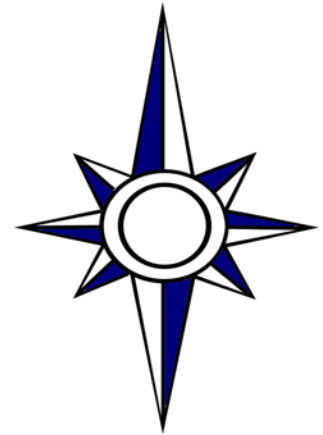




Pacific Forum CSIS



Comparative Connections



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

edited by

Carl Baker
Brad Glosserman

May – August 2012
Vol. 14, No.2
September 2012

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Pacific Forum CSIS

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

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A Triannual Electronic Journal on East Asian Bilateral Relations

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

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

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

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by Michael J. Green, CSIS/Georgetown University, and Nicholas Szechenyi, CSIS

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by Sheldon Simon, Arizona State University

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by Robert Sutter, George Washington University, and Chin-hao Huang, University of Southern California

The primary focus of attention in the relationship over the summer was the ongoing dispute over territorial claims in the South China Sea as China set forth implicit choices for the Southeast Asian disputants and others with an interest in the region. Two paths – one focused on a demonstration of China’s growing power and the other on positive aspects of Chinese engagement with Southeast Asia – are emerging as China continues to define its response to the conflict. Meanwhile, ASEAN struggled with finding a sense of unity in the face of disagreement among members regarding the territorial disputes. Elsewhere, China sought to reaffirm its friendly relations with Myanmar while seeking reassurance that the leadership in Naypidaw remained committed to previously agreed-upon projects.

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

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by Aidan Foster-Carter, University of Leeds, UK

Inter-Korean relations have more than one level. *Comparative Connections* focuses mainly on “high politics,” i.e., states as actors and their interactions. In that sense, we have sadly little to report. Relations between the two Koreas could hardly be worse. In recent months they have interacted very little, though each has engaged in megaphone diplomacy. As always the North’s was shriller and nastier. But there is also “low politics,” meaning interactions by nonstate actors in a range of realms: aid, business, culture, family ties, and more. To a degree, in a situation as tense as Korea, these too are constrained by and take their cue from the state. On this level there is more to report, mainly in the chronology. Here we pick a few themes. What have the two states been saying to, or at, each other?

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by Scott Snyder, Council on Foreign Relations and See-won Byun, George Washington University

Senior-level dialogue between China and North Korea resumed this summer when head of the Chinese Communist Party (CCP) International Department Wang Jiarui became the first senior foreign visitor to meet Kim Jong Un. Previously, there had been a great deal of speculation regarding the absence of leadership exchanges since Kim Jong Il's death. Several other high-level exchanges followed. Discussions focused on reconciling priorities and Chinese support for Kim Jung Un's consolidation of power. Although more subdued, there were also several high-level exchanges between China and South Korea as they celebrated the 20th anniversary of diplomatic ties, initiated talks on establishing a bilateral free trade agreement, held the second round of strategic defense talks, and sparred over South Korean concerns about human rights.

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The summer was not all about the Senkakus, but the islands did dominate developments in the relationship. The Ishihara Senkaku purchase plan went full speed ahead. Meanwhile, Hong Kong activists landed on the islands, sparking diplomatic protests from Tokyo; Japanese activists followed with their own landing on the islands, sparking diplomatic protests from Beijing and anti-Japanese riots across China. Relations suffered further as Tokyo hosted the convention of the World Uighur Congress and President Hu Jintao found a bilateral meeting with Prime Minister Noda inconvenient. Japan's 2012 defense white paper reiterated, longstanding, but growing concerns with China's lack of transparency and the increasing activities of its navy in waters off Japan. Meanwhile public opinion on mutual perceptions continued a downward trend in both countries.

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by David Kang and Jiun Bang, University of Southern California

Diplomatic disputes between Korea and Japan over historical issues and territory flared yet again this summer, being by far the most serious row since the mid-2000s. With both sides focused far more on proving the others' misdeeds than on finding some stable equilibrium, the disputes threatened to spill over and affect economic relations as well as distract leaders from focusing on more important issues. Korea-Japan relations are nowhere near falling off a cliff, but without stabilizing relations, there are potential deleterious bilateral and regional effects. There were three underlying themes that characterized and reinforced the general lack of rapport: the reverberations from these bilateral disputes onto third parties, the domestic sources of foreign policy, and deliberate moves toward negative issue-linkage in stymieing diplomatic relations in the region.

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by Yu Bin, Wittenberg University

In early June, Russia’s new, and old, President Putin spent three days in Beijing for his first state visit after returning to the Kremlin for his third-term as president; his hosts (Hu and Wen) were in their last few months in office. Some foreign policy issues such as Syria and Iran required immediate attention and coordination between the two large powers. They also tried to make sure that their respective leadership changes in 2012 and beyond would not affect the long-term stability of the bilateral relationship. Putin’s stay in Beijing also coincided with the annual SCO Summit on June 6-7. As the rotating chair, China worked to elevate the level of cooperation in the regional security group, which is faced with both opportunities and challenges in Central Asia, where strategic fluidity and uncertainty are increasingly affecting the organization’s future.

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Rebooting the Alliance

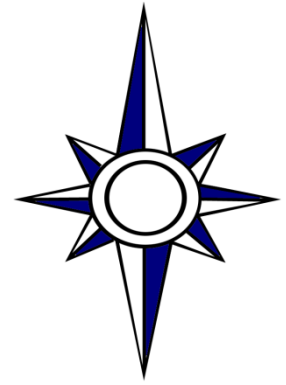
by Graeme Dobell, Lowy Institute for International Policy

The Obama administration’s military rebalancing to Asia helped reboot the US alliance with Australia. The announcement that the Marines were heading for Darwin was the centerpiece of President Barack Obama’s visit to Australia in November. After the alliance intimacy achieved by two conservative leaders – George W. Bush and John Howard – it seemed unlikely that a Democrat president and a Labor prime minister could tighten the alliance bonds further. Obama and Gillard managed it, proving again the special status of the alliance for both sides of Australian politics. The Marine deployment became an important element in the broader debate in Australia about the emerging power system in Asia and the terms of Australia’s future relationship with its number one economic partner, China. Even in trade, Australia now faces different US and Chinese visions of the institutional framework for Asia’s future.

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Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



Regional Overview:

US Rebalances as Others Squabble

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

The only good news to report when it comes to Korean Peninsula denuclearization is the absence of any new really bad news over the past four months. North Korea's widely predicted (including by us) third nuclear test or follow-on missile launch did not occur. No one anticipated any serious movement toward resumption of the stalled Six-Party Talks, and those expectations were met. The biggest multilateral surprise came from ASEAN, which for the first time in its 45-year history, concluded its annual ministerial meeting without issuing a chairman's statement or communiqué. The ministers at the follow-on ASEAN Regional Forum (ARF) did produce a summary, which once again highlighted the need for broader multilateral cooperation throughout the region, including the South China Sea. Economic ministers were equally productive in meetings in August, when among things they launched the first East Asian Summit Economic Ministers Meeting and the inaugural ASEAN-US Business Summit.

Secretary of Defense Leon Panetta attended the annual Shangri-La Dialogue (his Chinese counterpart did not) and provided his usual reassurance that the US planned to remain engaged in the region, although this did little to deter others from harping about US "decline." That was a constant refrain throughout the summer, along with companion attempts to frame every US policy as a response to the rise of China and a shifting balance of power in the region. Sigh! US policy remains driven by longstanding US national interests, as underscored by a recent study of the US military presence in the Asia Pacific. As part of the rebalancing, the US is attempting to broaden the scope of its foreign policy, not narrow it to fit a military lens.

Six-Party Talks: no light, just a long tunnel

When the so-called Feb. 29 Leap Day "food for freeze" agreement between the United States and North Korea went up in smoke along with Pyongyang's failed satellite launch, so did any hope for a resumption of the Six-Party Talks (6PT) between now and the end of the year. The Obama administration, once burned, will be twice shy about resuming serious negotiations until at least after the November elections (even though the "New York channel" reportedly remains open for informal dialogue) and Pyongyang has made it clear it will have nothing more to do with the Lee Myung-Bak administration, either bilaterally or multilaterally, in the run-up to this December's presidential elections in the South.

There has been some interesting and potentially significant movement bilaterally among other 6PT participants – the visit to Beijing by Kim Jong Un's senior advisor and uncle Jang Song Taek and the resumption of low-level talks in Beijing between the North and Japan – but these seemed to focus almost exclusively on bilateral issues with scarcely a reference to the 6PT.

The Jang visit was particularly interesting since he was received like a visiting head of state, meeting many senior leaders including President Hu Jintao. Chinese interlocutors frequently describe Jang as North Korea's "reformer-in-chief" – the Deng Xiaoping of North Korea? – and seem convinced that he will help lead Kim Jong Un in the direction of Chinese-style reform. This may or may not be the case, but either way it does not increase prospects for a resumption of denuclearization efforts. If, as many Chinese hope, Jang can also persuade the junior-most Kim to refrain from belligerent actions (including no new nuclear or missile tests), this could help set the stage for a resumption of talks once the election season ends in the US and ROK.

For the first time in four years, officials from North Korea and Japan sat down across the table from one another to discuss bilateral relations. The low-level Beijing talks were most welcomed and appear to have set the stage for more senior-level talks in the not-too-distant future. While not directly related to the 6PT, this dialogue does provide another useful test of the Kim Jong Un administration's willingness to moderate longstanding views and positions. One hopes this test turns out better than the Leap Day test conducted by Washington. One suspects that the North Koreans may also see these talks as a not-so-subtle means of tweaking the US and ROK; it's a truly sad state of affairs when Tokyo seems to be talking more constructively with Pyongyang than it is with Seoul.

ASEAN ministerial discord

The North Koreans did show up this year for the ARF Ministers Meeting in Phnom Penh in July, but there were no reports of side conversations between the North and South or the US and DPRK during the event. The South Korean press alleged a somewhat heated exchange during a bilateral side meeting between North Korean Foreign Minister Pak Ui Chun and his Chinese counterpart Yang Jiechi, allegedly over criticism of the North's nuclear policy in the *Global Times*, a Chinese newspaper that is allowed to sometimes stray beyond strict official positions.

This spat, if it indeed occurred, pales in comparison to the unprecedented squabble within the usually tight-knit (at least on the surface) Association of Southeast Asian Nations. For the first time in its 45-year history, ASEAN failed to come up with a joint communiqué at the close of its annual 10-member ASEAN Ministers Meeting (AMM), which preceded the broader-based ARF ministerial. Host Cambodia, a staunch ally of China, reportedly refused to yield to demands by the Philippines and Vietnam to include details of their respective confrontations with China over conflicting South China Sea (SCS) territorial claims in the closing statement. Phnom Penh allegedly deferred to demands from Beijing, which has enormous economic and political influence over Cambodia, to keep a discussion of SCS issues out of the meeting's summary, since (according to Beijing) this was a matter between China and the other respective claimants and not an issue for ASEAN to discuss. At a minimum, this must be seen as Chinese meddling in ASEAN's internal affairs. Both Beijing's and Phnom Penh's reputations took a beating as a result of this unprecedented discord.

Marty to the rescue

Fortunately for ASEAN, Indonesian Foreign Minister Marty Natalegawa stepped in to provide some leadership. After engaging in shuttle diplomacy among the various ASEAN capitals, he

was able to craft a six-point agreement that was subsequently released by Cambodia's Deputy Prime Minister and Foreign Minister Hor Namhong in Phnom Penh on July 20 (with Natalegawa standing at his side). In it, ASEAN's foreign ministers reaffirmed their commitment to:

- the full implementation of the 2002 Declaration on the Conduct of Parties in the South China Sea (referred to as the "East Sea" by Phnom Penh);
- the 2011 Guidelines for the Implementation of the Declaration on the Conduct of Parties in the South China Sea;
- the early conclusion of a Regional Code of Conduct in the South China Sea;
- the full respect of the universally recognized principles of International Law, including the 1982 United Nations Convention on the Law of the Sea (UNCLOS);
- the continued exercise of self-restraint and non-use of force by all parties; and
- the peaceful resolution of disputes, in accordance with universally recognized principles of International Law, including the 1982 United Nations Convention on the Law of the Sea (UNCLOS).

US tries to be helpful/meddles (choose one)

The United States was quick to endorse this effort, issuing its own South China Sea Press Statement on Aug. 3 which stated, in part:

The United States urges all parties to take steps to lower tensions in keeping with the spirit of the 1992 ASEAN Declaration on the South China Sea and the 2002 ASEAN-China Declaration on the Conduct of Parties in the South China Sea. We strongly support ASEAN's efforts to build consensus on a principles-based mechanism for managing and preventing disputes. We encourage ASEAN and China to make meaningful progress toward finalizing a comprehensive Code of Conduct in order to establish rules of the road and clear procedures for peacefully addressing disagreements. In this context, the United States endorses the recent ASEAN Six-Point Principles on the South China Sea.

The US statement also expressed concern about increased tensions in the region including "an uptick in confrontational rhetoric, disagreements over resource exploitation, coercive economic actions, and the incidents around the Scarborough Reef, including the use of barriers to deny access," and noted that China's upgrading of the administrative status of Sansha City and the establishment of a new military garrison "run counter to collaborative diplomatic efforts to resolve differences and risk further escalating tensions in the region."

The very next day, Beijing expressed "strong dissatisfaction and firm opposition" to the US statement, claiming it "showed total disregard of facts, confounded right and wrong, and sent a seriously wrong message," while noting that "China has indisputable sovereignty over the South China Sea islands and adjacent waters."

It is this last point that remains the main bone of contention. The US statement, quite responsibly and sensibly in our view (and we suspect most other claimants would agree) urged "all parties to clarify and pursue their territorial and maritime claims in accordance with international law,

including the Law of the Sea Convention.” Greater clarity beyond sweeping statements claiming “indisputable sovereignty over the South China Sea islands and adjacent waters” is needed if the issue is ever going to be resolved.

Squabble, squabble, squabble

The islands in the South China Sea were not the only disputed territories in the news during the past four months. Tensions also heated up between Japan and China over the Senkakus/Diaoyu islands, between Korea and Japan over Dokdo/Takeshima, and even between Russia and Japan over the southern Kuriles/Northern Territories. Some have tried to tie all these disputes together, but each has its own history.

The most explosive, and most ironic, involved the East China Sea where the Japanese government’s efforts to avoid a potentially explosive situation – the attempt by Tokyo Gov. Ishihara Shintaro to purchase three of the disputed islands from the Japanese civilian private landowner – have been blown out of proportion by Beijing (and Taipei). Beijing has accused Tokyo of instigating (rather than trying to defuse) problems, despite the fact that little has changed. Before the planned purchase, the islands were in Japanese hands. After the purchase, they will remain in Japanese hands. And, the Tokyo government already owns one of the other islands in contention (the fifth is owned by another private Japanese landholder), so no precedent is being set either.

The current “crisis” over Dokdo/Takeshima seems to be a self-inflicted one, precipitated by President Lee Myung-bak’s unprecedented visit to Dokdo and Korean protests that the island – which they already occupy – is theirs. Korean efforts to tie this territorial dispute to the longstanding (and equally emotional and seemingly intractable) “comfort women” issue has made it even worse, as have Japanese countermoves, such as a resolution in the Diet condemning President Lee and movements by some in Japan to revisit the 1993 Kono Statement, in which Tokyo accepted responsibility and apologized for the truly terrible treatment of Korean (and many other) women during the war. For more on this issue, see *PacNet* #56, “Enough is Enough!” [<http://csis.org/publication/pacnet-56-korea-japan-enough-enough>].

Finally, Russian Prime Minister Dmitry Medvedev’s July 3 visit to the disputed islands in the Southern Kuriles (called the Northern Territories by Japan) has once again inflamed Japanese sensitivities. The islands in dispute were seized by the Soviet Union in the closing days of WW II and Japan’s insistence on their return has prevented the signing of a peace treaty between the two countries to this day.

One hopes that all these disputes can be successfully and peacefully managed in the coming months. Agreement among the various leaders involved to approach conflicting territorial claims in a more forward-looking manner during their various early September meetings along the sidelines of the APEC Leaders Meeting is a good sign. No one expects the squabbles to be settled anytime soon, but all must act in good faith to avoid accidents or incidents that could cause long-lasting damage.

Business as usual at the ARF

The ARF ministerial that followed on the heels of the AMM was somewhat more successful. The assembled ministers, including US Secretary of State Hillary Clinton (who, unlike her predecessor, can boast of a perfect attendance record at the ARF), managed to sign off on a Chairman's Statement that contained the usual boilerplate, emphasizing "the importance and continued relevance" of the 2002 DOC and 2011 Guidelines for the Implementation of the DOC in July 2011. They "looked forward to the full and effective implementation of the DOC" and "stressed the importance of maintaining peace and stability in the South China Sea, the continued exercise of self-restraint and the non-use of force by all parties concerned, respect for the universally recognized principles of international law, including the 1982 UNCLOS, and the promotion of confidence-building in this area." There was no reference to the proposed more formal SCS Code of Conduct or to the ongoing disputes, however.

The ministers underlined the importance of peace and stability on the Korean Peninsula and "urged concerned parties not to take any further provocation actions and to comply with their respective obligations under the relevant UN Security Council Resolutions and their commitment under the 2005 Six-Party Talks Joint Statement." While they did not specifically call for a resumption of Six-Party Talks, the Ministers did call on all parties "to explore all possibilities to engage in peaceful dialogue."

The ministers reaffirmed that the ARF should continue to serve as a platform to "deal with challenges in the security environment," further noting that "regional security remains a key area for dialogue and cooperation." In this context, they also "noted the role of the ADMM-Plus" (The ASEAN Defense Ministers Meeting Plus, involving the 10 ASEAN states, plus Australia, China, India, Japan, South Korea, New Zealand, Russia, and the US) which will meet at the ministerial level for the second time in Brunei Darussalam, in 2013. Left undefined was the relationship between the ARF and the ADMM-Plus or between either and the East Asia Summit (EAS) which brings together the heads of state of the same 18 countries annually. EAS leaders will next meet in Phnom Penh in November; EAS Ministers met along the sidelines of the ARF to discuss preparations for this "leaders-led" event.

Finally, the ministers "commended the progress of the ARF in entering the phase of preventive diplomacy while continuing to undertake confidence-building measures." This seemed somewhat hollow, however, since the ARF's first venture into PD was a tentative one. Timor-Leste had invited the ARF to send an observer mission to monitor its July 7 parliamentary elections but several members complained about this initiative and only Cambodia, among the 10 ASEAN states, sent observers. They helped comprise a group of 20 ARF Observers from 8 countries (Australia, Cambodia, Canada, Japan, Korea, New Zealand, Russia, and the US) who thought they were participating on behalf of the ARF. In the Chairman's Statement, however, it was merely noted that "some ARF participants had participated as voluntary election observers on a bilateral basis."

Progress on the economic front

Economic and trade ministers descended on Siem Reap, Cambodia for the ASEAN Economic Ministers Meeting (AEM) and the usual related discussions Aug. 25-Sept. 1. Economic

cooperation and trade liberalization were the agenda items for the 10 ASEAN member countries and counterparts from dialogue partners China, South Korea, Japan, Australia, New Zealand, India, Canada, Russia, and the United States.

Cambodia's Senior Minister and Minister of Commerce Cham Prasidh chaired the AEM. ASEAN ministers also held joint meetings with the ASEAN Free Trade Area Council and the ASEAN Investment Area Council, and a consultation with the head of the World Intellectual Property Organization. In addition to the "10+1" meetings (ASEAN and individual dialogue partners), representatives joined the ASEAN Investment Forum, the Mekong-Japan Economic Ministers Meeting, the Economic Ministers Meeting among Cambodia, Laos, Myanmar, and Vietnam, the ASEAN-Mekong Basin Development Cooperation Ministerial Meeting, and the East Asian Summit (EAS) Economic Ministers Meeting.

The latter is especially interesting as it was inaugurated this year, and its members represent some 50 percent of global GDP. (Take that, BRICS!) The representatives at the EAS EMM did the usual stuff, exchanging "views on global and regional issues affecting the East Asian region as well as developments in areas of economic cooperation within the East Asia Summit (EAS) framework," decried protectionism and "agreed to refrain from raising new barriers to investment or to trade in goods and services, imposing new export restrictions, or implementing WTO-inconsistent measures in all areas..." They also highlighted ways to achieve long-term economic growth in an unstable global economy, while promoting sustainable development. To that end, they reaffirmed cooperation toward the 2nd Low Carbon Growth Partnership Dialogue, which will be co-chaired by Cambodia and Japan in spring 2013.

