putin was congratulating Chinese Premier Zhu Rongji in the Kremlin for the economic accords signed during Zhu’s five-day visit. Putin was unusually upbeat as he praised the “extremely positive development of cooperation” between Russia and China in trade, economic, and military-technical matters. The two major breakthroughs in bilateral economic ties –China’s long-delayed purchase of Russian commercial jets after more than a decade of buying from Boeing and Airbus, and major progress in constructing a vital oil pipeline from Russia to China – occurred against a backdrop of a widely expected hike in trade volume for 2001 (estimated at \$20 billion, including border trade and military transactions). Beyond economics, Putin and Zhu also reaffirmed their adherence to defense of the 1972 Anti-Ballistic Missile (ABM) Treaty as a cornerstone of global strategic stability and security, a reference to perceived growing U.S. unilateralism.

Zhu left Moscow early on the morning of Sept. 12 when the magnitude of the terrorist attack just started to unfold in New York and Washington, D.C. His next stop was Kazakhstan where the SCO members – China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan – would hold their first prime ministers’ meeting after a major expansion of the regional security pact in June.

Although Russian intelligence was said to have passed to its U.S. counterpart information regarding a possible terrorist attack on the U.S., Moscow and Beijing had no idea about the magnitude of the attack. Not only did the attack instantly overwhelm the United States, it also radically altered the regional security environment and will have an impact and consequences beyond that which can be handled by the SCO.

The SCO annual meeting of prime ministers, which was supposed to shift the organization’s emphasis from regional security to economic development, was forced to face the reality of a major escalation of terrorist activities with deep roots in Central Asia. At Russia’s initiation, the SCO prime ministers quickly issued a statement denouncing the terrorist attacks in the U.S.

Despite the declaration of intent, the SCO members did not appear to be ready for any joint response to the unfolding crisis that would be coordinated by the SCO's own institutional mechanism, in particular through the SCO's anti-terrorist center created last year in the Kyrgyzstan capital, Bishkek. Instead, most of the follow-up activities by the SCO's member states seemed to have occurred outside the SCO.

Immediately after the attack, almost all Central Asian SCO states looked to Moscow for either guidance or approval on how to cooperate with Washington in its military operations against terrorism. Meanwhile, supporters of the Afghan Northern Alliance (Russia, Iran, India, Uzbekistan, and Tajikistan) acted immediately and convened a closed-door meeting in Tajikistan's capital Dushanbe – as the SCO heads of state were meeting in Almaty of Kazakhstan – to decide how to assist this anti-Taliban group. These developments may reflect institutional limitations of the SCO, whose anti-terrorist jurisdiction is largely between and within, but not beyond, the territories of the member states.

Meanwhile, Moscow and Beijing both quickly condemned the terrorist attacks and, despite their treaty, seemed to have been more interested in echoing Washington than coordinating their bilateral actions. In contrast to their quick calls through their hotlines to President Bush (Jiang on Sept. 12 and Putin on Sept. 13 in their local times), Putin and Jiang did not talk to each other through the Moscow-Beijing hotline until Sept. 18. And this phone call, which was initiated by the Chinese side, appeared to be part of China's "hotline" campaign of reaching out to British and French leaders as well. The next day, Chinese and Russian diplomats met to form joint plans against terrorism. By this time, both Moscow and Beijing had already pledged to support the U.S. in joint action against terrorism, though their specific inputs remained to be identified.

Ten days into the crisis, Moscow and Beijing finally aligned their policies by emphasizing caution, a long-term multilateral effort, and U.S. reciprocity for curbing terrorist and separatist activities inside Russia and China. These policy nuances reflect a concern beyond the current crisis: a U.S. return to the strategically sensitive region of Central Asia will produce sea-changes in regional security. To be sure, U.S. anti-terrorist actions will in the short-term help curtail terrorist activities in both Russia and China. The unprecedented, staggering casualties from the attacks in the U.S., however, may lead to less restrained U.S. retaliation against targets, many of which are located in Central Asia.