The United States and ASEAN launched the first ASEAN-US Business Summit Aug. 31, where over 150 US and ASEAN business representatives and policy makers exchanged ideas and provided recommendations to the ASEAN economic ministers. The inaugural meeting focused on the impact of the digital age on business and ways to maximize ties and competitiveness. Significantly, a Cabinet official, US Trade Representative Ron Kirk led the US delegation: this high-level representation is intended to signal US seriousness about economic engagement with ASEAN and Southeast Asia. As the fourth largest US trading partner, and home to more US investment than either China or India, this attention to ASEAN is long overdue.

Shangri-La Dialogue: US: 1; China: 0

"US:1; China: 0." This was the unofficial headline coming out of the Shangri-La Dialogue in Singapore in early June. One would be tempted to add a more provocative sub-headline: *"China fades away as America rebalances toward Asia."* Of course, no one would use such a headline. But imagine what the headline would have been if Secretary of Defense Leon Panetta had not attended this year's gathering and Chinese Defense Minister Liang Guanglie had showed up, instead of the reverse. This would have surely been portrayed as evidence of America's decline.

Panetta's central message was clearly and directly to the contrary: "Make no mistake – in a steady, deliberate, and sustainable way the United States military is rebalancing and bringing an enhanced capability development to this vital region." When it comes to the question of

sustaining this capability, he noted: “We were there then, we are here now, and we will be here for the future.”

Panetta’s main message: “For those who are concerned about the ability of the United States to maintain a strong presence in the Asia-Pacific region in light of the fiscal pressures we face, let me be very clear. The Department of Defense has a five-year budget plan and a detailed blueprint for implementing [its new ‘rebalancing’] strategy . . . by 2020 the Navy will reposition its forces from today’s roughly 50/50 percent split between the Pacific and the Atlantic to about a 60/40 split between those oceans. That will include six aircraft carriers in this region, a majority of our cruisers, destroyers, Littoral Combat Ships, and submarines.”

Panetta (like his immediately predecessor, Robert Gates, and unlike his predecessor Donald Rumsfeld) was very careful not to couch US “rebalancing” (“pivot” is no longer the term of art) in terms of China: “Some view the increased emphasis by the United States on the Asia-Pacific region as some kind of challenge to China. I reject that view entirely. Our effort to renew and intensify our involvement in Asia is fully compatible – fully compatible – with the development and growth of China. Indeed, increased U.S. involvement in this region will benefit China as it advances our shared security and prosperity for the future.”

While acknowledging that the Pentagon remained “clear-eyed” about the potential challenges posed by China, he insisted that Washington still sought closer cooperation and a closer relationship: “We’re not naive about the relationship and neither is China. We both understand the differences we have. We both understand the conflicts we have, but we also both understand that there really is no other alternative but for both of us to engage and to improve our communications and to improve our mil-to-mil relationships.”

Panetta also dealt directly with the accusation that US military assistance to the Philippines, a traditional US treaty ally, was somehow emboldening Manila to confront China and thus contributing to instability in the region: “I don’t think we should take the attitude that just because we improve their capabilities that we’re asking for more trouble because that will guarantee that the only powers in this region then are going to be the United States and China as opposed to other nations having the ability to engage in defending and promoting their own security, and I think that would be wrong.”

Panetta chose, perhaps wisely, to sidestep the most provocative question – “You say that the U.S. doesn’t take sides in territorial disputes, but unless the U.S. takes a more aggressive stance on China’s actions in the South China Sea, is the U.S. not in danger of being seen as a more impotent power as you’re trying to project yourself as a more potent power?” – arguing instead that it was up to China and ASEAN to develop and then abide by a code of conduct that can help resolve these issues: “It isn’t enough for the United States to come charging in and trying to resolve these issues. This is a situation where the countries here have to come together. We will support them. We will encourage them, but ultimately they have to develop a code of conduct and a dispute forum that can resolve those issues.” True enough. But one wishes he would have also noted that history is replete with examples of those who ultimately regretted questioning America’s potency or commitment to its friends and allies.

As regards the prospects for sequestration – a Congressional action that mandates an additional 20 percent cut in the Pentagon’s (and everyone else’s) spending across the board this coming January – he argued that “sequester is not a real crisis. It’s an artificial crisis.” He predicted that the Congress would ultimately remove the gun it had put to its own head and come up with an alternative deficit reduction plan. One can only hope this is true. Many in the audience seemed less convinced. Failure to do so would, as Panetta admitted, be a “disaster.”

Panetta wisely deferred when asked to speculate on why Defense Minister Liang was a no-show. The official explanation, put forth by IISS, was that he was preoccupied with “domestic priorities” and, indeed, one could argue that senior Chinese officials might be hesitant to leave the capital as the game of musical chairs is still underway in the wake of the Bo Xilai scandal. But then why was Liang in Cambodia the week before for the ASEAN Defense Ministers Meeting? China is obviously not a member of the ADMM but Liang reportedly requested the opportunity to come and explain China’s position on the South China Sea to the assembled ASEAN ministers; Cambodia (as reinforced at the subsequent ARF meeting) has a long track record of not being able to say no to virtually any Chinese request.

Perhaps Liang was not prepared to face questions about the South China Sea (or about China’s internal politics) in front of an international audience which included “disrespectful” foreign journalists. Or, this may have been China’s way of demonstrating its contempt for the Shangri-La Dialogue itself (given the presence of too many “outside powers”) and/or its preference for the ADMM and expanded ADDM-Plus.

In his remarks, Panetta applauded the ADMM-Plus “for producing real action plans for multilateral military cooperation,” calling it “an important step for stability, real coordination, communication, and support.” He strongly supported ASEAN’s decision to increase the frequency of the ADMM-Plus from once every three years to every other year. While the two are not mutually exclusive, it appears clear that, at least within Southeast Asia, pride of place will be given to the ASEAN-Driven ADMM-Plus and it remains to be seen how many ASEAN (and other) defense chiefs will attend both the ADMM-Plus and Shangri-La in 2013.

US decline

Two related themes dominated the Asia-Pacific security narrative (and, not surprisingly, this regional overview). The first is the notion of “US decline.” Evident at the Shangri-La Dialogue, this meme is pervasive. It is a subtext of the US election campaign, as GOP candidates argue that President Obama is not committed to US pre-eminence and is insufficiently protective of US national interests. It lurks in the background of Chinese foreign policy analysis since the 2007-8 financial crisis and has, for some, motivated rising Chinese assertiveness since 2010. The failure of US politicians to reach a deal on servicing the national debt feeds doubts about US credibility and commitment; in discussions throughout the region, skepticism about US policy tends to focus on politics rather than an inherent lack of capacity. Some of this concern is justified, but it can be remedied if politicians forge a sense of national purpose.

To be fair, the gap between the US and China is closing. Given the exceptionally low point at which China started its economic expansion, the gap *should* close. A country of China’s size

should grow quickly and substantially when market forces are let loose; a country as developed as the US will find it impossible to sustain similar growth rates. But leaving aside the sustainability of that economic surge, we remind our readers that the US economy is still three times larger than China's; and even when China's overall economy matches that of the US, GDP per capita will remain a fraction of that of the US. Size of the overall economy is an extremely crude index of power; some might say on its own, stripped of context, it is virtually meaningless.

A narrowing of the gap between the US and China is inevitable, but certainly not cause for hysteria or alarm. More to the point, it is hard to call this decline, especially if the chief concern is paralysis caused by political factors. A remedy – compromise – is easy to envision. Equally important, fiscal constraints could – and may yet – lay the foundation for a more durable, effective, and long-term regional strategy. If some recognition of the limits of US power is institutionalized in alliances and other security partnerships, the US position and presence in the Asia-Pacific region may be ultimately strengthened.

Related to, but analytically distinct from the notion of US decline, is the second theme – that just about everything the US does is a function of a competition with China. The previous discussion of the Shangri-La Dialogue illustrates the point. It is a tiresome and historically inaccurate conceit. So for example, even though US alliance modernization efforts have a 15-year history, they are inevitably seen as a response to “the rise of China.” Every trip to the region by a senior US official is portrayed as an attempt to counter an earlier Chinese bid for influence. The coverage of Secretary Clinton's South Pacific tour at the end of August was especially galling in this regard. A new US relationship with ASEAN, renewed attention to Southeast Asia, free trade agreements, and efforts to build capacity or prepare for regional contingencies are all aimed at China according to this logic. What is most remarkable is that the explicit disavowal of such intent by US foreign policy principals counts for nothing. The insistence that such moves are valuable in their own right and are dictated by a national security strategy that attempts to more tightly couple the US to the most dynamic region in the world is blithely dismissed.

Of course, US strategy can *become* “China-focused” if Beijing's behavior reveals it to be a revisionist power with no regard for international law, norms, and the security interests of the US, its allies and partners. But make no mistake: China is an independent variable. It controls its own future and in many ways, the reaction of nations around it. President Obama, like Secretaries Clinton and Panetta, has said the US seeks a constructive, cooperative and forward-looking relationship with China.

CSIS weighs in

Earlier this year, Congress directed the Defense Department to commission an independent assessment of the US force posture in Asia. Our parent organization, the Center for Strategic and International Studies (CSIS), won (!) the opportunity to provide that report by the end of June, a time frame that ensured that the results would make some folks in the Pentagon very unhappy.

The task force, headed by Mike Green, Japan chair at CSIS (and one of our authors) and David Berteau, director of the CSIS International Security Program, delivered its report to Congress on July 24. It concluded, most significantly, that “DoD has not adequately articulated the strategy

behind its force posture planning nor aligned the strategy with resources in a way that reflects current budget realities. DoD needs to explain the purposes of force posture adjustments in light of the new security challenges in the Asia Pacific region.” Those of us who have been arguing for over a decade that the administration needs an East Asia Strategy Report couldn’t agree more. Equally important, it argues that “The top priority of U.S. strategy in Asia is not to prepare for a conflict with China; rather, it is to shape the environment so that such a conflict is never necessary and perhaps someday inconceivable.” Key to that mission is the deployment of amphibious units to operate in what is a predominately maritime theater, as the authors conclude “There is currently insufficient [amphibious ready group] coverage for Marines in the Pacific, particularly when compared with assets available” for Central Command: “this gap in the rebalancing of forces is striking.”

To fix the problem, the report recommends implementation of those agreements already in place between the US and Japan and between the US and South Korea, while watching how the OpCon transfer proceeds and considering replacement of US ground combat units in Korea with rotations of trained and ready mechanized infantry, full combat artillery and aviation brigades. For Pacific Command, it calls for: one or more additional attack submarines (SSNs) in Guam; transferring a second amphibious ready group from the Atlantic to the Pacific to fill lift and maneuver shortfalls for the Marines; increasing stockpiles of critical ammunition and weapons and replenish and upgrade prepositioned equipment and supplies; expanding the use of Marines to develop and refine expeditionary defense capabilities with key allies and partners; and focusing near-term investments in survivability of deployed forces on providing Terminal High Altitude Area Defense (THAAD) and Patriot Advanced Capability-3 (PAC-3) units for Guam and Kadena Air Base, dispersal of airfields and expanded runway repair capabilities, dispersal of tanker aircraft (rather than funding for hardening related facilities in Guam), and constructing and upgrading a fuel pipeline on Guam.

Overall, however, the report concludes that “DoD is reasonably well positioned to align and focus US force posture in the Asia Pacific region.” “The US should hold the line on current force levels with modest increases in investment and re-alignment measures ...” [A copy of the report, *US Force Posture Strategy in the Asia Pacific: An Independent Assessment* is available at http://csis.org/files/publication/120814_FINAL_PACOM_optimized.pdf]

APEC lives!!!

Russia hosts the next Asia Pacific Economic Cooperation (APEC) forum leaders meeting in early September, a date that puts the meeting itself just beyond the range of this report. But the run-up to the get-together proves that, while moribund, APEC isn’t yet dead. Russia is using the annual conclave to backstop its claim to be a key player in the Asia-Pacific region. Moscow invested more than \$20 billion to gussy up Vladivostok for APEC, a revamp that President Vladimir Putin argues is a symbol of a new and more modern Russia, one that looks to the Asia-Pacific region for energy and dynamism. Dare we call it “Putin’s Pivot”?

Russian officials identified four priorities for this year’s meeting: advancing trade and investment liberalization and regional economic integration; strengthening food security; establishing reliable supply chains; and promoting cooperation to foster innovative growth. The

US sees the get-together as a chance to put some flesh on the bones of commitments made last year in Honolulu. In particular, US representatives want to identify goods that will qualify as “environmental goods,” and thus fall under the tariff phase-out agreed in Honolulu. They also seek a more explicit statement on restrictions on the export of agricultural goods, a critical component of the food security discussion.

Expect the usual sidebars and palavers. Unfortunately, the upcoming election precludes President Obama’s attendance at this year’s meeting. Secretary of State Hillary Clinton is filling in. While all profess to understand Obama’s absence, we await a slew of commentary that insists this is yet more proof of US decline and inattention to the region.

Regional Chronology

May – August 2012

May 2, 2012: A 2+2 Meeting between the US and Philippine foreign and defense secretaries is held in Washington.

May 2, 2012: The second US-China Strategic Security Dialogue, bringing together civilian and military officers to discuss security matters, is held in Beijing.

May 3, 2012: Japanese, Chinese, and ROK finance ministers agree to strengthen financial cooperation through bond purchases.

May 3-4, 2012: The 15th ASEAN Plus 3 Finance Ministers Meeting is held in Manila. They agree to improve coordination between financial and monetary authorities in member states.

May 3-4, 2012: China and US hold the fourth Strategic and Economic Dialogue (S&ED) in Beijing. It is co-chaired by Vice Premier Wang Qishan and State Councilor Dai Bingguo, and Secretary of State Hillary Clinton and Treasury Secretary Timothy Geithner.

May 4, 2012: The third US-China High Level Consultation on People-to-People Exchange (CPE) is held in Beijing.

May 4-10, 2012: Chinese Defense Minister Liang Guanglie visits the US and meets Secretary of Defense Leon Panetta and visits several US military bases.

May 7, 2012: Vladimir Putin is sworn in as Russia’s president, starting his third term in the Kremlin following the two consecutive terms from 2000 to 2008.

May 7-18, 2012: South Korea and the US conduct *Max Thunder*, a joint military air exercise.

May 9, 2012: The first deep-water drilling rig developed in China is put into service in the South China Sea 320 km southeast of Hong Kong at a water depth of 1,500 meters.

May 13, 2012: South Korean President Lee Myung-bak, Japanese Prime Minister Noda Yoshihiko and Chinese President Hu Jintao hold their annual trilateral summit focusing on ways to enhance security, business, and trade cooperation.

May 13-14, 2012: Kim Young Nam, president of North Korea's Presidium of the Supreme People's Assembly, visits Indonesia and meets President Susilo Bambang Yudhoyono.

May 14, 2012: Australian Foreign Minister Bob Carr travels to Beijing and meets Foreign Minister Yang Jiechi.

May 14, 2012: South Korea announces that it will open a diplomatic mission at ASEAN headquarters in Jakarta. Baek Seong-taek is appointed ambassador.

May 14-15, 2012: President Lee Myung-bak visits Myanmar, becoming the first South Korean president to visit the country since the 1983 Rangoon bombing.

May 17, 2012: The Obama administration lifts most of the economic sanctions on Myanmar, opening the way for US investors for the first time in decades. Yangon's foreign minister is present in Washington for the announcement.

May 18, 2012: Pentagon releases its annual report to Congress on the People's Liberation Army.

May 19, 2012: Chen Guangcheng arrives with his family to study at New York University.

May 22, 2012: Philippines hosts the inaugural meeting of the ASEAN-US Eminent Persons Group (EPG) in an effort to strengthen cooperation between the US and ASEAN.

May 24, 2012: US State Department releases its annual country report on human rights.

May 25, 2012: ASEAN, Japan, South Korea, and China hold the ASEAN Plus 3 Senior Officials Meeting in Cambodia.

May 29-30, 2012: Sixth ASEAN Defense Ministers Meeting (ADMM) is held in Phnom Penh, agreement is reached to increase the frequency of the ADMM+ from every three years to every two years.

May 29, 2012: Philippine Defense Secretary Voltaire Gazmin and Chinese Foreign Minister Liang Guanglie meet in Phnom Penh and agree to exercise restraint in order to prevent escalation of tensions in the South China Sea.

June 1-3, 2012: The 11th annual International Institute for Strategic Studies Asia Security Summit (Shangri-La Dialogue) is held in Singapore.

June 1-3, 2012: Myanmar's opposition leader Aung San Suu Kyi visits Thailand on her first trip abroad in 24 years. She warns attendees at the World Economic Forum against "reckless optimism" about Myanmar's reform process and meets Myanmar refugees.

June 1-6, 2012: US Secretary of Defense Leon Panetta visits Singapore, Vietnam, and India.

June 4-8, 2012: ARF Defense Officials Dialogue (ARF DOD) and ARF Security Policy Conference (ASPC) are held in Phnom Penh.

June 5-7, 2012: Russian President Vladimir Putin visits China and meets President Hu Jintao.

June 6-7, 2012: The 12th Shanghai Cooperation Organization Summit is held in Beijing.

June 6-9, 2012: Philippine President Benigno Aquino travels to Washington DC and meets President Barack Obama.

June 9-14, 2012: SCO member states conduct *Peace Mission 2012* at the Chorukh-Dairon range in northern Tajikistan. More than 2,000 soldiers and officers from Kazakhstan, Kyrgyzstan, China, Russia, and Tajikistan participate. Uzbekistan declines to join the drill.

June 13, 2012: Secretary of State Hillary Clinton and Indian Foreign Minister SM Krishna meet for their annual strategic dialogue in Washington.

June 14, 2012: Secretary Clinton and Defense Secretary Leon Panetta host South Korean Foreign Minister Kim Sung-hwan and Defense Minister Kim Kwan-jin for a 2+2 Dialogue.

June 14, 2012: The US and Thailand hold a Strategic Dialogue in Washington.

June 20-24, 2012: Assistant Secretary of State for Political-Military Affairs Andrew Shapiro visits Vietnam, Brunei, and Thailand.

June 21-22, 2012: US, South Korea, and Japan conduct a first-of-its-kind joint naval exercise in waters near the Korean Peninsula. China protests the exercises as destabilizing regional security.

June 25-29, 2012: US Pacific Command (USPACOM) Commander Adm. Samuel Locklear visits China and meets Defense Minister Liang Guanglie and other senior military leaders.

June 27-Aug. 7, 2012: US-sponsored *Rim of the Pacific (RIMPAC)* naval exercises are conducted in Hawaii, involving 22 countries as observers and participants, but not China.

June 29, 2012: South Korea postpones at the last minute the signing of a bilateral military agreement with Japan that would share military intelligence and facilitate cooperation in exchanging military goods and services.

June 29, 2012: US Senate confirms Derek Mitchell as the first US ambassador to Myanmar in more than two decades.

July 3, 2012: Prime Minister Dmitry Medvedev visits Kunashir Island of the Kuril Islands, which in Japan are referred to as Northern Territories. Japan issues a protest.

July 9-13, 2012: The 45th ASEAN Ministerial Meeting/Post Ministerial Conferences are held in Phnom Penh. ASEAN ministers fail to issue a joint communiqué after the ASEAN meeting due to disagreements regarding the South China Sea.

July 10, 2012: The Mekong-Japan and Mekong-Republic of Korea Ministerial Meetings are held in Phnom Penh.

July 11, 2012: The US announces the lifting of sanctions on Myanmar ending the prohibition of investments by US companies in Myanmar's oil and gas.

July 11-12, 2012: ARF Defense Officials Dialogue is held in Phnom Penh.

July 12, 2012: Fifth Lower Mekong Initiative (LMI) Ministerial Meeting is held in Cambodia.

July 12, 2012: South Korean Foreign Minister Kim Sung-hwan, Japanese Foreign Minister Gamba Koichiro, and Secretary of State Clinton announce the establishment of a security consultative body that will be based in Washington DC.

July 13, 2012: The 19th ASEAN Regional Forum (ARF) and the second East Asia Summit Foreign Ministers Meeting are held in Phnom Penh.

July 13, 2012: Prime Ministers Hun Sen of Cambodia and Yingluck Shinawatra of Thailand meet to discuss heightening tensions over a disputed area near the Preah Vihear temple.

July 14-15, 2012: US Undersecretary of State Robert Hormats accompanies a US-ASEAN Business Council delegation to Myanmar.

July 16, 2012: US Pacific Commander Adm. Locklear visits Manila and meets President Aquino and senior foreign and defense officials. He pledges US assistance to build a Philippine "minimum credible defense posture."

July 17-27, 2012: The 18th Singapore and US *Cooperation Afloat Readiness and Training (CARAT)* Exercise is held in the South China Sea.

July 18, 2012: Cambodia and Thailand simultaneously pull back troops from a disputed area near the Preah Vihear temple in compliance with a 2011 International Court of Justice ruling.

July 18, 2012: Russia and China veto a Western-backed UN Security Council resolution threatening the government of Syria with sanctions.

July 20, 2012: ASEAN foreign ministers release a statement reaffirming their "six-point principles" regarding the South China Sea.

July 21, 2012: China's Central Military Commission (CMC) approves the creation of a military garrison command at Woody Island in the South China Sea's disputed Paracel Islands.

July 22, 2012: Myanmar President Thein Sein meets Thai Prime Minister Yingluck Shinawatra to sign agreements reaffirming cooperation on the development of a deep-sea port at Dawei, Myanmar and Thailand's support preparing Myanmar for its 2014 ASEAN chairmanship.

July 22, 2012: Former Finance Minister Pranab Mukherjee of the ruling Congress Party is elected president of India.

July 23, 2012: China's Defense Ministry announces it will establish a military garrison in the Parcel Islands.

July 24, 2012: Taiwan's Ministry of National Defense states it is ready to deploy mortars and anti-aircraft guns on Itu Aba, the largest of the Spratly Islands.

July 24, 2012: Philippine Senate ratifies the Status of Visiting Forces Agreement (SOVFA) with Australia, providing for enhanced bilateral defense and military cooperation, including authorization for Australian troops to engage in training and joint exercises in the Philippines.

July 25, 2012: Cambodia and Thailand open a permanent border crossing between Cambodia's Preah Vihear province and Thailand's Ubon Ratchathani.

July 26, 2012: Philippine Navy announces it will deploy ships to Thitu Island to warn Chinese fishing boats operating near the island and within the Philippines' 12 nm territorial waters.

July 26, 2012: Six US senators introduce a resolution urging China and members of ASEAN to make progress toward developing a legally binding code of conduct for the South China Sea.

July 26-29, 2012: Vietnam President Truong Tan Sang visits Russia and agrees to allow Russia to open a ship maintenance facility at Cam Ranh Bay in central Vietnam.

July 27-Aug. 16, 2012: Singapore, Thai, and Indonesian air forces participate with their Australian and US counterparts in the biannual air combat exercise, *Pitch Black*, held in Darwin, Australia. The exercise involves some 2,500 personnel.

July 30-Aug. 3, 2012: A Chinese delegation led by Wang Jiarui, head of the Communist Party's International Department visits Pyongyang and meets North Korean leader Kim Jong Un.

Aug. 2, 2012: US Congress extends a ban on imports from Myanmar, seeking to maintain pressure despite recent Myanmar reforms that have prompted the easing of other sanctions.

Aug. 3, 2012: US State Department releases a statement saying that China's recent upgrading of Sansha City and the establishment of a military garrison command at Woody Island in the Paracels are not conducive to resolving disputes and risk further escalating tensions in the region.

Aug. 4, 2012: China's Assistant Foreign Minister Zhang Kunsheng summons US Deputy Chief of Mission Robert Wang, to express displeasure with the Aug. 3 State Department statement.

Aug. 4-10, 2012: North Korean Chairman of the Presidium of the Supreme People's Assembly Kim Yong Nam visits Vietnam and Laos.

Aug. 9-13, 2012: Chinese Foreign Minister Yang Jiechi travels to Malaysia, Brunei, and Indonesia and pledges to work with the Association of Southeast Asian Nations (ASEAN) on completing a code of conduct for the South China Sea on the basis of consensus.

Aug. 9-10, 2012: Red Cross officials from Japan and North Korea meet in Beijing in their first talks in 10 years to discuss the possible retrieval of remains of Japanese who died in the northern part of the Korean Peninsula during the final phase of World War II.

Aug. 13-18, 2012: Jang Song Taek leads a delegation of senior DPRK officials on a visit to Beijing and signs an agreement to develop joint economic zones in Hwanggumpyong and Rason. The delegation also meets President Hu Jintao and Premier Wen Jiabao.

Aug. 15, 2012: Japan detains 14 Chinese who landed on one of the Diaoyu/Senkaku Islands to assert China's sovereignty, alleging they had made an "illegal entry." They are released and deported two days later.

Aug. 19, 2012: A group of 10 Japanese activists make an unauthorized landing on Uotsuri Island, part of the Senkaku/Diaoyu archipelago.

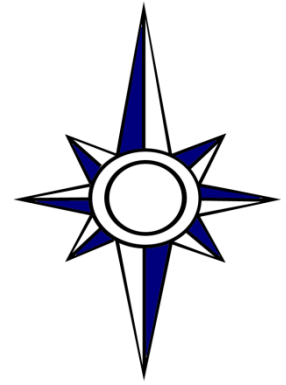
Aug. 19, 2012: Demonstrations protesting Japanese claims to the Diaoyus are held in several Chinese cities. Japan asks the Chinese government to protect its citizens living in China.

Aug. 20-31, 2012: South Korea and US conduct the annual joint military exercise *Ulchi Freedom Guardian*. The exercise is denounced by Pyongyang as a rehearsal for war.

Aug. 29, 2012: Japan and North Korea hold intergovernmental talks for the first time in four years in Beijing. They are described as preliminary consultation in anticipation of holding "full-fledged talks in the near future.

Aug. 25-31, 2012: The 44th ASEAN Economic Ministers Meeting (AEMM) and related events are held in Phnom Penh.

Aug. 28-Sept. 2, 2012: The navies of the US, Philippines, Brunei, Indonesia, Malaysia, and Thailand conduct *Southeast Asia Cooperation and Training (SEACAT)* exercises in Malacca Strait, Sulu Sea and Subic Bay to enhance their interoperability in addressing maritime threats.



**US-Japan Relations:
Noda Marches On; Both Sides Distracted?**

**Michael J. Green, CSIS/Georgetown University
Nicholas Szechenyi, CSIS**

Prime Minister Noda advanced a legislative package on tax and social security reform but faced stiff political headwinds in the form of a frustrated public and a jaded opposition steeling for an election. Japanese concerns over the safety of the *MV-22 Osprey* aircraft scheduled for deployment in Okinawa dominated the bilateral agenda – at least in the media – and tested the mettle of Japan’s widely-respected new defense minister. The two governments agreed to continue consultations on Japan’s interest in the Trans-Pacific Partnership (TPP) but political paralysis in Japan and presidential politics in the United States could complicate efforts to make progress in the near term. Two reports issued over the summer addressing US force posture strategy in the Asia-Pacific and the agenda for US-Japan alliance, respectively, focused on the future trajectory for the bilateral relationship.

Noda persists in the face of political uncertainty

Prime Minister Noda Yoshihiko continued to press forward with a domestic agenda centered on a consumption tax increase to shore up Japan’s public finances, support for nuclear energy, and Japan’s participation in the Trans-Pacific Partnership (TPP) trade negotiations to spur economic growth. The lack of consensus on these issues in his ruling Democratic Party of Japan (DPJ) and among the public kept his approval rating close to 30 percent and Noda reshuffled his Cabinet in June for the second time since he took office last fall in an attempt to turn the tide. He replaced five of eighteen Cabinet members, namely Defense Minister Tanaka Naoki, who was censured by the Upper House in April, and replaced him with Morimoto Satoshi, a widely-respected academic presumably appointed for his security expertise after embarrassing gaffes by his two immediate predecessors. Personnel changes did little to improve Noda’s standing but he remained steadfast in his commitment to his agenda regardless of the consequences, and that produced a summer of tactical maneuvering with an eye toward an election in the winter of 2012-13 that could determine the fate of his political future and his policy agenda.

Noda pledged repeatedly to push legislation that would raise the consumption tax from 5 percent to 10 percent by 2015 but party kingmaker Ozawa Ichiro and others considered that an abrogation of the 2009 election platform focused on social welfare spending that propelled the DPJ to power for the first time. Divisions within the ruling party finally came to a head in early July when Ozawa and approximately 50 of his supporters resigned from the DPJ; others also bolted and formed splinter groups to protest Noda’s agenda. Ozawa established a new political party, People’s Lives First (*Kokumin no Seikatsu ga Daiichi*), to advance his populist agenda but public opinion polls subsequently revealed tepid support at best for the former party kingmaker. Ozawa later joined forces with other newly formed parties to submit a censure motion against

Noda, but was sidelined after the prime minister struck a deal with the opposition Liberal Democratic Party (LDP) and Komeito Party to pass the tax legislation and other related bills on social security reform in exchange for a pledge to call for an election. Noda managed to do so without offering a specific timetable for the poll, which irked the opposition and prompted a series of obstructionist tactics after the bills cleared the Diet in early August. The LDP passed a censure motion against Noda in the Upper House in late August, formalizing a boycott of Diet deliberations in the hope of forcing an election they thought Noda had promised to call.

Offsetting the melodrama in the Diet was the reality that the DPJ and the LDP are less popular (both garner average approval ratings around 20 percent) and will likely face stiff competition from a rising political movement known as Osaka Restoration Group (*Osaka Ishin no Kai*) led by Osaka Mayor Hashimoto Toru. The group's platform, focused mainly on decentralization and reducing the size of the government (namely the Diet), could prove increasingly appealing to voters frustrated by political paralysis in Tokyo. Media reports speculated that Hashimoto could move to nationalize his party and test the water in the next election. This fledgling political movement, the fracturing of the DPJ, obstructionism by the LDP-led opposition, and Noda's persistence with a controversial policy agenda painted a picture of political uncertainty amid public yearning for some form of political realignment to establish a stable framework for governance. But exactly when the voters would get an opportunity to weigh in would remain an open question.

Osprey controversy and an unwelcomed Japan-Korea spat

Secretary of State Hillary Clinton and Foreign Minister Gamba Koichiro met in late May on the margins of the NATO Summit in Chicago to build on a strategic vision for the US-Japan alliance unveiled during the Obama-Noda summit in Washington a few weeks earlier. The press, deprived of stories about impasses in the relocation of Marine Corps Air Station (MCAS) Futenma by the agreement of the two governments in April to continue moving forward, turned instead to controversy surrounding the scheduled deployment of 12 *MV-22 Osprey* aircraft to Okinawa later this year. Concerns about the safety of the *Osprey* in the wake of two recent accidents, most recently in Morocco last April, fueled public opposition to the deployment in Japan, especially Okinawa, and led to rounds of shuttle diplomacy to demonstrate the Noda government's attention to the issue. Parliamentary Senior Vice Minister for Defense Watanabe Shu visited Washington in May to request an explanation of the cause of the latest accident, and in June the Pentagon announced that it would proceed with the deployment as scheduled but not fly the aircraft until results of an investigation were presented to the government of Japan. Secretary Clinton and Deputy Secretary of Defense Ashton Carter visited Japan in July to offer further reassurances regarding the safety of the aircraft, and in early August Defense Minister Morimoto met Defense Secretary Leon Panetta at the Pentagon to discuss the *Osprey* issue and other alliance matters. (Arrangements were also made for Morimoto to ride in the aircraft.) The subsequent dispatch of a Japanese government investigation team to Washington for another round of consultations resulted in a report concurring with a US government assessment issued earlier in the summer that the accident in Morocco was caused by human error. However, the Okinawa Prefectural Government remained unconvinced and discussions on the *Osprey* could be expected to continue focusing on safety in lieu of the enhanced capabilities and operational benefits the aircraft provides.

Trilateral cooperation with South Korea figured prominently as trilateral naval exercises between the three countries took place in June south of the Korean Peninsula. The Japanese and Korean navies had sent observers to each other's bilateral exercises with the United States but this was a significant step in facilitating trilateral security cooperation in the region. This was followed by a trilateral dialogue between Secretary of State Clinton, Foreign Minister Gamba and Foreign Minister Kim Sung Hwan on the margins of the ASEAN Regional Forum in Cambodia to further enhance coordination with respect to North Korea. However, signs of trouble were evident when South Korea suddenly decided in late June to postpone signing security of information and logistical support agreements with Japan because of domestic opposition in the Korean National Assembly. Tensions in the Japan-ROK relationship subsequently reached a fever pitch after President Lee Myung-bak visited the disputed territory of Dokdo/Takeshima, stunting momentum to accelerate cooperation between Washington and its two closest allies in the region. Japan also became consumed by an ongoing territorial dispute with China over the Senkaku Islands, and the State Department stated that the Senkakus fall within the scope of Article V of the 1960 US-Japan security treaty but that the United States does not take a position on the question of sovereignty.

President Obama and Prime Minister Noda had occasion to interact at the G8 and G20 summits in Washington (Camp David) and Mexico, respectively. The two leaders agreed to continue bilateral consultations on Japan's interest in joining negotiations over the Trans-Pacific Partnership (TPP). Noda has thus far not been able to declare Japan's interest formally due to domestic political opposition and signs of any breakthrough remained elusive. Agriculture, insurance, and automobiles continued to top the list of US market access concerns and the need for the Obama administration to focus intently on the presidential campaign from the August party conventions up to Election Day in November appeared to leave the TPP question hanging in the balance until next year. Nonetheless, TPP remains a central pillar of the bilateral economic agenda and an issue Noda considers in Japan's national interests to pursue.

CSIS issued two reports over the summer with a bearing on US-Japan relations that might be of interest to readers of *Comparative Connections*. On July 27, Sen. Carl Levin and other members of Congress released an independent assessment of US force posture strategy submitted by the Center for Strategic and International Studies (CSIS) to the Department of Defense pursuant to the fiscal year 2012 National Defense Authorization Act. The report includes a review of current US military force posture and deployment plans of the US Pacific Command and options for the realignment of US forces in the region to respond to new opportunities presented by allies and partners. The third edition of the Armitage-Nye report on the US-Japan alliance was released in Washington on Aug. 15. The report includes chapters on energy security, economy and trade, relations with neighbors, and security strategy, culminating in a series of recommendations for the alliance and for the two governments to consider independently.

Rest of the year

Domestic politics could take center stage in both countries for the rest of the year. The DPJ and LDP are each scheduled to conduct party leadership elections in September as a possible prelude to a general election some predict could coincide with the US presidential election. Both

governments will likely take advantage of the annual Asia-Pacific Economic Cooperation (APEC) forum in Vladivostok, the United Nations General Assembly in New York and the East Asia Summit in Cambodia to advance their respective diplomatic agendas and coordinate a bilateral agenda addressing regional and global challenges.

Chronology of US-Japan Relations **May – August 2012**

May 6, 2012: With the shutdown of the No. 3 unit of Hokkaido Electric's Tomari nuclear plant, all of Japan's nuclear reactors switch offline for the first time since May 1970.

May 8, 2012: Members of the Democratic Party of Japan (DPJ) Standing Officers Council reinstate the party membership of Ozawa Ichiro following Ozawa's acquittal by the Tokyo District Court of allegations he falsified a political funds report.

May 10, 2012: Japan's Ministry of Finance announces that Japan's debt hit a record 959.95 trillion yen at the end of fiscal year 2011.

May 17, 2012: Cabinet Office states that preliminary growth figures for the first quarter of 2012 show the Japanese economy grew at an annual rate of 4.1 percent.

May 21, 2012: Japanese Foreign Minister Gamba Koichiro and US Secretary of State Hillary Clinton meet at the NATO Summit in Chicago to discuss the US-Japan alliance, Japan's contributions and hopes for Afghanistan, applying pressure to Iran, and agreeing to a firm response in the event of any further provocation by North Korea.

June 2, 2012: Parliamentary Senior Vice Minister for Defense Watanabe Shu visits Washington and asks Defense Secretary Leon Panetta to explain the cause of the fatal crash of a US *MV-22 Osprey* tilt-rotor aircraft in Morocco in April.

June 2, 2012: Parliamentary Senior Vice Minister Watanabe, Defense Secretary Panetta and Australian Defense Minister Stephen Smith agree to draw up an action plan to enhance trilateral defense cooperation and to expand the three countries' joint defense drills.

June 4, 2012: Prime Minister Noda Yoshihiko reshuffles his Cabinet for the second time since taking office, replacing five of 18 Cabinet members, including Defense Minister Tanaka Naoki Tanaka, and Minister of Land, Infrastructure, Transport and Tourism Maeda Takeshi, both of whom were censured by the Upper House in April. They are replaced, respectively, by Morimoto Satoshi, a professor at Takushoku University, and Hata Yuichiro, former DPJ Upper House parliamentary affairs chief.

June 5, 2012: Japanese government receives a US government report stipulating that the crash of an *MV-22 Osprey* aircraft in Morocco in April was not caused by any mechanical problem.

June 7, 2012: The ruling DPJ reaches an agreement with the Liberal Democratic Party (LDP) and Komeito to begin talks on amending government-sponsored bills on comprehensive reform of the social security and tax systems.

June 8, 2012: Prime Minister Noda states that Japan must restart reactors No. 3 and 4 of the Oi nuclear plant in Fukui Prefecture in order to protect the economy and people's livelihoods. Noda also stresses the importance of nuclear power as a long-term energy source for Japan.

June 12, 2012: International Monetary Fund report states that Japan's government and its central bank must do more to combat deflation.

June 12, 2012: World Bank's Global Economic Prospects report raises Japan's 2012 real gross domestic product growth outlook to 2.4 percent from the 1.9 percent projected in January, citing progress in reconstruction work after the March 11 earthquake and tsunami last year.

June 13, 2012: According to a survey conducted by *Yomiuri Shimbun*, 64 percent of respondents support the passage of government-sponsored bills to raise the consumption tax rate, with 25 percent opposed to the bills. Fifty-five percent of respondents regard the increase as necessary to rehabilitate the nation's finances and maintain the current social security system.

June 14, 2012: US Department of Defense announces that the United States, South Korea, and Japan will conduct a joint naval exercise on June 21-22 in waters south of the Korean Peninsula.

June 16, 2012: Fukui Gov. Nishikawa Issei agrees to restart reactors No. 2 and 3 at the Oi nuclear power plant during a meeting with Prime Minister Noda – the first reactivation in Japan since the Fukushima nuclear disaster in March 2011.

June 18, 2012: Meeting on the sidelines of the G20 Summit in Mexico, Prime Minister Noda and President Barack Obama agree to proceed with consultations aimed at Japan's entry into the Trans-Pacific Partnership free trade talks.

June 26, 2012: The Okinawa Prefectural Assembly adopts a resolution calling for the early return of Marine Corps Air Station (MCAS) Futenma and the cancellation of the plan to deploy US Marine *Osprey* aircraft to Okinawa.

June 26, 2012: A bill to increase Japan's consumption tax rate passes the Lower House.

June 29, 2012: European Union, United States, and Japan request a dispute settlement panel at the World Trade Organization after failing to resolve a dispute over China's restrictions on exports of rare earths.

June 29, 2012: The United States confirms that it will go ahead with the deployment of 12 MV-22 Osprey aircraft to American bases in Japan. The Pentagon commits to refraining from any flight operations of the MV-22 in Japan until the results of investigations are presented to the Japanese government and the safety of flight operations is confirmed.

July 2, 2012: Ozawa Ichiro resigns from the DPJ and announces his intention to launch a new political party.

July 2, 2012: Okinawa Gov. Hirokazu Nakaima reiterates his strong opposition to the US military's plan to deploy *MV-22 Osprey* aircraft at MCAS Futenma and demands a thorough investigation of recent accidents involving the aircraft.

July 8, 2012: Secretary of State Clinton and Foreign Minister Gamba meet in Japan to discuss Afghanistan, US-Japan relations, and regional and global issues. Secretary Clinton also pays a courtesy call on Prime Minister Noda.

July 9, 2012: Democratic Party of Japan finalizes decision to expel Ozawa Ichiro and 36 supporters following their decision to quit the party in opposition to the government's consumption tax bill. The DPJ also suspends former Prime Minister Hatoyama Yukio's party membership for 3 months for voting against the bill.

July 11, 2012: Ozawa Ichiro officially launches a new party, "People's Lives First" (*Kokumin no Seikatsu ga Daiichi*).

July 12, 2012: Foreign Minister Gamba, Secretary of State Clinton and South Korean Foreign Minister Kim Sung Hwan agree in a trilateral dialogue on the margins of ASEAN-related meetings in Cambodia to make concerted efforts to prevent North Korea from engaging in provocative acts, stating that "any provocation by North Korea, including another nuclear test or missile launch, will be met with a resolute and coordinated response from the international community."