In the long term, the U.S. move to Central Asia may undermine or even displace the security mechanism (the SCO) that Moscow and Beijing have worked hard to develop in the past six years. Until the Sept. 11 attack, the SCO was the only major regional security organization without direct U.S. participation. Washington had not only been a bystander to that multilateral effort to curb terrorism in the most volatile part of the world, but it also treated destabilizing activities in Chechnya and China's Xinjiang Province as either fighting for freedom or a human rights issue (the U.S. State Department even received the Chechen "foreign minister" a few months ago).

For both Moscow and Beijing, cooperating with Washington to fight terrorism in the short run may come at a price in terms of long-term security. That is, successful operations against terrorism by the U.S. in Central Asia may produce a more confident and unilateralist U.S. A less successful, or failed, anti-terrorist move by the U.S. could cause more instability and a surge of extremism and terrorism in the region.

### **Religious Extremism: A Bitter Harvest for Moscow, Beijing, and Washington**

Ironically, the roots of the current rise of Islamic extremism can be traced back some 20 years when China and the U.S. worked closely with both Pakistan and the *mujahadeen* in Afghanistan to combat Soviet military intrusion. In the ashes of the Soviet defeat, these fighters for  *jihad*  took on new struggles. While the triumphant Americans packed up and went home in the wake of the Soviet collapse, leaving a devastated land with seasoned Islamic warriors, Beijing and Moscow have had to live with a growing fundamentalist movement across their long borders with Central Asia states.

The initial salvo of the military operation against terrorism, if any, appears likely to be unleashed against Afghanistan, a Central Asian state that has already been devastated by 22 years of war, perhaps no target there is worth the price of an American missile. However, Afghanistan, together with other central Asian states, is a geo-strategic meeting place of the world's major civilizations: Christianity, Islam, Hindu, and Confucianism, all of which, unfortunately, were nuclearized at the end of last century. Understanding and managing these issues would be hard enough for Washington, Moscow, and Beijing during times of relative tranquility. It is unclear how the massive American strategic initiative will affect the delicate and dangerous chemistry of this region. The current war against terrorism, with all of its good intentions and noble goals, allows very little margin for error in the age of weapons of mass destruction.

## **Chronology of China-Russia Relations July - September 2001**

**July 2, 2001:** Russia and China sign an agreement in Beijing on cooperation in electronics, communications, and digital television.

**July 7-10, 2001:** Russian Deputy Foreign Minister Aleksandr Losyukov visits Beijing for consultations on Chinese President Jiang Zemin's visit to Moscow.

**July 8, 2001:** Russia refuses to issue a visa to Wei Jingsheng, a leading Chinese dissident based in the U.S.

**July 10-14, 2001:** Li Lanqing, deputy prime minister of the Chinese State Council, leads a Chinese delegation at the 112<sup>th</sup> session of the International Olympic Committee in Moscow; Li meets his Russian counterpart Valentina Matviyenko to discuss exchanges in the fields of sports, culture, education, and public health.

**July 11, 2001:** Moscow police stop a group of Tibetans from holding an unauthorized rally in Moscow to protest Beijing's bid to host the 2008 Olympic games.

**July 13, 2001:** Riot police in Moscow break up a rally conducted by a Russian radical party called Organizations for Supporting Tibet opposing Beijing's bid to host the 2008 Olympics.

**July 15-18, 2001:** President Jiang pays an official visit to Russia. On July 16, Jiang and Putin sign Friendship Treaty.

**July 19, 2001:** A \$2-billion agreement is reported signed by which China purchases 38 Russian Su-30MKK ground attack jets. Russian sources suggested that China would account for 30 percent to 50 percent of Russia's arms sales in the next 10 to 15 years.

**July 20, 2001:** Russia and China sign accord for cooperation in designing a nuclear energy plant for spacecraft and the manufacture of MOX fuel, a mixture of plutonium and uranium.

**July 26, 2001:** On the phone, President Putin briefs President Jiang about the results of the G-8 summit and his meeting with U.S. President Bush regarding strategic stability.

**July 27, 2001:** Russia Foreign Minister Igor Ivanov briefs Chinese counterpart Tang Jiaxuan in Hanoi about Russia-U.S. talks on the ABM Treaty.