July 13, 2012: The government drafts a bill that would revise the existing peacekeeping operation (PKO) cooperation law to allow Japan's Self-Defense Forces to more quickly provide protection for overseas civilian personnel during UN peacekeeping operations.

July 16, 2012: Tens of thousands of anti-nuclear protestors assemble in Tokyo's Yoyogi Park, demanding an end to the use of nuclear power in Japan.

July 20, 2012: US Deputy Defense Secretary Ashton Carter meets Japanese Foreign Minister Gamba, Defense Minister Morimoto and Parliamentary Senior Vice-Minister of Defense Watanabe in Tokyo to discuss US strategic rebalancing toward the Asia-Pacific region.

July 26, 2012: US National Security Advisor Thomas Donilon and Prime Minister Noda meet in Tokyo to discuss U.S.-Japan relations and regional affairs.

July 27, 2012: An *Asahi Shimbun* poll finds support for Ichiro Ozawa's new political party at 15 percent, with 78 percent expressing no significant expectations for Ozawa's party. Prime Minister Noda's Cabinet approval rating stands at 27 percent.

July 27, 2012: Senator Carl Levin (D-MI) releases an independent assessment of US force posture strategy in the Asia-Pacific conducted by the Center for Strategic and International Studies (CSIS) pursuant to the fiscal year 2012 National Defense Authorization Act (NDAA).

July 30, 2012: The government's Council on National Strategy and Policy draws up a strategy for revitalizing the Japanese economy by 2020, emphasizing energy and environment, medical care and welfare, and agriculture, forestry and fisheries.

July 31, 2012: Japan's annual defense white paper is formally endorsed by the Noda Cabinet.

Aug. 3, 2012: Defense Minister Morimoto and Defense Secretary Panetta meet in Washington to discuss the US-Japan alliance and Japanese concerns over *Osprey* aircraft scheduled for deployment to Okinawa.

Aug. 7, 2012: Minor opposition parties, including Ozawa Ichiro's People's Lives First Party, submit a no-confidence motion against Prime Minister Noda in the Lower House and a censure motion in the Upper House in advance of an upcoming vote on the government's tax hike bill.

Aug. 8, 2012: In exchange for support from the LDP and Komeito to help pass the government's comprehensive tax and social security reform bills, Prime Minister Noda promises to "seek a public mandate" once the legislation passes through the Diet, but sets no date for an election.

Aug. 9, 2012: *Asahi Shimbun* poll finds the Noda Cabinet approval rating at 25 percent, the lowest since Noda entered office in September. With respect to political parties, 15 percent support the DPJ, 13 percent favor the LDP, and 55 percent declare themselves unaffiliated.

Aug. 10, 2012: Legislation to raise the consumption tax rate from 5 percent to 8 percent by April 2014 and to 10 percent by October 2015 passes the Diet.

Aug. 10, 2012: A bill that would allow the establishment of special wards similar to those in Tokyo passes the Lower House of the Diet. The proposed bill covers all areas with a population over 2 million (currently 10 cities would fit such a requirement) and requires the consent of both governors and mayors to rezone the administrative districts.

Aug. 13, 2012: *Mainichi Shimbun* survey finds 92 percent of the Japanese public is worried about the effects of an increase in the consumption tax; 44 percent of respondents supporting the legislation.

Aug. 14, 2012: A *Yomiuri Shimbun* survey finds 53 percent of respondents favor the dissolution of the Lower House by autumn, and 53 percent also consider political realignment the most desirable path toward a government framework for the future.

Aug. 15, 2012: CSIS hosts release of third Armitage-Nye Report on US-Japan relations and US strategy in Asia.

Aug. 15, 2012: A team of Japanese government officials meets US counterparts at the Pentagon to discuss the US investigation into recent *MV-22 Osprey* accidents.

Aug. 22, 2012: Prime Minister Noda meets antinuclear demonstrators and vows to improve the safety of the two recently-restarted nuclear reactors at the Oi power plant in Fukui Prefecture, but makes no further concessions.

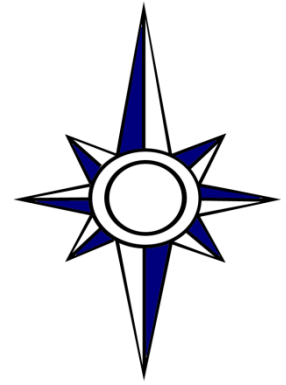
Aug. 27, 2012: The DPJ forces an electoral reform bill through a parliamentary committee of the House of Representatives, while the opposition LDP boycotts the deliberations in protest.

Aug. 29, 2012: The opposition-controlled Upper House of the Diet adopts censure motion against Prime Minister Noda at a plenary meeting.

Aug. 30, 2012: A number of opposition parties, including LDP and Komeito, pass a non-binding censure motion against Prime Minister Noda in the Upper House of the Diet, marking the beginning of the opposition parties' boycott of future Diet deliberations.

Aug. 30, 2012: Osaka Mayor Hashimoto Toru announces that his party, Osaka Restoration Group, plans to propose cutting the number of seats in the House of Representatives from 480 to 240, removing 90 of 180 proportional seats and 150 of 400 single-seat constituencies.

Aug. 31, 2012: The US and Japanese governments issue a joint statement regarding aid coordination in the Pacific region.



**US-China Relations:
Creating a New Type of Major Power Relations**

**Bonnie Glaser, CSIS/Pacific Forum CSIS
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In the second trimester of 2012, the US began to flesh out its rebalancing to Asia strategy, prompting Chinese concerns. The fourth round of the Strategic and Economic Dialogue (S&ED) was held in Beijing in May amid a kerfuffle over Chinese dissident lawyer Chen Guangcheng. Presidents Barack Obama and Hu Jintao held their 12th and likely final bilateral meeting in June on the margins of the G20 Summit in Los Cabos, Mexico. Bilateral friction intensified over developments in the South China Sea. US-China military interactions stepped up with a visit to the US by Chinese Defense Minister Liang Guanglie and a visit to China by Commander of the US Pacific Command Samuel Locklear. The US-China Human Rights Dialogue was held in Washington in July.

The US pivot to Asia: China doubts US reassurances

The US rebalancing to Asia strategy was fleshed out a bit in early June by US Secretary of Defense Leon Panetta at the Shangri-La Dialogue, an annual meeting of defense ministers and national security experts organized in Singapore. Panetta announced that the US plans to shift its force posture from the current roughly 50-50 split between the Pacific and Atlantic to a 60-40 split in favor of the Pacific. US forces in the region in the future will include six aircraft carriers and a majority of US cruisers, destroyers, littoral combat ships, and submarines. Panetta insisted that the enhanced US focus on the Asia-Pacific region is not intended to challenge China. Instead, he said “increased US involvement in this region will benefit China as it advances our shared security and prosperity in the future.”

The Chinese were skeptical, however. In July, an article co-authored by Chinese Vice Foreign Minister Cui Tiankai that was initially published in the journal *China International Strategy Review* was posted on the foreign ministry’s website. The article noted that “In the course of returning to the Asia-Pacific, the United States has been vigorously strengthening its alliance system, advancing the anti-ballistic missile system in the Asia-Pacific, pursuing ‘air-sea battle’ and intervening in the disputes between China and its neighbors.” It then asked “What is the true motive behind all these moves? What signals do they want to send to China and the region?” US actions in the region “have not only made China raise doubts, but also have upset other countries in the region,” the article stated. It called on the US to “face the issue and convince China, other countries in the region and the international community that there is no gap between its policy statements on China and its true intentions.”

At various bilateral meetings in the May to August period, Obama administration officials sought to explain the complexity of the US pivot to Asia and persuade Chinese counterparts that the

strategy is not targeted at China. Secretary Panetta outlined the strategy and its goals to Defense Minister Liang Guanglie when they met at the Pentagon in early May. US Secretary of State Hillary Clinton discussed the rebalancing strategy with Chinese Foreign Minister Yang Jiechi on the sidelines of the ASEAN-related meetings in Phnom Penh in mid-July. National Security Adviser Thomas Donilon explained the origins and motivations of the strategy when he visited Beijing later that month. In August, US defense officials once again explicated the reasons for the US rebalancing strategy when China's Deputy Chief of the General Staff Cai Yingting traveled to the US in late August, emphasizing that the strategy is not aimed at constraining China or harming Chinese interests.

Despite these assurances, the Chinese continue to say that they will “listen to US words and watch its deeds” – in other words, wait and see. Debates in China about US intentions and whether the US will have sufficient resources to fund a larger and more capable military presence in the Asia-Pacific region are ongoing. Reports that China conducted flight tests of a new multiple-warhead, ground-mobile missile and the *JL-2* submarine-launched ballistic missile in July and August suggest, however, that the People's Liberation Army (PLA) is already taking steps to enhance the survivability of China's nuclear deterrent in the face of improvements in US missile defense systems.

Obama meets Hu in Los Cabos

Presidents Obama and Hu met for the 12th and likely the last time in Los Cabos, Mexico on the sidelines of the G20 Summit on June 19. Prior to the meeting, both leaders told the press that they are committed to working together to improve the bilateral relationship. Obama noted that the two countries have been able to “really create a new model for practical and constructive and comprehensive relations between our two countries.” The idea of establishing a new type of major power relationship is a key proposal put forward by Hu Jintao, which he elaborated on in his speech to the S&ED in May. On that occasion, Hu said that the two nations should “strive to develop a new type of great power relationship that is reassuring to the peoples of both nations and gives the peoples of other countries peace of mind.” The essential features of new type of great power relationship that Hu identified are: mutual trust, equality and mutual understanding, energetic action, and deep friendship.

In their private meeting, Hu and Obama reviewed their accomplishments in promoting the US-China relationship in the past 3½ years. According to *China Daily*, President Obama lauded the “significant progress” in expanding trade and commercial ties. He also noted that the two countries had established “a practical and positive cooperation mechanism” and cooperated effectively on many issues, including the global economy, bilateral trade, and major international and regional issues.

Hu Jintao put forward a four-point proposal on how to develop a new model of great power relations between the two countries: 1) continue dialogue, especially high-level strategic communication, and enhance mutual trust; 2) deepen win-win cooperation in traditional fields such as commerce, investment, law enforcement, education, and technology as well as in new sectors like energy, environment, and infrastructure construction; 3) properly manage differences and avoid interferences, including preventing domestic politics from having a negative impact on

bilateral ties and supporting the peaceful development of cross-strait relations with concrete action; and 4) jointly undertake international responsibilities and meet global challenges. According to *China Daily*, Obama agreed with Hu's vision for the next phase of the bilateral relationship and expressed willingness to forge a new model of great power relations.

President Obama pressed Hu to cooperate with international efforts to curb Iran's nuclear ambitions and to press North Korea from undertaking new provocations. Ending the violence in Syria was also on the agenda. From the US perspective, Beijing has played an unhelpful role by shielding the regime of Bashar al-Assad through the exercise of its veto in the UN Security Council. Obama also specifically raised concerns about China's continued efforts to keep its currency artificially low to bolster exports.

Tensions persist in South China Sea

As tensions have risen in the South China Sea in the past few years, the issue has become a major topic in meetings between high-level US and Chinese officials. Ever since Secretary Clinton and Foreign Minister Yang Jiechi clashed at the ASEAN Regional Forum (ARF) meeting in Hanoi in July 2010, which alarmed many of China's neighbors, the two countries have tried to coordinate in advance of ARF gatherings to avoid a repeat performance. This year, in the run-up to the 19th ARF and related meetings in Phnom Penh, Washington and Beijing were in frequent contact about the standoff between Chinese and Philippine ships in the Scarborough Shoal. The incident began on April 10 when Manila sent its largest warship to intercept a group of Chinese fishing vessels that the Philippines claimed were fishing illegally in the waters around the shoal and briefly boarded them with armed marines. China dispatched two maritime surveillance vessels which prevented the Philippine Navy from arresting the Chinese fisherman. The face-off continued until early June. The US played an instrumental role in helping the two sides to de-escalate tensions, although the Chinese failed to withdraw all their fishing vessels from the lagoon as promised.

At the Shangri-La Dialogue, Secretary of Defense Panetta noted that the US was paying close attention to the situation in the Scarborough Shoal. In a clear enunciation of US policy, he called for restraint and diplomatic resolution, adding that the US opposes provocation, opposes coercion, and opposes the use of force. Panetta also stressed the urgency for the countries in the region to "develop a binding code of conduct that would create a rules-based framework for regulating the conduct of parties in the South China Sea, including the prevention and management of disputes."

In the multilateral meetings in Phnom Penh, Secretary Clinton also articulated US policy toward the territorial disputes in the South China Sea, underscoring that while the US does not take a position on the territorial claims, it is very concerned about the manner in which these are addressed. On the margins of the official meetings, she met Foreign Minister Yang and discussed the need for a meaningful code of conduct between China and ASEAN.

When the ASEAN ministers failed to reach agreement on a joint communiqué for the first time in 45 years, largely due to disagreement over the wording of one paragraph in the section on the South China Sea, US concerns about ASEAN unity and centrality spiked. After interagency

deliberations, the State Department released a statement on the South China Sea on Aug. 3. The statement expressed concern about the increase in tensions in the South China Sea and singled out China for criticism for its June decision to upgrade the administration level of Sansha City and establish a new military garrison there covering the disputed areas of the South China Sea. In addition, the statement referenced “coercive economic actions,” which referred to China’s sudden quarantine of tropical fruit imports from the Philippines to pressure the government in Manila to back down from the confrontation in the Scarborough Shoal. It also mentioned “the use of barriers to deny access,” which was an allusion to China’s roping off of the lagoon of the shoal to deny Filipino fisherman access.

The Chinese response was quick and harsh. China’s Foreign Ministry spokesman Qin Gang expressed “strong dissatisfaction and opposition,” and charged that the US press statement “completely ignored the facts, deliberately confounded right and wrong, sending a seriously wrong signal, which is not conducive to the efforts safeguarding the peace and stability of the South China Sea and the Asia Pacific region.” Qin accused the US of “selective blindness” and taking sides despite its claim that it remains neutral on the South China Sea territorial disputes.

The annual S&ED in Beijing

The fourth round of the S&ED opened in Beijing on May 3-4, 2012. Secretary of State Clinton and Treasury Secretary Timothy Geithner co-chaired the meeting with counterparts, State Councillor Dai Bingguo and Vice Premier Wang Qishan. Under the Obama administration, the S&ED has “become the premier forum” for US-China dialogue, and has “served as a platform for building trust and understanding” between the two countries.

In the strategic track, the two sides focused on promoting high-level exchanges, bilateral dialogues and consultations; addressing regional and global challenges; and enhancing bilateral cooperation. They also reviewed progress in previous rounds of the S&ED in “deepening strategic trust and advancing” their respective president’s shared vision of a cooperative bilateral relationship. The outcome was a list of 50 specific outcomes and areas of bilateral cooperation. On the sidelines, the second round of the Strategic Security Dialogue (SSD) – the only bilateral mechanism that brings together senior civilian and military officials to discuss sensitive security issues – was also held during the S&ED with a third planned for next year. The SSD was co-chaired by US Deputy Secretary of State William Burns and Chinese Vice Foreign Minister Zhang Zhijun. They were joined by Acting Undersecretary of Defense James Miller, US Pacific Command Commander Samuel Locklear, and Deputy Chief of the General Staff of the PLA Ma Xiaotian. Discussions focused primarily on maritime and cyber security issues. *Xinhua News Agency* reported that “The two sides agreed to continue to develop the SSD mechanism, and let it play a greater role in enhancing bilateral strategic mutual trust.”

The economic track meanwhile resulted in 67 outcomes, ranging from broad macroeconomic policies to issues related to trade, investment, and finance. China agreed to review its economic policies which provide “attractive financing” for its exports (policies which many foreign companies consider unfair); allow foreign investors to acquire a larger stake in Chinese securities or futures joint ventures; and remove regulations and subsidies which unfairly benefit state-owned enterprises, among many other commitments and affirmations. Meanwhile, the United

States stated its support for the *renminbi*'s inclusion in the International Monetary Fund's basket of reserve currencies, agreed to make efforts to facilitate civilian high-tech exports to China, and committed to amend its controls on some dual-use items.

President Hu Jintao praised the "positive results" and the "excellent work" the two sides accomplished during the two day meeting. He also called for the two countries to use the S&ED to strengthen and enhance strategic communication, mutual trust, and bilateral cooperation; to adopt a long-term view of relations; and to respect one another's "core interests." At a press conference following the close of the meeting, Secretary Clinton too praised the fourth round's discussions as "productive" and claimed they were "a testament to how far we've come in building a strong and resilient relationship."

Chen Guangcheng affair

Mere days before the arrival of the US S&ED delegation in Beijing, Chinese "barefoot lawyer" Chen Guangcheng made a dramatic escape from house arrest and sought refuge in the US Embassy. Chen did leave the embassy on his own volition to seek medical treatment at a hospital nearby, and the US and China appeared to have come to an understanding that his rights would be protected and he would stay in China. However, this initial deal fell through when Chen was convinced by his wife and fellow activists that staying was unwise and dangerous.

Subsequently, US officials scrambled to piece together a new arrangement that would allow Chen to travel to the US on a student visa and study law at New York University. The Chinese government issued a statement indicating that Chen could apply for a visa to study abroad just like any other Chinese citizen. On May 19, Chen and his family were granted US visas and departed China for New York City. While the agreement between Chinese and US officials was successful and mutually face-saving, the negotiations aimed at resolving the incident put a great deal of stress on the relationship. In the ensuing months, US and Chinese officials praised the handling of Chen Guangcheng's case and maintained that the rapid and amicable resolution without disrupting the S&ED was evidence of growing mutual trust in the relationship.

US-China military interaction

Bilateral military engagement picked up speed during the May-August period, signaling a full resumption of normal military ties between the US and China. Immediately following the SSD, Liang Guanglie led a delegation to visit the US, marking the first visit by a Chinese defense minister to the US in nine years. It was also the first high-level military exchange between the US and China since the US arms sale to Taiwan in September 2011. Liang's delegation included officers from the three armed services and the Second Artillery Corps as well as the commanders of the Shenyang Military Region and the Xinjiang Military District. The visit included stops at Fort Benning, Georgia; the San Diego naval base; the Fourth Fighter Wing at Seymour Johnson Air Force Base, North Carolina; the US Marine Corps Second Expeditionary Force at Camp Lejeune, North Carolina; the US Military Academy at West Point, New York; and Southern Command in Miami, Florida. An article by Fudan University Professor Zhang Jiadong carried by *Renmin Wang* noted that "In opening some of the Class-A military bases/command center of

its four major armed services for the first time ever to China, the United States has demonstrated its sincerity in carrying out military exchanges with China.”

In Washington, Liang Guanglie met Defense Secretary Panetta, National Security Adviser Donilon, and Acting Secretary of State Bill Burns. According to the official Chinese media, Liang said that this visit represented a “turn for the better” in the relationship, following “some delay” caused by US arms sales to Taiwan.

At a joint press conference with Liang following their talks, Secretary Panetta indicated that it is “essential” that the US and China “communicate effectively on a range of very challenging issues.” He noted that the two countries are expanding cooperation, particularly in areas such as peacekeeping, humanitarian assistance and disaster relief, and counter-piracy. Panetta expressed his “commitment to achieving and maintaining a healthy, stable, reliable and continuous mil-to-mil relationship with China.”

Liang told the news media that the purpose of his visit was “to implement the important agreement reached by Presidents Hu and Obama on developing the China-US state-to-state and military-to-military relationship, to increase mutual understanding, to promote mutual trust and to raise the level of our state-to-state and military-to-military relationship, in particular our military relationship, and to ensure that this relationship can continue to develop in a sound and stable manner.” Noting that discussions are underway between the US and China on how to build a new type of major power relationship that is not “predestined to engage in confrontation or conflict,” Liang said that he proposed to Panetta that the two militaries should establish a new type of relationship based on “equality, mutual benefit and cooperation.” He described his meeting with the US defense secretary as “held in an atmosphere of “candidness and friendship.”

Chinese media reports highlighted Liang’s call for the two sides “to respect each other’s core interests and major concerns and to properly handle disagreements and differences.” In addition, Liang reiterated that US arms sales to Taiwan, US military reconnaissance near China, and US laws restricting military exchanges are the “three major obstacles” to the further development of the bilateral military relationship.

Topics discussed between Liang and Panetta included cyber-security, maritime issues, nuclear proliferation, missile defense, North Korea, South China Sea, and US military deployments in the Asia-Pacific. The two sides agreed to carry out exchanges and cooperation in such areas as humanitarian assistance and disaster relief, military archives, environmental protection, medicine, military education, culture, and sports and to hold joint humanitarian and disaster relief and antipiracy exercises over the course of this year. Many of these activities had been planned the prior year, but were postponed by China after the US announced a major weapons sale to Taiwan. During their discussions, Liang issued an invitation to Panetta to visit Beijing later in the year.