**Aug. 11, 2001:** The Chinese Embassy in Moscow sends request to the Russian Ministry of Internal Affairs to prohibit representatives of Falun Gong religious sect from holding a news conference in Moscow on Aug. 13.

**Aug. 18, 2001:** Russia and China reach agreement to create a joint sub-commission on communications and information technologies to cooperate in cell phone, satellite, and TV services.

**Aug. 20-21, 2001:** The second round of "expert meetings" of members of the Shanghai Cooperative Organization is held in Almaty; the meeting focuses on trade and economic cooperation.

**Aug. 21, 2001:** Russia delivers 10 of 18 Su-30 MKK jets to the Chinese Air Force; the final delivery (18 jets) will be made before the end of 2001.

**Sept. 3, 2001:** Russia reportedly refuses to issue a transit visa to the Tibetan spiritual leader Dalai Lama for his planned visit to Mongolia between Sept. 3 and 17; the Russian Foreign Ministry denies receiving an application.

**Sept. 7-12, 2001:** Chinese Premier Zhu Rongji visits Russia for the regular annual prime minister talks with Russian counterpart Mikhail Kasyanov. The six commercial

agreements signed include a \$160-million deal to purchase five Tu-204, 200-seat passenger jets and an intention to buy 10 more; an agreement under which China recognizes Russian aircraft as suitable for operation in Chinese territory; an agreement on drafting a feasibility report on building an oil pipeline from Russia to China; and on setting up a sub-commission for telecommunications. Zhu also meets President Putin, Russian Federation Council (upper house of the Parliament) Chairman Yegor Stroyev, leading representatives from Russian business and industry circles, and visited the Gagarin Cosmonauts' Training Center in the Star City.

**Sept. 14, 2001:** In the first prime ministerial meeting of the SCO in Almaty, Kazakhstan, leaders of the six member states issue a joint declaration condemning the terrorist attacks on the United States on Sept. 11. They pledge to speed the development of their joint cooperative anti-terrorist mechanism.

**Sept. 18, 2001:** President Putin and President Jiang confer by phone on possible international mechanisms to combat terrorism. For this purpose, Russia and China would continue close cooperation within the framework of the UN and on a bilateral level.

**Sept. 21, 2001:** The construction of an oil pipeline between Russia and China starts in the Russian city of Angarsk. Four tanks with a total capacity of 30,000 tons and a transit trestlework are under construction. The pipeline will cross Russia's Trans-Baykal area from Angarsk to China's city of Daqing in northeastern China. China will receive 20 million tons of oil annually at the initial stage (2005-2009) and the volume of deliveries will rise to 30 million by 2010.

## **Europe-East Asia Relations: Building an Asia Pacific Connection**

by Hanns W. Maull  
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While Europe has long been an important economic power in the Asia Pacific, its political profile until recently has been rather weak. In recent months, however, Europe has taken important steps to strengthen its political involvement in the region, notably on the Korean Peninsula. This more active stance reflects progress in efforts to make European foreign policies more coherent and effective through a strengthening of the European Union's "Common Foreign and Security Policy," including the appointment of a high representative for foreign relations. Europe's increasing influence in the Asia Pacific can also be felt economically, as Europe's negotiations with Beijing over China's WTO membership have made clear. Still, in keeping with its peculiar characteristics as a "composite" international actor and its rather modest self-defined role in the Asia Pacific, Europe's political influence in the region remains that of an important subsidiary player, rather than of a great power. On the whole, Europe's modest but gradually growing involvement has been constructive and welcome.

### **Europe as a Player in East Asia**

Economically, Europe has long been an important player in East Asia. In fact, its trade ties with the region and the involvement of European transnational corporations have roughly been on a par with that of the United States, with two important exceptions: the U.S. market still absorbs a significantly larger share of the region's exports than the EU and the U.S. dollar still remains the prime currency for the region. Political and security relations, however, have long lagged behind the very substantial economic presence of Europe in East Asia. Traditionally, they have mostly been confined to a few remnants from past colonial times. More recently, however, that too has been changing.

During the last few years, Europe has step by step enlarged its political role in the region, and in the last few months, Europe's political role in East Asia has made further significant strides. This can be expected to continue. Occasional irritations in Washington and elsewhere notwithstanding, European forays into the Asia Pacific by and large are welcomed by Asia Pacific countries, and they are compatible with efforts to strengthen regional stability and security, as Europe has strong commercial and some important broad security interests, but few, if any, specific objectives that would be controversial in the region. Neither does it have the inclination nor the power resources to play more than a secondary role. Europe will remain an outside player looking into the Asia Pacific,

trying to build its Pacific connections. It will do so in very specific ways, as a civilian power, in line with its own, peculiar characteristics and make-up as an actor.

### **“Strange Beast”: Europe as an International Actor**

Europe, of course, is a fuzzy concept even in geographic, let alone political, terms. Conceptually, European relations with the Asia Pacific need to be analyzed at three different levels.

First, there are the traditional bilateral relations between individual European and East Asian states. These are sometimes still colored by the era of European colonialism in Asia, such as for France and the U.K. in Indochina, the Netherlands in Indonesia, and Portugal in East Timor. At this level, the most important European national actors in East Asia are France (which still has overseas territories and a small permanent military presence in the South Pacific), the U.K., and Germany.

Second, there is the relationship between the European Union and East Asia. But the EU itself (which of course comprises most, but not all West European countries, and is about to enlarge its membership into Central Europe and the Mediterranean) is a highly complex polity with three major pillars. Pillar one is represented by the European Communities. It consists of integrated policies and institutions, represented abroad by the European executive, the Commission in Brussels, on issues such as trade or agriculture, or, in matters relating to the euro, by the European Central Bank in Frankfurt. This first pillar includes formal cooperation agreements and institutionalized diplomatic relations with individual countries, such as Japan, South Korea, and China, but also the group-to-group relationship with ASEAN, which was established in 1980 and traditionally has focused on issues of economic and development cooperation. The EU's second pillar is the Common Foreign and Security Policy. It is characterized by intergovernmental policy cooperation and coordination, rather than by policy integration. This pillar has recently been undergoing heavy reconstruction work – the EU now has a high representative for its Common Foreign and Security Policy and is about to set up a Common European Security and Defense Policy, complete with a military organization and its own rapid reaction forces, drawn from member countries' military establishments. The third pillar of the EU concerns intergovernmental cooperation with regard to matters of police and justice.

A third dimension of European Union external relations is made up of multilateral relations between European countries and the EU and East Asia outside the narrow EU-Asia context. Under this heading, we find relations between Europe and regional organizations in the Asia Pacific, such as the ASEAN Regional Forum (ARF) or the Korean Peninsula Energy Development Organization (KEDO). (Conversely, Japan, South Korea, and Thailand also have observer status in the Organization for Security and Cooperation in Europe (OSCE).) Since 1996, the EU and 10 East Asian countries cooperate in the Asia-Europe Meeting (ASEM) – a process that was launched in 1996 with a summit meeting and has since been broadened and loosely institutionalized. The



ASEM summits now take place on a biennial basis, most recently in November 2000 in Seoul; in between, there are a host of ministerial meetings and other activities.

In 2001, Europe's political involvement in the Asia Pacific has come of age. The most dramatic sign was Europe's involvement on the Korean Peninsula, but the EU also participated in the efforts to build a viable independent East Timor and pushed forward with the project of Euro-Asian multilateralism.

### **The EU and the Korean Peninsula**

Europe's involvement in the peace process on the Korean Peninsula received a powerful fillip from the third ASEM summit meeting in Seoul in November 2000. This meeting was dominated by the aftermath of the North-South summit and by the Nobel Peace Prize that ROK President Kim Dae-jung had just received. In Seoul, the Europeans presented themselves at their best, but also at their worst: their strong showing underlined their commitment to closer political relations with East Asia, but they also fell out of step with each other over recognition of the DPRK. The UK and Germany forged ahead, while France held back, publicly complaining about the lack of European policy coordination. This created an impression of internal disarray within the Union and led to a rather disorderly shift toward formal diplomatic relations with Pyongyang by those countries that had not yet already established such relations. In moving toward formal diplomatic relations with Pyongyang, European countries were at least able to extract some (paper?) concessions by the DPRK regarding the treatment of journalists, non-governmental organizations (NGOs) active in North Korea, and the initiation of a human rights dialogue. The European Commission had begun a political dialogue at the senior official level with Pyongyang in 1998 and formalized diplomatic relations in late May 2001.