Following the visit, Senior Col. Zhang Xiaozhuo from China’s Academy of Military Sciences wrote in *China Daily* that “Liang’s visit to the US has clearly been very fruitful, and we have good reason to remain optimistic for the future of the China-US military relationship.” Professor Zhang Jiadong was more pessimistic, however. He asserted that “numerous variables” would

determine whether the achievements of Liang's visit would be implemented. Citing the issue of US arms sales to Taiwan as the most significant of these variables, Zhang called for the US to "conscientiously fulfill its pledge" in the August 17, 1982 Communiqué to progressively reduce its arms sales to Taiwan. He also maintained that the Chinese side "needs to find a new plan for dealing with this issue" instead of "disrupting or lowering the depth and level of its military exchanges with the US" after each instance of US weapons sales to Taiwan.

In mid-June the US and China held a meeting of the Maritime Consultative Cooperation Agreement (MMCA). The major focus was search and rescue (SAR). Both sides exchanged briefs on the SAR structures, including their SAR command and control structure. The meeting laid a good foundation for a future SAR joint exercise.

Pacific Command Commander Adm. Samuel Locklear spent four days in China in late June, the first official visit by the top US military officer in the Pacific in four years. He held talks with Minister of National Defense Liang Guanglie and Ma Xiaotian, deputy chief of general staff of the PLA, among others. Official Chinese media outlets reported Locklear's statements that his visit represented a "new start" for US-China military relations and that stable development of the relationship had been a "top priority" since he assumed his position in April. Addressing students at the Academy of Military Sciences in Beijing, Locklear outlined the US Asia-Pacific rebalancing strategy and called for China to play a "productive role" in creating a security environment in the Asia-Pacific.

In an interview with the *American Forces Press Services* following his visit, Adm. Locklear said he had discussed contentious issues such as the South China Sea and US arms sales to Taiwan. He noted that "working through areas of disagreement will take time" and expressed hope that the US and China can look beyond these issues and focus on common interests as they force a more positive path in their relationship.

In late August, Lt. Gen. Cai Yingting, one of six deputy chiefs of the PLA general staff, visited the US, making stops at Fort Hood Texas, Fort Leonard Wood, Missouri, US Pacific Command in Honolulu, and Washington DC, where he met Deputy Defense Secretary Ashton Carter, Deputy Chairman of the Joint Chiefs of Staff James Winnefeld, the Vice Chief of Staff of the US Army Lloyd Austin, and Undersecretary of State for Political Affairs Wendy Sherman. Cai told the Chinese media that he urged the US to make more efforts to ease the tensions so as to safeguard peace in the Asia-Pacific and maintaining the good impetus in the development of the overall China-US relations.

Human rights dialogue

The 17th session of the US-China Human Rights Dialogue was held July 23-24, 2012, in Washington, DC. The US and Chinese delegations were headed respectively by Assistant Secretary for Democracy, Human Rights and Labor Michael Posner and Chinese Ministry of Foreign Affairs Director General for International Organizations and Conferences Chen Xu. Topics discussed included rule of law, freedom of religion, freedom of expression, internet freedom, and labor rights. After the Dialogue, the Chinese delegation visited the United States Supreme Court and nongovernmental and media organizations.

In a press briefing held after the Dialogue ended, Posner stated that “the overall human rights situation in China continues to deteriorate.” He noted that the US side had raised many individual cases “where lawyers, bloggers, NGO activists, journalists, religious leaders, and others” who are “asserting universal rights and calling for peaceful reform in China ... have been arrested and detained as part of a larger pattern of arrest and extralegal detention of those who challenge official actions and policies in China.”

A statement released by the Chinese delegation stated that the talks were “candid, open, and constructive,” and helped “improve mutual understanding and reduce misunderstanding.” The Chinese side noted that it conveyed “recent efforts in China to improve legislation, judicial justice and people’s livelihood, including amendments to the Criminal Procedure Law, the development of the internet and grassroots elections, and the expansion of the social security network.” *Xinhua News Agency* reported that the Chinese delegation expressed hope that the US would “respect China’s sovereignty and territorial integrity, existing political and legal systems, and self-chosen development path, and take a comprehensive, objective and unbiased look at China’s human rights situation, so as to promote the Sino-US cooperative partnership of mutual respect and mutual benefits for a win-win end.”

In late July, the US Department of State’s Bureau of Democracy, Human Rights and Labor issued its annual report on international religious freedom, which highlighted a decline in 2011 in the Chinese government’s respect for and protection of religious freedom in Tibet and Xinjiang and continued crackdown on Christian house churches. A *Xinhua News Agency* commentary characterized the report as “continuing a notorious practice of blatantly interfering in the internal affairs of other countries.” It decried US insistence on imposing its own standards on religious policies, claimed that the report was “full of prejudice, arrogance and ignorance,” and maintained that religious freedoms in China were protected under the constitution.

Looking ahead

China’s priority over the next few months will be to buffer the relationship from lasting negative effects as the US presidential campaign heats up. Republican presidential candidate Mitt Romney continues to adopt a tough stance toward China on trade, criticizing China’s “flagrant patent and copyrights violations” and promising to label China as a currency manipulator on his first day in office. Romney has also condemned China’s human rights record and an adviser for his campaign said that if elected, Romney would seek to sell *F-16 C/D* fighter jets to Taiwan. Beijing is accustomed to China being a target in US presidential campaigns; the Chinese know that the rhetoric is intended to get votes and that once a president assumes power his policies are usually pragmatic. Nevertheless, they worry that the negative tone could undermine domestic support in the US for a positive US-China relationship. They also do not rule out that if elected, Mitt Romney could pursue a tougher policy toward China. “Romney is expected to use an iron hand in dealing with China-related affairs, especially on currency and national security,” Chinese America watcher Da Wei told *Global Times*. “So we also need to take some precautions and prepare for any potential battles.”

US-China high-level exchanges are expected to be sparse in the final months of 2012 due to both countries' focus on domestic politics, but September will be active. In early September, Secretary of State Clinton will make a swan song visit to Beijing and she will be followed by Secretary of Defense Panetta who plans to further promote bilateral military ties. The US presidential election is Nov. 6. China's once in a decade leadership transition will take place at the 18th Party Congress before the end of the year, possibly in October.

Chronology of US-China Relations* **May – August 2012**

May 2, 2012: The second US-China Strategic Security Dialogue, bringing together civilian and military officers to discuss security matters, is held in Beijing.

May 3, 2012: Activist Chen Guangcheng calls into a congressional hearing organized by the Congressional Economic Commission on China (CECC) and says that he fears for the safety of his family and wants to leave China.

May 3-4, 2012: Fourth US-China Strategic and Economic Dialogue (S&ED) is held in Beijing.

May 4, 2012: The third US-China High Level Consultation on People-to-People Exchange (CPE) is held in Beijing.

May 6-11, 2012: In the first such visit in nine years, Chinese Defense Minister Liang Guanglie travels to the US, visits military installations, and meets US government and military leaders.

May 13, 2012: The *USS North Carolina*, a nuclear-powered submarine, surfaces in the Philippines near the Scarborough Shoal for replenishment.

May 15, 2012: US House of Representatives Foreign Affairs Committee's Subcommittee on Africa, Global Health, and Human Rights holds a hearing titled "Chen Guangcheng: His Case, Cause, Family, and Those Who are Helping Him."

May 17, 2012: US Department of Commerce announces it will impose an antidumping duty of between 31.14 percent and 249.96 percent on China-made solar cells.

May 17-24, 2012: US State Department sends a policy directive to US universities that sponsor Confucius Institutes, requiring Chinese faculty member with improper visas to return to China by June 31 to revise their visa status.

May 18, 2012: Pentagon releases its annual report to Congress on the People's Liberation Army.

May 18, 2012: US House of Representatives passes the National Defense Authorization Act, which includes a recommendation to sell *F-16 C/Ds* to Taiwan.

* Chronology and research assistance by CSIS intern Cristina Garafola

May 19, 2012: Chen Guangcheng arrives in the US with his family to study at New York University.

May 19-20, 2012: Five Chinese warships are reportedly deployed near Philippine waters following the visit of the *USS North Carolina*.

May 22, 2012: US envoy for North Korea Glyn Davies meets Chinese counterpart Wu Dawei and Vice Foreign Minister Fu Ying in Beijing.

May 22-23, 2012: Third round of the US-China Dialogue on Law of the Sea and Polar Issues is held in Beijing.

May 24, 2012: US State Department releases its annual country report on human rights practices, including a report on China.

May 25, 2012: China denounces the human rights report and issues its own report on human rights in the United States.

May 25, 2012: US Treasury Department releases its semiannual report to Congress on International Economic and Exchange Rate Policies in which it says China has not met standards of a currency manipulator.

May 25, 2012: China challenges US countervailing duties on 22 categories of Chinese products and accuses the US of inconsistent application of World Trade Organization (WTO) rules.

May 30, 2012: US Commerce Department hands down a preliminary decision requiring Chinese manufacturers of towers for wind turbines to pay duties of 13.7 to 26 percent.

May 30, 2012: US International Trade Commission rules that the US may levy antidumping and countervailing duties against imports of high-pressure steel cylinders from China.

June 1, 2012: US House of Representatives Financial Services Committee's Subcommittee on International Monetary Policy and Trade holds a hearing titled "Increasing Market Access for U.S. Financial Firms in China: Update on Progress of the Strategic & Economic Dialogue."

June 3, 2012: On the eve of the 23rd anniversary of the crackdown on the Tiananmen Square demonstrations, the State Department spokesman recalls the "tragic loss of innocent lives" and encourages the Chinese government to release all those still serving sentences, and to "protect the universal human rights of all its citizens."

June 4, 2012: Following US Defense Secretary Leon Panetta's speech at the Shangri-La Dialogue in Singapore, China's Foreign Ministry spokesman says that deploying more military forces and strengthening military alliances in the Asia-Pacific region is "inappropriate."

June 8, 2012: China wins a WTO ruling against US antidumping duties on shipments of diamond saw blades and frozen warm-water shrimp from China.

June 11, 2012: The Obama administration announces that it will exempt seven major importers of Iranian oil from US sanctions, but China is not on the list.

June 11, 2012: China's Ministry of Public Security announces that US and Chinese police jointly cracked a major transnational arms trafficking case that included 105 guns and over 50,000 bullets.

June 12-14, 2012: Military Maritime Consultative Agreement meeting is held in Hawaii.

June 13, 2012: Chinese State Councilor Dai Bingguo and US National Security Adviser Tom Donilon discuss China-US relations via phone.

June 13, 2012: Officials and representatives of enterprises from China and the US gather in Beijing for a forum on energy efficiency co-hosted by China's National Development and Reform Commission (NDRC) and the US Department of Energy.

June 18, 2012: US House of Representatives passes Resolution 683, which expresses regret for the passage of discriminatory laws against Chinese immigrants to the US, including the Chinese Exclusion Act of 1882.

June 19, 2012: President Obama and President Hu Jintao meet on the sidelines of the G20 Summit in Los Cabos, Mexico.

June 20, 2012: US House of Representatives Judiciary Committee's Subcommittee on Immigration Policy and Enforcement holds a hearing titled "The Chinese Media Reciprocity Act of 2011."

June 25, 2012: The 5th US-China Security Dialogue is held in Washington, with discussions on arms control, nonproliferation, disarmament, and other international security issues.

June 27, 2012: One day before the largest-ever *Rim of the Pacific (RIMPAC)* naval exercises begin in Hawaii, Defense Minister Liang Guanglie and Deputy Chief of the General Staff Ma Xiaotian meet US Pacific Command Commander Adm. Samuel Locklear in Beijing.

June 28, 2012: Obama administration exempts China from economic sanctions because it has significantly reduced imports of Iranian oil.

July 5, 2012: US files a complaint with the WTO against China over antidumping and countervailing duties on US-made cars.

July 9, 2012: US House of Representatives Foreign Affairs Committee's Subcommittee on Africa, Global Health and Human Rights holds a hearing titled "Continued Human Rights Attacks on Families in China."

July 10-14, 2012: *USS George Washington* Carrier Strike Group makes a Hong Kong port visit.

July 11-12, 2012: Reports that the US Olympic team uniforms for the open ceremony in London are made in China prompt criticism from some members of the US House of Representatives.

July 12, 2012: Foreign Minister Yang Jiechi and Secretary of State Hillary Clinton meet on the sidelines of the ASEAN Foreign Ministers' Meetings in Phnom Penh.

July 16, 2012: US wins a WTO ruling regarding restrictions on foreign companies processing credit card payments and other electronic transactions in China.

July 18, 2012: Vice Premier Li Keqiang meets a delegation from the US business community which includes Thomas Donohue, chairman of the US Chamber of Commerce, former Secretary of Commerce Carlos Gutierrez, and former US Trade Representative Charlene Barshefsky.

July 19, 2012: Foreign Affairs Committee of the US House of Representatives holds a hearing on "Unfair Trading Practices against the US: Intellectual Property Rights Infringement, Property Expropriation, and other Barriers."

July 19, 2012: China (along with Russia) vetoes a US-backed United Nations Security Council resolution that threatened the Syrian government with sanctions.

July 20, 2012: China announces it will appeal part of a preliminary WTO ruling that favored the US regarding Chinese antidumping duties on US electrical steel products.

July 20, 2012: Article co-authored by Vice Minister Cui Tiankai titled, "China-US Relations in China's Overall Diplomacy in the New Era," is posted on Ministry of Foreign Affairs website.

July 23-25, 2012: US National Security Adviser Donilon visits China and meets President Hu Jintao and other leaders.

July 23-24, 2012: US-China Human Rights Dialogue is held in Washington.

July 25, 2012: Foreign Affairs Committee of the US House of Representatives holds a hearing on "Investigating the Chinese Threat, Part Two: Human Rights Abuses, Torture and Disappearances."

July 27, 2012: US Department of Commerce finds in a preliminary hearing that Chinese manufacturers have been illegally selling steel towers, components for wind turbines, below the cost of production and issues duties of 20.85 to 72.69 percent.

July 27, 2012: China's Ministry of Commerce opens an antidumping investigation into imports of polysilicon from the US, which is a key material used in the production of solar panels.

July 30, 2012: In its annual report on religious freedom, the US Department of State names China as one of eight "countries of particular concern."

July 31, 2012: US imposes sanctions on China's Bank of Kunlun for providing financial resources to Iranian banks.

Aug. 1, 2012: Chen Guangcheng visits Capitol Hill and meets House majority leader John Boehner and minority leader Nancy Pelosi.

Aug. 2, 2012: US Senate unanimously passes Senate Resolution 524 declaring that China's recent actions in the South China Sea "are contrary to agreed upon principles with regard to resolving disputes and impede a peaceful resolution."

Aug. 3, 2012: US Department of State releases a statement on the South China Sea that singles out China for criticism.

Aug. 3, 2012: In the UN General Assembly, China votes against a resolution condemning the Syrian government. Resolution passes with 133 votes in favor, 12 opposed, and 31 abstentions.

Aug. 14, 2012: Undersecretary of State for Political Affairs Wendy Sherman and Vice Foreign Minister Zhai Jun hold the inaugural round of US-China Middle East Dialogue in Beijing.

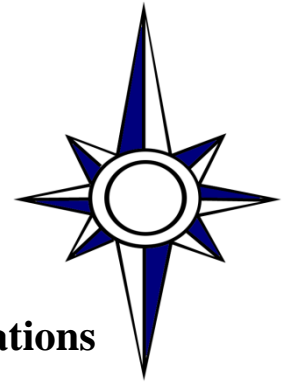
Aug. 22-28, 2012: PLA delegation led by Deputy Chief of the General Staff Cai Yingting makes an official visit to the US.

Aug. 28, 2012: US Department of State announces that Secretary Clinton will visit Beijing on September 4-5 as one of the stops on a trip that includes the Cook Islands, Indonesia, China, Timor-Leste, Brunei, and Russia.

Aug. 30, 2012: Chinese Defense Ministry spokesman Geng Yansheng announces that US Secretary of Defense Leon Panetta will visit China in mid-September.

Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



US-Korea Relations:

Challenges and Opportunities for the Next Administrations

**Victor Cha, Georgetown University/CSIS
Ellen Kim, CSIS**

In May, US-Korea relations were marked by nervousness about a potential crisis with North Korea as telltale signs of activity at Punggye suggested preparations for a third nuclear test. Though a test did not occur, no one is confident that a crisis has been averted. In US-South Korea relations, differences over imports of Iran oil and US beef calmed down without causing a major hiccup. Meanwhile, a number of difficult bilateral negotiations remain unresolved. While there are signs of progress on the New Missile Guidelines (NMG), the civil nuclear talks remain deadlocked. Territorial and historical disputes between Japan and Korea have complicated and frustrated US desires to strengthen trilateral cooperation with South Korea and Japan.

No nuclear test but what's next?

If the key events in US-DPRK relations in the beginning of 2012 were the *Unha* rocket launch and the collapse of the Leap Day agreement, the key *non*-event over the summer was the absence of a nuclear test. Activity around the Punggye nuclear test site led many to believe that Pyongyang might carry out the test, possibly using highly enrichment uranium (HEU). Gearing up for another crisis, South Korea, the US, and neighboring countries all fell into reflexive provocation-prevention mode, strongly urging Pyongyang to abandon the test.

North Korea surprised all by not going forward with the test. Instead, it announced that it would continue with its programs, and enshrined its nuclear weapons status in its revised constitution. The latter act suggests that Pyongyang considers itself a permanent nuclear weapon state with no intention to negotiate these capabilities away in the Six-Party Talks or in any other fora. Rarely do countries give up that which they put into their constitutions.

Then why no nuclear test? There is no clear answer, but we can offer four possibilities. The first relates to science. There may have been technical reasons – either related to the prosecution of a test or data-collection – that made it impossible to carry it out at this time. Political analyses often underestimate the importance of this variable. A second possibility is that Pyongyang succumbed to pressure, especially coming from Beijing. When North Korea conducted a nuclear test in 2006 and 2009, Beijing supported UN Security Council Resolutions 1718 and 1874 authorizing sanctions. Pyongyang might have averted from a test to avoid antagonizing its only ally. A third possible explanation is that Kim Jong Un and the regime could not afford another embarrassment after the failure of its April missile test. A third nuclear test would have brought more sanctions amid a fragile domestic situation. Flubbing it would have brought the same sanctions and a damaging aura of incompetence to the young leadership. Finally, the regime may have chosen to hold off until new political leadership takes office in the South Korea, China, and

possibly the US before it makes its next move. Whatever the reason, the important development this quarter is North Korea's constitutional validation of its nuclear weapon status. This, it is fair to say, constituted a strategic decision to retain its weapons capability, not trade them away. Any talk by North Korea to the contrary is tactical.

All official dialogue has been shut down. While the Obama administration maintains informal lines of communication through the "New York channel" (this is a State Department dialogue with the DPRK mission to the UN) any prospect for full-scale reengagement with North Korea this year is very slim. With Obama facing a tough reelection campaign in November, there is no political appetite for wasting political capital on a soon-to-be-broken deal with North Korea.

So what's next? We are probably in a wait-and-see mode. A handful of track-two meetings with North Korean Foreign Ministry officials suggest that Pyongyang is ready to get back into talks, but these messages must be taken with a grain of salt. They know there is little chance of a deal with an election around the corner. In the interim, they will continue to deepen their ties with China. Pyongyang has even reached out to Japan, but is probably content to wait out elections in Seoul and in Washington before making its next move.

Several shoes have yet to drop, including the likely visit by Kim Jong Un to China to cement his relationship with the political leadership in Beijing. We are also likely to see announcements of new economic deals between the two countries following a recent visit to China by Kim Jong Un's uncle, Jang Song Taek. Notice that all of these developments revolve around China while the US and South Korea sit on the sidelines. As noted in a Dec. 19, 2011 *New York Times* piece, we are witnessing China's de facto adoption of North Korea as its newest province.

A North Korean Deng Xiaoping?

The past months have not been without change in the North. The question is how significant are these signals: high heels and miniskirts for women; amusement parks and (pirated) Walt Disney productions for children. These are some of the changes that we have seen in North Korea under the leadership of Kim Jong Un. This not-yet-30 year-old took over for his father Kim Jong Il in December of 2011 in the only communist dynastic succession system left in the world. Since then, in addition to riding rollercoasters and frolicking with school kids, the most eligible prince of Pyongyang took on a wife, Ri Sol Ju, whom the *New York Times* dared to equate with Kate Middleton (!). In a sign of changing times, the new first lady is seen publicly with her husband, sporting a Christian Dior clutch worth more than the annual wage of a North Korean worker.