The most dramatic sign of Europe's active involvement in the Korean Peninsula came with the visit of the EU troika on May 2-3, 2001 to Pyongyang and Seoul, at a time when the official inter-Korean dialogue had come to a halt and the new administration in Washington was still reviewing its policy toward North Korea. In this situation, the visit by the troika was widely seen as an attempt to inject momentum into both the inter-Korean détente process and America's policy review. The effort failed to produce immediate results, clearly demonstrating the limits of European influence on the Peninsula, but may still have been useful in providing an indirect communications link between the two Koreas at a critical moment. It also may have helped Washington to make up its mind.

Another, more modest sign of Europe's growing involvement in the Korean Peninsula came when the European Parliament approved a modest increase in the European contribution to KEDO. This contribution had been set at a total of \$75 million for the period 1996-2000; it was now increased to about \$87.5 million for the coming five years.

Europe also continues to be heavily involved in food aid and other humanitarian assistance to North Korea, mostly through the European Commission, but also through bilateral and NGO assistance. Over the five years to 2000, the EU contributed about \$200

million. This assistance was explicitly justified not only on humanitarian grounds, but also as a contribution to help stabilize the situation on the Peninsula.

Overall, European political involvement on the Peninsula has advanced significantly over the last months. The net effect of this is probably quite positive: Europe's role has been supportive of the major regional players, rather than geared toward an independent influence, and it has on balance contributed to regional stability.

An interesting footnote to Europe's increasing political and even security profile in East Asia was provided by two European bids for a huge South Korean arms contract worth an estimated \$4 billion: both the European consortium producing the Eurofighter and the French aircraft manufacturer Dassault submitted bids to supply the South Korean airforce with its next generation of fighter aircraft. So did the Russian aircraft industry – and, of course, Boeing. The bid should also be seen in the broader context of European efforts to secure a share of the arms markets in East Asia. According to the most recent data, European countries provided about a quarter of total East Asian arms imports.

### **The EU and East Timor**

East Timor was once a Portuguese colony; the way in which the country first was largely neglected and then in 1975 abandoned by its former colonial masters, only to fall under the control of Indonesia, left a sense of guilt in Lisbon. Portugal therefore insisted on raising the issue of East Timor's status with Indonesia and within the UN whenever the opportunity arose, thereby complicating, to the annoyance of other EU members, the broader relationship between the EU and ASEAN. Portugal had some reason to feel vindicated by events in 2000 and 2001, and has led the European involvement in East Timor. Together with several other European countries, it contributed troops and civilian personnel to the United Nations Transitional Administration in East Timor (UNTAET) and the East Timor Transitional Administration (ETTA). Europe's substantial economic and humanitarian assistance for East Timor was largely channelled through the European Commission (the total so far has been about \$100 million). The decision by East Timor to settle on Portuguese as the official language, and the reactions to it, threw light on a barely disguised struggle by Portugal (primarily against Australia) to hang on to some of its influence in this new state.

### **The EU and ASEAN**

The UN intervention in East Timor and its release from Indonesian control removed one major obstacle to relations between the European Union and ASEAN. One other political issue that continued to cloud the relationship, however, was the repression of the democratic opposition in Myanmar. This complicated the two principal engines of EU-ASEAN cooperation, the Joint Cooperation Committee, which normally meets every 18 months, and the meeting of foreign ministers, which for the first time since Myanmar's accession to ASEAN 1997 met in December 2000 in Vientiane, Laos. The core of this relationship is economic: both sides are interested in deepening commercial exchanges, and ASEAN would also like to see stronger European development and technological

assistance. The impact of the Asian crisis in 1998 and the slow and uncertain progress toward recovery in Southeast Asia have hampered the development of EU-ASEAN ties, and they have increasingly become overshadowed by the broader ASEM framework of cooperation between Europe and East Asia.