Such inane details, combined with the young Kim's years of Swiss schooling where he took courses on "Parties and Elections" while eating pizza and idolizing NBA stars, have caused optimists to declare – once again – that North Korea is ready to reform. Rumors of a new economic policy being hatched in Pyongyang fuel speculation that junior Kim is serious about change. Korea-watchers will remember that similar predictions were made in 1994 when then-52-year-old Kim Jong Il took over after his 82-year-old father died. We know how that turned out. Nevertheless, believers in the irresistibility of Disney, Dior, and Coke have short memories and tall hopes of a China-type economic modernization coming to North Korea. The predictions of reform in North Korea have long outnumbered the predictions of collapse. We can't side with

the majority. The current system under a young and unproven leader faces severe challenges. Mickey Mouse is unlikely to be an agent of reform.

Thus far, we have not had the crisis-precipitating provocation from Pyongyang. Perhaps, the new leader is amusing himself with Disney and his new wife. Meanwhile, the countryside has been ravaged by flooding from the annual rains. NGOs report that the food shortage situation is worsening. And the rogue nuclear and missile programs continue to grow unimpeded. There is presumably a degree of infighting in the system, manifested in the surprise sacking in July of the top military general in the country. Some interpret the departure of Gen. Ri Yong Ho as evidence of the young reform-minded Kim trying to usurp power from the hardline military. Maybe. It appears, however, that Kim Jong Un may not want reform but to reclaim for his own patronage network some of the money the military was making through lucrative business activities. If so, there are some very unhappy military generals in North Korea today. This could be a gutsy move by Kim. Or, it could be a stupid one, if it lays the groundwork for disgruntled factions inside the military – never a good scenario in Korean history.

US beef and Iran oil imports

The US-ROK alliance had fairly smooth sailing over the past few months partly because the US beef and Iran oil imports issues calmed down without causing any major hiccup in relations. A massive candlelight rally was held again in Seoul to press the Lee government to halt US beef imports and this made government officials in Seoul and Washington nervous. Yet, the rally did not gain any political momentum in South Korea, precipitating an anti-government movement as occurred in 2008. Although there were lingering concerns about the safety of US beef, the South Korean public remained vigilant about the politicization of the US beef issue again and largely stayed away from the rally.

With the Obama administration's announcement in June exempting South Korea from US sanctions, Seoul and Washington temporarily resolved the conflict over South Korea's oil imports from Iran. South Korea decreased its oil imports from Iran by 30 percent in the first quarter as compared with the same period of last year. In July, imports of Iranian oil were completely suspended in South Korea as a result of the European Union's ban on providing insurance to oil tankers carrying Iranian oil. There was a new development in August as the Iran government offered to transport oil using its own tankers and South Korea decided to resume oil imports. Although the resumption will not drastically increase South Korea's oil imports from Iran enough to prevent South Korea from getting an extended sanction waiver from the US after the current one expires at the end of this year, this issue is likely to re-emerge and continue to stand between South Korea and the US for a while.

Missile Guidelines

There are two important and unfinished negotiations in progress between Seoul and Washington. The first relates to the revision of the US-Korea missile guidelines and the other is the civil nuclear cooperation, also known as the 1-2-3 Agreement. Both are difficult negotiations and have the potential to become heavily politicized, particularly in Korea as politicians may react to perceived deadlocks as license to play the "sovereignty card," claiming US heavy-handedness.

Although these negotiations have not drawn much public scrutiny in either country, they began to surface and to make major news headlines in South Korea this summer.

In early 2011, the Obama and Lee administrations entered into negotiations on New Missile Guidelines (NMG). At the center of the issue are the range and payload size of South Korea's ballistic missiles. The current agreement, which was reached in 1979 and revised in 2001, limits missile ranges to less than 300 km and payload size to less than 500 kg. The Lee administration has pushed hard for an extension of missile ranges to between 800-1,000 km and an increase of payload size to one ton. South Korea has consistently argued that the increased missile ranges would enhance conventional deterrence because it would allow the ROK to strike any part of North Korea from the south of the peninsula. Washington understands Seoul's concerns, but does not believe that the mere acquisition of longer-range missiles will enhance deterrence. Moreover, it is concerned about regional reactions and possible escalation if the ROK starts to produce longer-range ballistic missiles. The Obama administration has preferred to discuss NMG guidelines within the context of the US-ROK alliance framework and has approached the negotiation as a way to boost alliance defense capabilities. Among other requirements, this has led the US to nudge South Korea in the direction of a regional missile defense network.

South Korean officials pushed for an agreement throughout the summer, and hoped to use the US-ROK "2+2" meeting as an action-forcing event, but with little success. Meanwhile, politicians and experts in the South have started to call on their government to scrap the missile guidelines or set an expiration date, pointing to the fact that the guidelines are not a legally binding treaty between the US and the ROK. Several framed NMG as a sovereignty issue and insisted on South Korea's right of self-defense. While this has not reached a "crisis" in the alliance, it is on track to becoming one. Rumors have it that the core of the talks is taking place between the two National Security Councils rather than through normal diplomatic channels. The departure of Blue House Senior Secretary Kim Tae-hyo over the botched intelligence agreement with Japan has not made the NMG talks any easier. Both governments are approaching the end of their presidencies, and are holding firm to hopes that the post-election administrations will take a more accommodating tone. Stay tuned.

1-2-3 agreement

South Korea and the US remain deadlocked over the civil nuclear cooperation agreement. Since the start of the negotiations in 2010 to revise the old agreement that was signed in 1974 and is set to expire in 2014, the countries have held five rounds of talks. While this is a complex negotiation, the core difference comes down to Seoul's desire to be a full nuclear fuel cycle country. On the back end of the fuel cycle, this means Seoul is demanding long-term consent to reprocess spent nuclear fuel. On the front end, it means the demand to enrich uranium fuel. Seoul's arguments for the former generally relate to the absence of storage space for spent fuel. In the latter, Seoul believes that enrichment will allow it to be a more competitive global player in civilian nuclear energy. Seoul and Washington have tried to "punt" the reprocessing question with agreement on a 10-year joint study on "pyroprocessing." But, in general, the US is reluctant to accede to Korean demands because of proliferation concerns and because it does not find the ROK rationales for reprocessing and enrichment credible. There is also considerable "India hangover" – that is, nonproliferation types in the

Obama administration who were opposed to the civil nuclear deal given to India under George W. Bush, and who do not want to see this arrangement become the international norm. We will say more about this negotiation in the next *Comparative Connections*. Suffice it to say for now that this is a slow-motion train wreck. Both sides are dug in, and the clock is ticking. Negotiators say that a new agreement must be completed by May 2013, which leaves the next administrations in Seoul and Washington only a couple of months to finish the negotiation. That is not a lot of time. Stay tuned on this one, too.

Dokdo and US-ROK-JAPAN trilateral cooperation

In August, Seoul-Tokyo ties came under severe strain over their longstanding history and territorial disputes. Although these politically explosive and emotionally charged issues have sporadically flared in the past, they were taken to the highest political levels in both governments sparking a full-on diplomatic row.

There is a sort of yearly cycle in Korea-Japan relations. But the recent events seem to have disrupted the equilibrium in a more permanent way. On the Korean side, President Lee's visit to Dokdo constitutes an attempt to change the historical status quo. On the Japanese side, the Diet resolution harshly criticizing Lee's trip also sets a new precedent. Similarly, recent efforts by Japanese government officials to lobby local US politicians to block the construction of comfort women monuments in US localities sets an entirely new precedent that is bad for Seoul-Tokyo as well as Tokyo-Washington relations.

These actions on both sides are different from previous mis-steps because they are exacerbating historical animosity and escalating the issues in a more permanent way. The damage to relations is clear because these historical disputes now stand in danger of impeding practical cooperation between the two governments. From a US perspective, when historical animosity impedes pragmatic cooperation between its two most important allies in Asia, Washington becomes concerned.

Unfortunately, there is no solution in sight. The primary casualty in this spiral is US-Japan-ROK trilateral coordination, and yet the US is understandably hesitant to intervene. Although there are very limited options for the US when its two most important Asian allies are growling at each other, managing good Korea-Japan relations is the burden that Washington will have to carry. (See [PacNet #58](#), Sept. 11, 2012 for the full argument)

Chronology of US-South Korea Relations*

May – August 2012

May 1, 2012: President Barack Obama states that the US will no longer accept North Korea's strategy of provocations for concessions.

* Compiled by Fotini Gan, Alvina Hong, and Yoon-je Chung

May 1, 2012: The Food, Agriculture, Forestry, and Fisheries Committee of South Korea's National Assembly passes a bipartisan, nonbinding resolution to suspend US beef imports following a case of mad cow disease in California.

May 2, 2012: President Obama and Japanese Prime Minister Noda Yoshihiko agree not to tolerate North Korea's nuclear threat during Noda's visit to the White House.

May 3, 2012: The UN expands North Korean sanctions after the failed rocket launch in April.

May 3, 2012: A massive candle light rally takes place in Seoul to halt US beef imports and renegotiate the KORUS Free Trade Agreement (FTA) after a reported case of mad cow disease.

May 6, 2012: North Korea announces that it will continue to develop nuclear and missile capabilities, against the urging of the permanent members of the UN Security Council.

May 7, 2012: Assistant US Trade Representative for Japan, Korea, and APEC Affairs Wendy Cutler states that the KORUS FTA will not be renegotiated.

May 10, 2012: US House Armed Services Committee passes an amendment to reintroduce tactical nuclear weapons on the Korean Peninsula.

May 11, 2012: US exempts South Korea from Iranian oil sanctions after Seoul decreases dependence on Iranian oil by 30 percent.

May 15, 2012: White House National Security Council deputy spokesman Robert Jenson states that tactical nuclear weapons will not be redeployed to Korea.

May 17, 2012: US House of Representatives passes a bill to extend the North Korean Human Rights Act until 2017.

May 21, 2012: Nuclear envoys from Seoul, Washington, and Tokyo warn that North Korea will face tighter sanctions and greater isolation if it conducts a third nuclear test.

May 22, 2012: North Korea announces that it will not conduct a nuclear test but will continue to bolster its nuclear development and satellite capabilities.

May 24, 2012: US Special Representative for North Korean Policy Glyn Davies and Japanese Vice Foreign Minister Yamaguchi Tsuyoshi state that US and Japan would engage in dialogue with North Korea if Pyongyang refrains from provocations. Ben Rhodes, deputy national security adviser for strategic communications, comments that the US will consider food aid if Pyongyang is "serious about moving in a different direction." South Korea warns Pyongyang that it would face greater sanctions and grave consequences if it conducts a third nuclear test.

May 28, 2012: *The Diplomat* quotes Brig. Gen. Neil Tolley, commander of US Special Forces in South Korea, saying that "we send [Republic of Korea] soldiers and U.S. soldiers to the North to do special reconnaissance" on North Korea's tunnel infrastructure.

May 30, 2012: George Little, spokesperson for the US Department of Defense, tells reporters that "[i]t was misreported that there are U.S. boots on the ground in North Korea."

May 30, 2012: DPRK's Constitution is revised to state that North Korea is a "nuclear-armed state." Spokesperson for the US Department of State comments that the US "will never accept North Korea as a nuclear power."

May 31, 2012: South Korean Foreign Ministry spokesperson Cho Byung-jae states that North Korea cannot have a status as a nuclear-weapon state.

June 1, 2012: South Korean Foreign Minister Kim Sung-hwan warns North Korea of a "firm response" if it engages in further provocations.

June 5, 2012: Pentagon replaces Brig. Gen. Tolley, commander of US Special Forces in Korea.

June 6, 2012: Rep. Donald Manzullo (R-IL) says in a House hearing that deepening ties with South Korea by extending the current civilian nuclear pact will help US manufacturers.

June 6, 2012: US Defense Security Cooperation Agency announces that it will sell \$325 million worth of advanced weapons to South Korea.

June 11, 2012: US Secretary of State Hillary Clinton announces that South Korea and India will be exempt from Washington's sanctions on Iranian oil.

June 12, 2012: Chairman of the Senate Armed Services Committee Sen. Carl Levin says he has no problem with allowing South Korea to develop longer-range missiles if they are deployed in a "non-threatening way."

June 13, 2012: State Department spokesperson Victoria Nuland says the US is concerned about allegations that China assisted North Korea's missile program.

June 14, 2012: US Secretary of State Hillary Clinton and Defense Secretary Leon Panetta host a "2+2 meeting" with South Korean Foreign Minister Kim Sung-hwan and Defense Minister Kim Kwan-Jin at the State Department in Washington.

June 14, 2012: Assistant Secretary of State for East Asian and Pacific Affairs Kurt Campbell expresses US hope for a stable relationship between South Korea and Japan.

June 16, 2012: US deploys Army Tactical Missile System (ATACMS) missiles and Multiple Launch Rocket System (MLRS) artillery to USFK to increase firepower in South Korea.

June 16, 2012: South Korean Defense Acquisition Program Administration (DAPA) announces three bidders – Boeing's *F-15 Silent Eagle*, Lockheed Martin's *F-35 Lightning II*, and the Eurofighter *Typhoon* – for a \$6.9 billion contract in acquiring 60 fighter jets.

June 19, 2012: White House announces that it will extend North Korean sanctions another year as it poses an “unusual and extraordinary threat.”

June 21, 2012: US Senate passes a bill to ban food aid to North Korea unless a presidential waiver is used.

June 21-22, 2012: South Korea, Japan, and the US conduct their first official trilateral joint naval exercise joined by US aircraft carrier *USS George Washington* in the Yellow Sea.

June 22, 2012: South Korea and the US military conduct the largest, single-day joint military drill to commemorate the 62nd anniversary of the Korean War in Pocheon, South Korea.

June 25, 2012: South Korea’s Ministry of Strategy and Finance says its reliance on Iranian oil imports decreased in the first quarter of 2012.

June 26, 2012: South Korea announces that it will halt oil imports from Iran starting in July due to a European Union ban on insuring shipments of Iranian crude oil.

June 26, 2012: Russia Deputy Chief nuclear envoy Ambassador Grigory Logvinov arrives in Seoul for a three-day visit to meet South Korea nuclear envoy Lim Sung-nam and Director General of DPRK Nuclear Affairs Cho Hyun-dong to discuss the resumption of Six-Party Talks.

June 27, 2012: Nominee for US ambassador to Myanmar Derek Mitchell says that Myanmar should end all ties with North Korea if it wants to to normalize relations with the US.

June 29, 2012: South Korea postpones the signing of the ROK-Japan military pact which would incorporate extensive intelligence sharing with Tokyo.

June 30, 2012: South Korea’s Ministry of Foreign Affairs and Trade says that Tehran made an offer to deliver crude oil to South Korea using its own ships.

July 1, 2012: Oil imports to South Korea from Tehran halt due to the European Union’s ban on insuring Iranian oil shipments.

July 2, 2012: Foreign Minister Kim Sung-hwan apologizes to the nation for pursuing a military pact with Japan without making enough efforts to win public support for the agreement.

July 3, 2012: Kim Jong Un loosens government restrictions on outlawed food and strict standards on women attire.

July 6, 2012: Kim Jong Un attends a concert in Pyongyang, a debut performance for the newly formed Moranbong troupe featuring classic Disney characters.

July 8, 2012: Lt. Gen. Jan-Marc Jouas, deputy commander of United States Forces Korea (USFK), apologizes for the recent handcuffing of three South Korean civilians by US troops during a dispute over parking outside a US Air Base.

July 9, 2012: USFK Commander Gen. James Thurman apologizes for an illegal arrest of three civilians by US military personnel.

July 9, 2012: In its response to a North Korean performance featuring Disney characters without authorization, the US stresses the importance of protecting intellectual property rights.

July 11, 2012: ROK deputy envoy to the Six-Party Talks Cho Hyun-dong and US counterpart Clifford Hart hold talks ahead of the ASEAN Regional Forum where they reaffirm that the two countries will not ease pressure on North Korea until it gives up a policy of confrontation.

July 12, 2012: Foreign Minister Kim Sung-hwan, Secretary of State Hillary Clinton, and Japanese Foreign Minister Gamba Koichiro meet on the sidelines of the ASEAN Regional Forum in Phnom Penh and agree to form a trilateral consultative body.

July 16, 2012: *North Korean Central News Agency* announces that the country's military chief Gen. Ri Yong Ho has been relieved of all his posts due to illness.

July 17, 2012: *North Korean Central News Agency* announces that Gen. Hyon Yong Chol has been awarded the title of vice marshal of the Korean People's Army.

July 17, 2012: ROK DAPA announces that it has approved bid proposals by three foreign defense companies for a multi-million dollar fighter jet project.

July 18, 2012: Kim Jong Un is awarded the title of marshal and supreme commander of the Korean People's Army.

July 19, 2012: North Korea accuses South Korea and the US of inciting a defector to damage statues of the country's founding leader Kim Il Sung.

July 20, 2012: North Korea says that the country has no choice but to "totally reexamine the nuclear issue" after strongly condemning South Korea and the US for attempting to destroy statues of its founding leader Kim Il Sung.

July 21, 2012: State Department spokesperson states that US has no hostile intentions toward North Korea.

July 22, 2012: Foreign Minister Kim Sung-hwan states that he will urge the US to lift restrictions on the reprocessing of nuclear fuel.

July 24, 2012: North Korea deploys 20 attack helicopters near South Korea's Baeknyeong Island in the West Sea.

July 25, 2012: Gary Samore, special assistant to the president and White House coordinator for arms control and weapons of mass destruction, proliferation, and terrorism, says South Korea can import enriched uranium from US or France, expressing an unyielding stance to the ROK's demands in renegotiating 1-2-3 Agreement.

July 25, 2012: US Ambassador to South Korea Sung Kim states that North Korea should follow Myanmar's recent steps in making political and economic reforms and that nuclear ambitions will only further isolate North Korea.

July 31, 2012: DPRK Foreign Ministry says DPRK will build its nuclear arsenal against the US.

Aug. 1, 2012: Ministry of Unification rejects North Korea's allegations of South Korea's plot of terrorism to sabotage statues in North Korea.

Aug. 6, 2012: *Joongang Ilbo* reports that US and ROK are in talks to create a new joint military organization to replace Combined Forces Command (CFC) after the transfer of wartime operational control to South Korea in 2015.

Aug. 10, 2012: President Lee visits Dokdo, heightening tensions between Japan and Korea.

Aug. 13, 2012: State Department spokesperson urges South Korea and Japan to repair ties emphasizing that the US would not take sides in the matter.

Aug. 15, 2012: Richard Armitage and Joseph Nye release the *U.S.-Japan Alliance Anchoring Stability* report, which states "it is essential for Japan to confront the historical issues" with South Korea, and declares the US has no place to judge on the situation.

Aug. 17, 2012: Jang Song Taek meets President Hu Jintao and Premier Wen Jiabao in Beijing.

Aug. 20, 2012: US and South Korea launch *Ulchi Freedom Guardian (UFG)* joint military exercise. In response, Kim Jong Un travels to the disputed ROK-DPRK sea border and calls the drill a threat to peace and stability in the region.

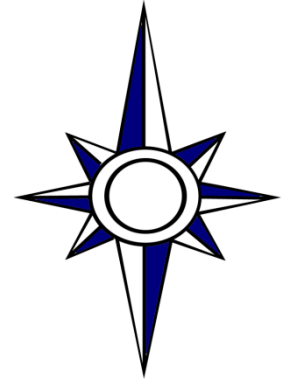
Aug. 23, 2012: South Korea admits to importing Iranian crude oil during July despite claims that it would not do so.

Aug. 24, 2012: State Department spokesperson says that disputes between Korea and Japan make the US uncomfortable.

Aug. 31, 2012: US and ROK complete *Ulchi Freedom Guardian*.

Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



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US-Southeast Asia Relations: ASEAN Stumbles

Indonesian efforts to salvage ASEAN unity after the failure to issue a formal communiqué at the end of its 45th Ministerial Meeting were successful. Stymied by a lack of consensus over the inclusion of Philippine and Vietnamese complaints about Chinese maritime confrontations in the South China Sea (SCS) in the communiqué, Indonesia's foreign minister presented a minimal SCS code of conduct statement that ASEAN members subsequently accepted. At the US-ASEAN Post-Ministerial Conference, Secretary of State Clinton reiterated US support for a peaceful negotiated settlement to SCS disputes and emphasized the importance of ASEAN-based institutions in the resolution process. Linking enhanced US military aid for the Philippines to President Aquino's 2013-2017 navy and air force development plan, Washington hopes to help Manila improve its "maritime domain awareness." The US also announced during Defense Secretary Panetta's visit to Cam Ranh Bay that it would be adding naval visits to Vietnam. The US suspended many prohibitions against private investment in Myanmar, though human rights-based sanctions remain. At the Shangri-La Dialogue, Panetta outlined an ambitious plan for enhanced military partnerships with regional friends and allies, though how a reduced US military budget will impact these plans is a growing concern in Southeast Asia.

ASEAN stumbles (and recovers?)

Many commentators on international affairs expressed surprise that the 45th annual ASEAN Ministerial Meeting (AMM) held in Phnom Penh on July 9 for the first time issued no formal communiqué. The dominant explanation was that no agreement could be reached on a proposed Code of Conduct on the South China Sea (SCS) – an issue that has roiled Southeast Asian littoral countries for the past 20 years. In fact, according to Philippine Foreign Affairs Undersecretary Erlinda Basilio in a July 19 press release, the ASEAN members had agreed on the key elements of a code, however, Cambodia – the current ASEAN Chair – objected to any mention of the conflict over Scarborough Reef in the communiqué as well as to proposals by Hanoi and Manila that the document should reference maritime incidents involving Chinese ships. Cambodia insisted that bilateral disputes with an outside power were not an appropriate subject for an ASEAN communiqué, though such disputes have been discussed at past ASEAN meetings. As a result, not only was ASEAN's position on the South China Sea not formalized, numerous other matters that had been discussed at the AMM were not formally acknowledged – among them the establishment of an official ASEAN Community in 2015. In retrospect, the absence of ASEAN agreement on such a politically sensitive topic as the SCS should not have been surprising – disappointing perhaps, but not surprising. ASEAN is not a unitary actor on politically sensitive matters. Its 10 members have 10 different sets of security interests. When it comes to dealing with China, they vary considerably; from being a diplomatic surrogate for Beijing (Cambodia),

to being willing to directly confront it and attempt to obtain open military support from the US (Philippines), to points in between where keeping a low profile and adopting a hedging strategy is followed (Malaysia). The other point to keep in mind is that ASEAN procedures are designed to protect dissenters. No votes are taken in ASEAN negotiations, and policies are adopted through consensus. It takes only one member to veto an outcome. These considerations mean that ASEAN rarely takes a unified position on any issue deemed politically sensitive.

Again, not surprisingly, ASEAN's most prominent member – Indonesia, not a claimant to the Spratly Islands – seized the initiative to recover the Association's voice. Foreign Minister Marty Natalegawa visited five ASEAN states, including Cambodia, following a letter sent by Indonesian President Susilo Bambang Yudhoyono to his ASEAN colleagues urging their support for Indonesia's efforts. Natalegawa carried with him an Indonesian draft statement on the South China Sea Code of Conduct that distilled the essence of the earlier ASEAN foreign ministerial discussions. More important, its acceptance and publication by Cambodia, the incumbent ASEAN chair, on July 20, underlined ASEAN's founding principle going back to its 1967 inception that Southeast Asia's regional security is the fundamental responsibility of the countries of the region themselves and not the great powers.

The brief six-point statement on the South China Sea is, in fact, a lowest common denominator that invokes past ASEAN agreements pertaining to the rule of international law, self-restraint, the non-use of force, and the peaceful resolution of disputes. In essence, these stipulations can be found in ASEAN's 1976 Treaty of Amity and Cooperation, which both China and the United States have signed. Nevertheless, the SCS statement contains no mention of Scarborough Reef, nor is it a substitute for a joint communiqué, which would have also covered the ministerial discussions pertaining to several topics that looked toward the creation of an ASEAN Community in 2015. The Code of Conduct will undoubtedly appear again on the agenda of the ASEAN summit in November. However, there is some question whether China would be willing to negotiate a Code of Conduct with ASEAN as a whole or would prefer to shelve the draft and deal only bilaterally on rules for the South China Sea with each of the other claimants. Beijing insists that South China Sea conflicts are exclusively bilateral and, therefore, inappropriate for multilateral venues – in effect, dismissing the dispute resolution provisions of the UN Convention on the Law of the Sea (UNCLOS). Although the original ASEAN five (Malaysia, Thailand, Singapore, Philippines, Indonesia) plus Vietnam agreed that ASEAN should speak with one voice, there was no evidence that Laos or Myanmar (Burma) agreed. Their apparent silence at the AMM suggests tacit support for Cambodia's decision to exclude the South China Sea conflicts from the final document.

As a key component of the Obama administration's post-Iraq/post-Afghanistan policy shift toward East Asia, Secretary of State Hillary Clinton has emphasized ASEAN's importance. Seen from Washington not only as an aggregation of economic high performers deeply committed to maintaining their members' autonomy, ASEAN also fits the US vision of friends and allies with whom it can collaborate to maintain regional stability. On July 11, at the US-ASEAN Post-Ministerial Conference, Secretary Clinton averred that "ASEAN plays an indispensable role in holding this region's institutional architecture together." In effect, this was a US recognition of the importance of the various Asian political-economic-security organizations – not only embedded ASEAN states – but also the Association's consensus rules of

agreement as well as ASEAN's dominant role in setting agendas. Clinton went on to point out: "We have more investment in ASEAN than we have in China." To buttress that assertion, she noted that she was leading "the largest ever delegation of American business executives [to attend] the first US-ASEAN Business Forum." Finally, as an indicator that Washington's interest in ASEAN went beyond political-security concerns, she announced a new program for US assistance to ASEAN, the Asia Pacific Strategic Engagement Initiative (APSEI) which seeks to more closely align US aid with mutually agreed priorities of the ASEAN states.

Although not involved in the ASEAN foreign ministers discussions on the South China Sea, Clinton met them, reiterating US neutrality with respect to sea-based claims, while insisting that they be resolved "without coercion, without threats, and without use of force" – language clearly directed at China. Indonesia's foreign minister praised Secretary Clinton for "showing interest but giving space" in the effort to reach agreement. Clinton also indirectly expressed disappointment that no ASEAN communiqué was issued after the AMM when she hoped that ASEAN could speak with "one voice" on issues of strategic importance. Earlier at a May ASEAN-US dialogue and at a meeting with ASEAN defense officials, US diplomats urged ASEAN to move forward with a Code of Conduct and even provided some input on provisions that might be included, according to an International Crisis Group report: [*Stirring Up the South China Sea \(II\): Regional Responses*](#), released on July 24.

In an Aug. 3 press statement by the Department of State, Washington again endorsed "ASEAN efforts to build consensus on a principles-based mechanism for managing and preventing disputes." The statement cited the Scarborough incidents and deplored "the use of barriers to deny access" – a clear reference to official Chinese maritime vessels blocking Manila's access. Looking forward, the State Department urged all claimants "to explore new cooperative arrangements for managing the responsible exploitation of resources in the South China Sea." Joint management of maritime resources, while postponing sovereignty decisions, would be the most effective way of reducing tensions, though such compromises do not appear on the horizon.

US continues to boost Philippine defense capacity

ASEAN's two most confrontational South China Sea claimants are the Philippines and Vietnam. With fishery, petroleum, and natural gas resources needed for each country's economic future, they both insist on claims to EEZ sea spaces based on their respective UNCLOS interpretations. The Philippines is the least able to enforce its claims. In addition to a very weak navy and a virtually non-existent air force, the Philippine military since independence has focused on multiple land-based insurgencies and has relied on the US to provide external security – at least until the early 1990s when Philippine bases were closed to US forces. Therefore, the army dominates. Under President Benigno Aquino, Manila has articulated a multi-pronged South China Sea strategy that includes an ambitious 15-year defense modernization plan divided into 5-year segments. The Philippine Defense Department has asked the country's Congress for \$1.724 billion from 2013-2017 to help create a "minimum credible defense posture." This budget would be spent on naval and air assets. According to Defense Undersecretary for Finance Fernando Manalo on June 2, the Philippine Armed Forces has identified 39 projects for implementation over the first five years: fighter trainer jets, close air support aircraft, long-range patrol aircraft,

and radar systems for coastal watch stations. These would help create “the capability to be able to monitor our maritime and aerospace.”

The other components of Manila’s strategy involve multilateral diplomacy through ASEAN-based organizations and pressure from friendly states to convince China to follow international law on the South China Sea disputes. Added to these are military aid and sales on discounted terms from the US, Japan, the ROK, France, and Italy among other countries to provide the Philippines with “domain awareness.” As pointed out in the May Center for Strategic and International Studies (CSIS) “Critical Questions” Series by Ernest Bauer and Gregory Poling, the inaugural 2+2 US-Philippine Ministerial Dialogue on April 30 led to the US provision of a second decommissioned Coast Guard cutter, increased US troop rotations, and joint training in the Philippines, including expanded joint exercises with the navy. Washington committed to almost double its military aid to \$30 million in 2012; the discussions also included the prospect of a transfer of a third cutter and a squadron of refurbished *F-16s*. Finally, Secretary of Defense Panetta promised to provide satellite surveillance of Philippine maritime territory in real-time. Despite the projected buildup of Philippine military capacity, it will take years – if ever – before the country possesses the capacity to monitor its sea and air spaces against external encroachments, much less defend its EEZ claims against a major power such as China. The most the Philippines may be able to achieve is to publicize violations of its sea space, thus calling global attention to the violators. Moreover, Manila does not have a good record in maintaining military equipment or support infrastructure such as air fields, radar facilities, and docks. Nor are its forces up-to-date in training pilots, ground crews, and ship personnel.

In hopes that Washington will assist in boosting these capabilities, President Aquino has stated he may be open to the idea of allowing US forces more access to Philippine bases and greater training opportunities with Philippine forces. If implemented, this enhanced US presence could bump up against the Philippine constitution’s prohibition against the permanent stationing of foreign troops in the country. Sensitive to this possibility, Secretary Panetta has cited the new US arrangement with Australia for the annual rotation of up to 2,500 marines through Darwin as a model for more US forces in the Philippines. In fact, there is also a local precedent: the ongoing presence of a few hundred US Special Forces personnel who have rotated through Mindanao for several years to train Philippine forces in counterinsurgency against the al-Qaeda-linked *Abu Sayyaf*.

In an early June visit to Washington, President Aquino obtained a pledge from President Obama that the two countries “would consult closely together” as part of “the announced pivot by the United States to Asia.” While both presidents agreed that there must be “a strong set of international norms and rules governing maritime disputes in the region,” at the same time in a Washington speech, Mr. Aquino averred: “It is not our intention to embroil the United States in a military intervention in our region.” US officials have said on a number of occasions over an extended period that the 1951 Mutual Defense Treaty refers only to an attack on Philippine territory and does not cover disputed areas such as Scarborough Reef or the Spratly Islands.

During the Aquino visit, Secretary Clinton expanded US efforts to improve the Philippines own surveillance capabilities by announcing that the US would build and provide training for a national Coast Watch Center. This would add to the Coast Watch South radars that originally

detected Chinese fishing boats by Scarborough Reef earlier this year. On June 14, the Philippine military applauded Clinton's announcement, noting that a national coast watch radar system would "not only help us prevent foreign intrusions but will also aid us in addressing transnational crimes like poaching, human trafficking, piracy and drug trafficking."

The 2012 joint US-Philippine *CARAT* naval exercise that began on July 8 selected Mindanao as the venue because of the presence of coastal watch stations to demonstrate the utility of real-time maritime intelligence. Philippine leftists denounced the plan as the creation of a permanent US "spy base" on Philippine territory and a "clear violation of Philippine sovereignty."

Vietnam and the United States: a budding courtship

For Hanoi, closer security relations with the US treads a fine line between sending a message to Beijing that a great power backs Vietnam's approach to the SCS conflicts, while not becoming so closely tied to Washington that China concludes Vietnam is an enemy. Illustrative of this principle are the "naval exchange activities" that began in July 2011 and continued in late April this year. Ships of the two navies engage in noncombatant events such as medical skills, navigation, and firefighting. These follow several successful port visits going back to 2009 and contracts for the repair of five US Navy Sealift Command ships at Vietnamese shipyards, including Cam Ranh Bay. (Note that none of the ships docking in Vietnamese ports for servicing are combatants.)

Vietnam first opened Cam Ranh Bay for commercial repair facilities to the navies of the world in 2009, and the US was the first country to accept the offer. In early June, Secretary of Defense Leon Panetta made a brief visit to Cam Ranh Bay after speaking at the Shangri-La Dialogue in Singapore. This was the first visit by a US defense secretary to Cam Ranh Bay since the end of the Vietnam War. He stated: "Access for US naval ships into this facility is a key component of this relationship, and we see a tremendous potential here." Panetta's consultations in Hanoi were part of an agreement reached in 2003 to exchange visits by defense ministers every three years. Since 2010, the defense discussions were upgraded to a Defense Policy Dialogue. In a June 11 article published by the US Naval Institute, Carlyle Thayer – a well-known Vietnam military analyst – noted that Washington initiated the sale of non-lethal defense equipment and services to Vietnam in 2007 during the Bush administration on a case-by-case basis. This year, Vietnamese Defense Minister General Phung Quang Thanh in a joint press conference with Panetta stated that Vietnam wanted the restriction prohibiting the sale of lethal defense items lifted by the US "to fully normalize relations between the two countries." He explained that Vietnam would first like spare parts to overhaul US equipment acquired by Vietnam's armed forces at the end of the Vietnam War. Then, Hanoi would like to be able to "purchase certain kinds of weapons for the potential modernization of our military." Prior to Panetta's visit, US Senators John McCain and Joe Lieberman were in Vietnam and given a wish list of military equipment Hanoi would like to purchase. The two senators reiterated a position taken by the State Department that any further upgrade of military ties depended on Hanoi improving the country's human rights situation.

Expanding security relations with the United States supplements Hanoi's long-standing defense relationship with Russia, which has supplied most of Vietnam's military equipment. Meanwhile,

Vietnam has also enhanced its relationship with the Indian military, conducting joint naval and jungle warfare training. Last September, Delhi reportedly agreed to help train Vietnamese in submarine operations. Given that the Vietnam Navy has no prior experience in underwater operations and is acquiring new *Kilo*-class submarines, India's help would be significant. Defense ties with ASEAN states, India, Russia, and the US will aid Hanoi in achieving its strategic goal of becoming a center of regional maritime interests in Southeast Asia.

US eases Myanmar sanctions

The Obama administration continues its gradual normalization of relations with Myanmar (Burma) in response to its recent political and economic reforms. On May 17, Washington announced the suspension of a number of sanctions, noting, however, that they were not yet revoked in case Nyawpidaw retrogressed. US companies may remain wary about significant new investments until laws are passed protecting foreign investors and an independent judiciary is created. In its May 18 *Critical Questions* issue, CSIS Southeast Asia Program directors Ernest Bower and Murray Hiebert reviewed the impact of relaxed sanctions, noting that Washington retains its arms embargo and the prohibition on US firms doing business with Myanmar military companies. Local businesses involved in human rights violations were also off limits.

The US has proceeded with other positive initiatives including the appointment of an ambassador, Derek Mitchell, the establishment of a US Agency for International Development mission, the withdrawal of opposition to United Nations Development Program projects, and invitations to key government officials and other prominent Burmese to visit the US. On July 11, Washington announced that US companies could now invest in and work with Myanmar oil and gas companies. While US companies can now build factories and transfer funds through banks to finance these projects, if their investments exceed \$500,000 they must file reports annually on their policies governing human rights and anti-corruption. Nevertheless, the investment environment remains problematic. Infrastructure has been neglected for decades, electricity is erratic, roads and ports are insufficient, and a skilled work force is lacking because of a long broken education system. These are daunting obstacles that will not be overcome in a short time.

Finally, it is worth mentioning that Washington has hinted that some form of military cooperation could occur in the future. Secretary of Defense Panetta at the Shangri-La Dialogue signaled that Myanmar's political reforms could pave the way for bilateral military engagement, though no specifics were delineated. In general, the new US military strategy for Asia emphasizes joint training that could lead to professionalization of the Myanmar military. The country's current leadership has signaled to Washington that Myanmar is terminating its North Korean-assisted nuclear program, thus providing an opening for a US security initiative – though nothing has occurred to date.

Revisiting the US security position in Southeast Asia

US political leaders continued to trumpet Asia's importance to US security through rebalancing. At the June 2 Shangri-La Dialogue, Secretary Panetta presented a detailed explanation of the new policy that included a vision of Southeast Asia's role. Acknowledging that the US military

presence will be smaller, he emphasized its flexibility, rotational deployment plans, technological superiority, and – above all – the “creation of new partnerships and alliances.” In addition to traditional treaty partners Australia, Philippines, and Thailand, Panetta referred to India, Singapore, and Indonesia as “key partners” and stated that “other nations” would also be sought for new security relationships. High on that list were Vietnam and Malaysia. In effect, the majority of Southeast Asian states made the list of important security relationships. The secretary reviewed the need “to work more effectively with partners in Southeast Asia and the Indian Ocean,” giving a particular focus to natural disasters and maritime security. While eschewing the notion of any new bases in Southeast Asia, Panetta pointed to the forward deployment of the new US littoral combat ships to Singapore. These enhanced security ties over the next few years “will increase the number and size of our exercises in the Pacific” as well as “the important Indian Ocean region.” Despite a smaller defense budget and a reduced number of forces, the US appears to be adding the Indian Ocean to its Southeast Asian security purview. Working with partners has the goal of “build[ing] their capabilities so that they can secure and defend themselves.” In sum, the US is deemphasizing its unilateral responsibilities for Asian security and may now see itself as the “prime coordinator.”

Indicative of this approach was the largest-ever Rim of the Pacific (*RIMPAC*) biannual navy exercise that ran from June 23-Aug. 7. Some 22 countries participated in waters off Hawaii with 42 surface ships, six submarines, more than 200 aircraft, and 25,000 personnel. Some of the US ships experimented with a 50/50 blend of traditional petroleum-based fuel and biofuel made from waste cooking oil and algae oil, leading to a description of these efforts as the “Great Green Fleet.” While Russia, India, and the Philippines joined *RIMPAC* for the first time, China was not invited – in this author’s view a mistake that only serves to increase Beijing’s suspicions that US-led exercises have a China containment purpose.

Notwithstanding closer US military links with Singapore, Indonesia, the Philippines, Vietnam, and Thailand that, according to US Chairman of the Joint Chiefs of Staff Gen. Dempsey, would have a “rotational presence that would allow us to build up common capabilities and interests,” some suspicion about US motives remain. A recent case in point is Thailand where the US National Aeronautic and Space Administration (NASA) proposed setting up a joint hub at Utapao Air Base that would help Southeast Asian countries improve their early warning systems for weather-related disasters. When Gen. Dempsey visited Thailand in June, he explained this would be a cooperative effort with Bangkok’s Meteorological Department that could reduce disaster risks for the whole region. Nonetheless, the proposal immediately became embroiled in Thai domestic politics as the opposition Democrat Party alleged that NASA flights could be used to gather strategic information that might harm national security. Additionally, US government flights operating regularly out of Thailand might raise suspicions in neighboring countries – particularly Cambodia, Vietnam, and China. At the very least, according to the opposition Democrats, the NASA request was sufficiently sensitive that a full-scale parliamentary debate on its merits should be held and the matter should be designated in a treaty, entailing legislative approval. (Prime Minister Yingluck Shinawatra preferred the NASA request be treated as an executive agreement requiring only her government’s approval.) In late June, the US Embassy in Bangkok issued a statement insisting that the NASA proposal was totally a scientific endeavor having nothing to do with political and security issues.

In fact, the project was first tentatively approved in 2010 when the current opposition Democratic Party was the ruling party. At that time, the arrangement was to be treated as an executive agreement, not a treaty. The contrast with the annual *Cobra Gold* multinational military exercise in which large numbers of US military equipment and personnel are on Thai territory for weeks is particularly instructive as no protest in parliament has ever accompanied *Cobra Gold*. Ultimately, NASA cancelled the project in late June because it was scheduled for August, and time constraints would no longer fit the technical requirements. Beyond the bitter Thai domestic politics could also be a Thai hedging strategy. Some politicians in both parties perceived the NASA proposal as a component of the US “pivot” to Asia and, therefore, designed as part of a China containment policy. Bangkok is not involved in the South China Sea standoffs and maintains vibrant economic relations with China – it is Thailand’s largest export market. The rejection of the NASA project could also be seen then, as a gesture to Beijing that Thailand would not become too closely aligned with the US despite the continuation of *Cobra Gold*.