### **The ASEM Process**

The ASEM process – which brings together the 15 EU member countries with China, Japan, South Korea, and the seven ASEAN member countries of 1996 – continued to unfold as a proliferating process of dialogues and exchanges, yet remained devoid of much real political substance. Although ASEM (unlike the Asia Pacific Economic Cooperation [APEC] forum) explicitly addresses political and security issues, its two substantive pillars are economic relations and cultural exchanges. Still, it has been possible within ASEM to have exchanges on a range of political and security issues, including sensitive ones such as human rights. So far, there have been few specific and concrete results, however, and the opportunities are probably quite limited as the ASEM framework offers little specific value-added for cooperation: most political issues identified in the ASEM context will involve others and therefore are better addressed in other fora.

The scope for practical cooperation in ASEM is somewhat greater in the other two pillars, especially in the field of economics: there, the relationship between Europe and East Asia still offers large untapped potential. Yet even in this context, cooperation has largely been confined to measures facilitating bilateral exchanges of goods and services and European investment in East Asia. For broader economic policy coordination and cooperation beyond bilateral issues, ASEM simply does not offer the right framework. It is nevertheless interesting to note that the most recent meeting of the ASEM finance ministers discussed regional monetary cooperation, international exchange rate regimes, and the need to strengthen the international financial system – issues where there are at least possibilities for developing positions that are shared within ASEM but not by the United States, the principal (and hegemonic) power in international finance.

### **The EU and China**

Although the closest bilateral relationship between the EU (and its member countries) and East Asia is that with Japan, relations with China recently have tended to overshadow the former. This reflects economic stagnation and political paralysis in Japan, but also the continuing rapid growth of the PRC and its increasingly prominent role in regional and in world politics. The European Union concluded a trade and cooperation agreement with China in 1985, and both member states and the European Commission have tried hard to enhance economic and political relations with China.

At the EU level, the principal expression of this has been a document that spells out a comprehensive European strategy toward China. In May 2001, the EU adopted a new strategy document designed to push the implementation of this comprehensive strategy and develop a more effective approach toward China. The principal aims of this approach are to integrate China more fully in the international community and the world economy and to support China's transition toward an open society. The principal instruments are trade policy, political and human rights dialogue, and cooperation in other areas, such as development and environmental protection. In theory, the common strategy should be implemented by the Commission as well as by member countries; in practice, bilateral relations between EU member countries and China often still work at cross-purposes with the common approach and with each other. This probably reflects above all commercial rivalries. Still, China policy coordination between member countries' foreign ministries within the common framework on balance has made progress, putting some more flesh on the bones of the Common Foreign and Security Policy toward East Asia.

In recent months, Europe-China relations have been dominated by negotiations about China's accession to the WTO. By the time of the fourth EU-China summit meeting in September in Brussels, in which Chinese Premier Zhu Rongji led a large Chinese delegation, the negotiations had long been successfully concluded: Chinese and European Commission negotiators put their finishing touches to the deal in May. In the agreements, the European side secured important concessions from China, notably on telecommunications, insurance, motor vehicles, and tariffs. Zhu used the opportunity of this summit to include bilateral state visits to two of the smaller EU member states – Belgium and Ireland. Earlier important state visits in the year included those of then-Italian Prime Minister Giuliano Amati to Beijing in January, German Defense Minister Rudolf Scharping in February, and Austrian President Thomas Klestil in May. Chinese Foreign Minister Tang Jiaxuan and Vice Premier Qian Qichen visited Paris in April as part of an effort to enhance cultural relations. An agreement was signed on the opening of cultural institutes in the two countries.

Politically, human rights issues continue to dominate the relationship. The EU and individual member countries have been conducting dialogues with the PRC on human rights and rule of law issues. Europe has been reluctant, however, to confront China on such issues, preferring a low-key and cooperative approach. Thus, in June 2001 the EU managed to agree on a common position at the Geneva UN Human Rights Commission meeting regarding a motion to censure China for its human rights abuses, but the EU once more declined to co-sponsor this motion with the United States. As in previous years, the motion was turned down by a majority of countries supportive of China's objections. EU member countries also were unwilling to incur Beijing's disapproval by supplying the submarines that Washington had promised Taiwan as part of its arms supply package in April 2001. The EU also continued to keep away from the most sensitive political and security issues in East Asia, namely relations between the PRC and Taiwan and Chinese territorial claims in the South China Sea.

## **Policy Outlook**

The European Union will, for the time being, continue its slow but steady march toward a more coherent and cohesive world role. This will be the role of an economic and a civilian power, though the EU's capacity for collective military action is also set to expand. The resulting capabilities, however, will not impinge on East Asia: they will be absorbed, probably easily, by problems nearer home, such as the Balkans and the Mediterranean. East Asia can expect a Europe that will continue to develop its economic and political presence in ways that would, on balance, usefully, if modestly, contribute to regional stability and security. Over the medium term, Europe's interest in East Asia could turn out to be fleeting: crises in the neighborhood could draw Europe's attention away from Asia, and the process of EU enlargement, expected to significantly broaden its membership from 2003 onward, could well set back the EU's search for a new capacity to act in world politics.

## **Chronology of Europe-East Asia Relations January - September 2001**

**Jan. 13-14, 2001:** Asia-Europe Meeting (ASEM) finance ministers meet in Kobe, Japan.

**Feb. 19-20, 2001:** German Minister of Defense Rudolf Scharping visits China, announces intention to initiate "comprehensive strategic and security dialogue" with China.

**Mar. 1, 2001:** Germany opens diplomatic relations with DPRK.

**Mar. 23-24, 2001:** Stockholm European Council agrees to enhance the role of the EU in support of peace, security, and freedom in the Korean Peninsula.

**April 2001:** European governments reject participation in the U.S. arms deal with Taiwan.

**Apr. 1, 2001:** Framework Agreement for Trade and Cooperation between the European Union and the Republic of Korea enters into force.

**Apr. 19, 2001:** France and China announce establishment of cultural centers in their respective capitals.

**Apr. 25-27, 2001:** ASEM Senior Officials Meeting in Stockholm.

**May 2-4, 2001:** EU “troika,” consisting of Swedish Prime Minister and President of the European Council Goran Persson, the EU’s Foreign Policy Representative Javier Solana, and the EC Commissioner for External Relations Chris Patten, visits Pyongyang and Seoul, hold discussions with North Korean leader Kim Jong-il and South Korean President Kim Dae-jung.

**May 5, 2001:** EC Commission adopts Strategy toward China (EU Strategy toward China: Implementation of the 1998 Communications and Future Steps for More Effective EU Policy).

**May 14, 2001:** European Union formally establishes diplomatic relations with DPRK.

**May 16, 2001:** Austrian President Thomas Klestil meets with President Jiang Zemin in Beijing.

**May 23-24, 2001:** ASEM foreign ministers meet in Beijing.

**June 20-21, 2001:** In Brussels, EU and PRC reach final agreement on China’s membership in WTO.

**June 20, 2001:** European Parliament decides on increase of European contribution to KEDO to \$87.5 million for five-year period 2001-2006.

**June 22, 2001:** Germany and PRC sign agreement on a dialogue on the rule of law.

**July 3-5, 2001:** Seventh Meeting of ASEM Senior Officials on Trade and Investment (SOMTI) issues in Brussels.

**July 25-27, 2001:** EU troika participates in the ASEAN Regional Forum (ARF) meeting in Hanoi.

**Sept. 4, 2001:** The European Commission adopts its new Asia strategy, “Europe and Asia: A Strategy for Enhanced Participation.”

**Sept. 4, 2001:** Chinese Premier Zhu Rongji visits Ireland.

**Sept. 5, 2001:** Fourth EU-China Summit in Brussels; the Chinese delegation of about 135 members is led by Premier Zhu.

**Sept. 6, 2001:** Premier Zhu visits Belgium.

## About The Contributors

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