An Assessment

The current toxicity of US politics is affecting prospects for success in the US “rebalance” to Asia, including Southeast Asia – specifically, the “fiscal cliff” looming at the beginning of 2013. In addition to the almost \$500 billion that has already been cut from the US defense budget over the next decade, the 2011 Budget Control Act would deduct another almost \$500 billion if Congress fails to pass a deficit reduction bill by Jan. 2, 2013 through sequestration. Draconian budget cuts of this dimension could negatively impact a number of US plans for Southeast Asian security ties – among them, enhancement of port facilities in Thailand to accommodate more ship visits; funding greater naval accommodations in the Philippines at Subic Bay and the former Clark Air Base; increasing the number of ship visits to Vietnam; rotating 2,500 marines annually for exercises in Darwin, Australia; and maintaining up to four new littoral combat ships in Singapore that would also visit other Southeast Asian ports. These plans would undoubtedly be reduced if sequestration takes hold. Following a reduction or even stagnation of the US naval and air presence in Southeast Asia could be decisions by regional political leaders to decrease their reliance on Washington and hedge their bets with Beijing, particularly with respect to the possibility of the latter’s future dominance in the South China Sea. At the very least, the loss of \$1 trillion in the US defense budget over the next 10 years seems to portend increased external security instability for Southeast Asia.

Chronology of US - Southeast Asian Relations May - August 2012

May 2, 2012: A 2+2 Meeting between the US and Philippine foreign and defense secretaries is held in Washington.

May 4, 2012: Philippine government releases a statement that the US will double foreign military financing to Manila in 2012 from \$11.9 million to \$20 million and provide real-time surveillance information on intrusions in Philippine territorial waters.

May 10, 2012: Philippine Foreign Secretary Albert del Rosario claims the Mutual Defense Treaty with the US covers territories west of the country where Scarborough Reef is located.

May 15-18, 2012: Malaysian Prime Minister Najib Razak visits the US to promote business ties between the two countries.

May 17, 2012: The Obama administration lifts most of the economic sanctions on Myanmar, opening the way for US investors for the first time in decades. Yangon's foreign minister is present in Washington for the announcement.

May 17, 2012: President Obama nominates his special envoy to Myanmar, Derek Mitchell, to be the US ambassador.

May 20-22, 2012: US and ASEAN officials meet in Manila to discuss security cooperation, trade, and investment.

May 24, 2012: US Ambassador to Malaysia Paul Jones states that the US Government will send 300 English language teachers to Malaysia under a bilateral education cooperation agreement.

May 24, 2012: The US Navy supply ship *USNS Richard Byrd* docks at Cam Ranh Bay, Vietnam, for a two-week refitting visit.

June 1-3, 2012: At the Shangri-La Dialogue in Singapore, US Defense Secretary Leon Panetta says Washington would consider a defense relationship with Burma if it continues on the path to democratic reform. He also reviews US defense policy toward Asia.

June 3-4, 2012: Chairman of the US Joint Chiefs of Staff Gen. Martin Dempsey visits the Philippines and meets counterpart Gen. Jessie Dellosa to discuss regional security and the Mutual Defense Treaty.

June 3-5, 2012: Secretary of Defense Panetta visits Vietnam, including Cam Ranh Bay where he addresses the crew of the *USNS Richard Byrd* in port for repairs.

June 6-9, 2012: Philippine President Benigno Aquino makes his third visit to the US, stopping in Washington, DC and Los Angeles. He meets President Obama on June 8.

June 11, 2012: The US expresses concern over the sectarian violence in western Myanmar's Rakhine states and urges restraint and an end to the attacks on the Rohingya people.

June 12, 2012: Cambodian Foreign Minister Hor Namhong visits Washington. Secretary Clinton raises human rights concerns.

June 14, 2012: The US and Thailand hold a Strategic Dialogue in Washington.

June 20, 2012: The US and New Zealand sign an agreement to expand defense cooperation though it does not alter Wellington's 1985 ban on port visits by nuclear-armed US warships.

June 20-24, 2012: Assistant Secretary of State for Political-Military Affairs Andrew Shapiro visits Vietnam, Brunei, and Thailand. He attends the fifth US-Vietnam Political, Security and Economic Dialogue in Hanoi.

June 27-August 7, 2012: The biannual *RIMPAC* exercises are held in and around the Hawaiian islands with 22 countries participating. The five original ASEAN members participate (Thailand, Malaysia, Singapore, Philippines, Indonesia); the most recent members (Cambodia, Laos, Brunei, Vietnam, Myanmar) do not.

June 29, 2012: US exempts Singapore from a law about to take effect imposing financial sanctions on countries still buying Iranian oil.

June 29, 2012: US Senate confirms Derek Mitchell as the first US ambassador to Myanmar in more than two decades.

July 2, 2012: The US Navy and Coast Guard join the Philippine Navy in the annual Cooperation Afloat Readiness and Training (*CARAT*) exercises – for the first time off the coast of Mindanao.

July 10, 2012: In Hanoi, Secretary of State Clinton reiterates support for a Code of Conduct on the South China Sea disputes.

July 11, 2012: In a visit to Laos, Secretary Clinton promises aid to help neutralize millions of unexploded bombs dating back to the Vietnam War era.

July 11, 2012: The US announces the lifting of sanctions on Myanmar ending the prohibition of investments by US companies in Myanmar's oil and gas.

July 12-13, 2012: At the ASEAN Regional Forum annual meeting in Phnom Penh, Secretary Clinton expresses support for a Code of Conduct on the South China Sea currently being negotiated by ASEAN.

July 12-13, 2012: The fifth Lower Mekong Initiative (LMI) Ministerial Meeting takes place in Phnom Penh. Secretary Clinton announces \$10 million in funding for LMI as part of a new Asia Pacific Security Engagement Initiative.

July 13, 2012: The ASEAN Foreign Ministers fail to reach an agreement on a South China Sea Code of Conduct and for the first time in their 45-year history fail to issue a final communiqué at their annual meeting.

July 14-15, 2012: US Undersecretary of State Robert Hormats accompanies a US-ASEAN Business Council delegation to Myanmar.

July 14-24, 2012: Vietnam Defense Minister Nguyen Chi Vinh visits the US to discuss legacies of the Vietnam War, particularly unexploded munitions and Agent Orange victims.

July 16, 2012: US Pacific Commander Adm. Samuel Locklear visits Manila and meets President Aquino and senior foreign and defense officials. He pledges US assistance to build a Philippine “minimum credible defense posture.”

July 17-27, 2012: The 18th Singapore and US *CARAT* Exercise is held in the South China Sea. Singapore and US navies and air forces plus US Coast Guard and Marines participate.

July 26, 2012: Six senators introduce a resolution in the US Senate urging China and the members of ASEAN to make progress toward developing a legally binding Code of Conduct for the South China Sea.

July 27-Aug. 16, 2012: Singapore, Thai, and Indonesian air forces participate with their Australian and US counterparts in the biannual air combat exercise, *Pitch Black*, held in Darwin, Australia. The exercise involves 2,500 personnel.

Aug. 1, 2012: State Department’s annual Country Reports on Terrorism finds “no direct evidence” that militants in southern Thailand have links to international terrorists. The report urges Thailand to improve its suppression of money laundering which funds terrorist operations.

Aug. 2, 2012: US Congress extends a ban on imports from Myanmar, seeking to maintain pressure despite recent Myanmar reforms that have prompted the easing of other sanctions.

Aug. 3, 2012: State Department posts a press release supporting ASEAN’s July 20 Six Point Statement on the South China Sea and urging ASEAN and China to proceed toward a Code of Conduct and seek cooperative arrangements to manage South China Sea resources.

Aug. 7, 2012: State Department issues a statement criticizing Bangladesh for closing non-governmental relief organization efforts to support Rohingya refugees from Myanmar who are seeking safety in Bangladesh.

Aug. 7-10, 2012: US Navy Secretary Ray Mabus visits Singapore, praising strong naval ties between the two countries.

Aug. 7-12, 2012: Former Thai Prime Minister Thaksin Shinawatra visits the US. However, his visa precludes a stop in Washington, DC. Thaksin meets supporters in New York and Los Angeles, though some opponents also protest his visit.

Aug. 9, 2012: US inaugurates its first Agent Orange cleanup in Vietnam at a former US air base in Danang. The cleanup is funded by USAID with a budget of \$43 million and has a scheduled completion date of 2016.

Aug. 12, 2012: Malaysian Deputy Prime Minister Muhyiddin Yasin states that China has replaced the US as the number one destination for exports, thus reducing Malaysia’s dependence on a weakened US economy.

Aug. 15, 2012: Visiting US Congressman David Dreir urges Malaysia to join the US-led Trans-Pacific Partnership (TPP), emphasizing the importance of Malaysia-US trade and investment.

Aug. 15, 2012: US Ambassador to Thailand Kristie Kenney states that the provision of a visa to former Thai Prime Minister Thaksin had no bearing on Thai domestic politics but was done according to US laws and was not a political issue.

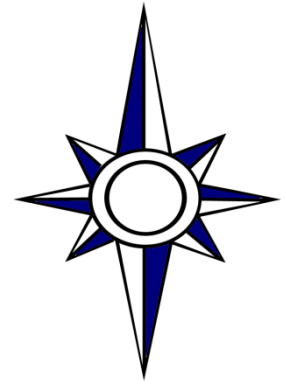
Aug. 16, 2012: *Bangkok Post* reports that Thai Defense Minister Sukumpon Suwanat was asked by the Burmese military to seek US permission to observe the *Cobra Gold* exercise.

Aug. 23, 2012: Indonesian Defense Minister Purnomo Yusgiantoro announces that the US has offered 10 *F-16* combat aircraft to Indonesia. If accepted, they would form a second squadron of *F-16s* in the Indonesian Air Force.

Aug. 24, 2012: *Washington Post* reports that US Ambassador to Myanmar Derek Mitchell has asked the Burmese government to make public prison and court records so people can get some idea of how many political prisoners remain incarcerated.

Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



China-Southeast Asia Relations:

China Muscles Opponents on South China Sea

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The primary focus of attention in the relationship over the summer was the ongoing dispute over territorial claims in the South China Sea as China set forth implicit choices for the Southeast Asian disputants and others with an interest in the region. Two paths – one focused on a demonstration of China’s growing power and the other on positive aspects of Chinese engagement with Southeast Asia – are emerging as China continues to define its response to the conflict. Meanwhile, ASEAN struggled with finding a sense of unity in the face of disagreement among members regarding the territorial disputes. Elsewhere, China sought to reaffirm its friendly relations with Myanmar while seeking reassurance that the leadership in Naypidaw remained committed to previously agreed-upon projects.

China’s Approach to the South China Sea Disputes

Optimism among Asian and Western commentators that China had retreated from its assertive actions in the South China Sea taken from 2009-2011 and would focus on reassuring its neighbors crumbled during this reporting period. Chinese authorities took extraordinary measures and used impressive demonstrations of Chinese security, economic, administrative, and diplomatic power to have their way in the South China Sea:

- China employed its large and growing force of maritime and fishing security ships, targeted economic sanctions, and repeated diplomatic warnings to intimidate and coerce Philippine officials, security forces, and fishermen to respect China’s claims to disputed Scarborough Shoal.
- China showed stronger resolve to exploit fishing resources in the South China Sea with the announced deployment of one of the world’s largest (32,000 ton) fish processing ships to the area and the widely publicized dispatch of a fleet of 30 fishing boats supported by a supply ship to fish in disputed South China Sea areas.
- China created a new, multifaceted administrative structure backed by a new military garrison that covered wide swaths of disputed areas in the South China Sea. The coverage was reported to be in line with China’s broad historical claims depicted in Chinese maps with a nine-dashed line encompassing most of the South China Sea. The large claims laid out in Chinese maps also were seen by foreign experts to provide the justification for a state-controlled Chinese oil company to offer nine new blocks in the South China Sea for foreign oil companies development that were far from China but very close to Vietnam,

with some of the areas already being developed by Vietnam. Against this background, little was heard in Chinese commentary of the more moderate explanation of China's territorial claims made by the Foreign Ministry spokesperson on Feb. 29, who said that China did not claim the "entire South China Sea" but only its islands and adjacent waters.

- China advanced cooperative relations with the 2012 ASEAN chair, Cambodia, thereby ensuring that the South China Sea disputes did not receive prominent treatment in documents at this year's ASEAN Ministerial Meeting. A result was strong division within ASEAN on how to deal with China, as demonstrated in a remarkable display of ASEAN disunity – the first failure in the 45-year history of the annual ASEAN Ministerial Meeting to conclude with an agreed-upon communiqué.

Chinese officials and official media commentaries endeavored to bound and compartmentalize the South China Sea disputes. Their public emphasis remained focused on China's continued pursuit of peaceful development and cooperation during meetings with Southeast Asian representatives and those of other concerned powers including the US. Thus, what has emerged is a Chinese approach having at least two basic paths.

One path showed South China Sea claimants in the Philippines, Vietnam, and others in Southeast Asia, as well as their supporters in the US and elsewhere, how powerful China had become in disputed South China Sea areas, how China's security, economic, administrative and diplomatic power was likely to grow in the near future, and how Chinese authorities could use those means to intimidate and coerce in ways short of overt use of military force to counter foreign "intrusions" or public disagreements regarding Chinese claims.

Another path forecast ever-closer "win-win" cooperation between China and Southeast Asian countries, ASEAN, and others, including the US. It focused on burgeoning China-Southeast Asian trade and economic interchange and was premised on treatment of South China Sea and other disputes in ways that avoided public controversy and eschewed actions challenging or otherwise complicating the extensive Chinese claims. In this regard, China emphasized the importance of all concerned countries to promote efforts to implement the 2002 Declaration of the Conduct of the Parties in the South China Sea (DOC). It duly acknowledged recent efforts supported by ASEAN to reach the "eventual" formulation of a code of conduct (COC) in the South China Sea, implying that the process of achieving such a code may take some time.

In sum, China appeared to set forth an implicit choice. On the one hand, based on recent practice, pursuit of policies and actions at odds with Chinese claims would be met with more demonstrations of Chinese power along the lines of path one. On the other hand, recent statements by Chinese leaders and official commentary indicated that moderation and/or acquiescence by others regarding Chinese claims would result in the mutually beneficial development seen in path two. At the end of August, the Philippines, Vietnam, and other disputants of Chinese claims did not seem to be in an advantageous position in the face of Chinese power and intimidation. ASEAN remained divided on how to deal with China. Options for the US and other concerned powers to deal effectively with the new situation of greater muscle short of military use of force in Chinese policies and practices regarding the South China Sea remained to be determined.

Path 1: Demonstrations of power; blocking challenges at ASEAN meetings

The face-off between Chinese and Philippine security forces over Scarborough Shoal began earlier this year following the boarding and searching of Chinese fishing boats in the shoal by Philippine security forces on April 10. The impasse played out into July. The Philippines was unable to compete with China, which used threats, restrictions on Philippine exports to China, and numerous large maritime and fishing security vessels to insure that Chinese fishermen had access to the shoal and that Philippine fishermen were excluded.

Vice Foreign Minister Fu Ying warned in early May that Beijing was ready for “any escalation” in the stand-off. Philippine diplomatic maneuvers to involve ASEAN and the United Nations in the controversy, and to imply that the US was supportive of Manila, did not improve their situation in the shoal. Neither did anti-China demonstrations in Manila. China-Philippines consultations led to a reported withdrawal in early June of Chinese security vessels from the shoal but not the surrounding waters. Later in the month, Manila withdrew its security vessels given a coming typhoon. Following the storm, the Philippines reported five Chinese security vessels along with various fishing boats were in the vicinity of the shoal. In July it was reported that China had placed barriers that prevented Philippine fishing boats from entering the shoal.

Though Chinese leaders and recent commentary have not emphasized the role of China’s military, the People’s Liberation Army (PLA), in the South China Sea disputes, the accidental grounding of a PLA Navy frigate on a South China Sea shoal also claimed by the Philippines on July 13 demonstrated that Chinese military forces are active in disputed seas. Indeed, Chinese defense officials highlighted in late June that “combat-ready” patrols were occurring in defense of Chinese claims to disputed areas of the South China Sea. Chinese commentary also highlighted the establishment of a new garrison along with a new city of Sansha on Yongxing (Woody) Island in the Paracel Island chain with jurisdiction over Chinese claims throughout the South China Sea. The establishment of Sansha city raised the Chinese administrative status of the disputed islands in the South China Sea from county to prefectural level within China’s Hainan Province. The Philippines strongly protested China’s establishment of the new city and garrison in Sansha.

Vietnam also protested the Chinese moves. On June 21, the same day that China announced this administrative upgrade for Chinese civilian and military rule in the South China Sea, Vietnam’s National Assembly passed a new law reiterating Vietnam’s claimed sovereignty over the Paracel and Spratly Islands, a move China strongly protested. China’s National Offshore Oil Corporation (CNOOC) followed on June 23 by inviting international bids for nine oil-exploration blocks within the 200 nautical mile exclusive economic zone claimed by Vietnam. The nine blocks overlap with several blocks already leased to foreign oil companies by Vietnam. Vietnam strongly protested the Chinese action and a rare anti-China demonstration took place in Hanoi on July 1. M. Taylor Fravel wrote in *The Diplomat* on June 27 that the scope and location of the CNOOC bid were in line with the broad historic Chinese rights asserted in Chinese maps. They were not in line with the more narrow definition of Chinese rights stated by the Chinese Foreign Ministry spokesperson on Feb. 29, 2012, noted above.

Backing Chinese determination to support fishing rights in the South China Seas was the announced deployment in May of a 32,000-ton fish processing ship to the area and the dispatch in July of a fleet of 30 fishing boats for over two weeks of fishing in areas including disputed South China Sea areas. An advance in the already impressive array of Chinese patrol vessels was the launching in July of a 5,400-ton ship capable of speeds of 37kph and capable of launching and landing helicopters. China's Marine Safety Administration, one of the government entities responsible for monitoring territorial waters, said in July that China would complete several more surveillance ships in the coming year.

Regarding discussion of South China Sea disputes at ASEAN and other international forums, Chinese leaders used diplomacy and other means to keep the issue off the agenda wherever possible. As noted in the previous *Comparative Connections*, Hu Jintao spent four days improving China's relations with Cambodia, leaving Phnom Penh in early April with assurance that Cambodia, the ASEAN chair, would endeavor to follow China's preference in dealing with the South China Sea issue at ASEAN gatherings in the coming year. Among other leading Chinese officials interacting with Cambodia in this reporting period, Defense Minister Liang Guanglie used a four-day visit to Cambodia in late May to solidify bilateral relations with Cambodia and, courtesy of the Cambodian officials, to hold surprise talks with Southeast Asian defense officials meeting in Phnom Penh at the time.

China's investment of top-leadership time and attention with Cambodia appeared to have paid off, judging from accounts, notably by Australian Defence Force Academy Professor Carlyle Thayer in the July 27 *Asia Times*, of the private discussion on South China Sea issues during the annual ASEAN Ministerial Meetings that ended on July 13. As in other recent ASEAN meetings, the Philippines was in the lead in insisting on discussion of Chinese "expansion and aggression" and including the South China Sea disputes in the final communiqué, a position endorsed by Vietnam. Indonesia, Malaysia, and Singapore also favored expressing concerns about the South China Sea in the meeting's communiqué. In contrast, Cambodia opposed such treatment in the communiqué. The impasse became heated and was not resolved, leading to the failure to release a communiqué from the annual meeting for the first time in 45 years.

Subsequent shuttle diplomacy by Indonesian Foreign Minister Marty Natalegawa led on July 20 to a brief statement of ASEAN foreign ministers that laid out six points on the South China Sea dealing in particular with the need for full implementation of the 2002 Declaration on the Conduct of the Parties in the South China Sea and movement toward an "early conclusion" of a regional code of conduct. The statement failed to cover major differences over approach to the South China Sea issues between the Philippines and Cambodia. In fact, Manila and Phnom Penh publicly rebuked each other, reflecting what some have called the most significant public rift in ASEAN's history.

China seemed satisfied with the overall outcome. *Xinhua* on July 20 quoted the Chinese Foreign Ministry spokesman highlighting China's high regard for ASEAN and its intention to work with ASEAN to implement "comprehensively and effectively" the 2002 Declaration of the Parties in the South China Sea, and its openness to consultations with ASEAN on a conclusion of a code of conduct in the South China Sea. The account cited a Chinese specialist for the view that the rift in ASEAN and failure to produce a communiqué at the end of the meetings in mid-July was

caused by Vietnam and the Philippines; Hanoi and Manila were said to be attempting to turn their respective disputes with China into a problem between China and ASEAN as a whole, an approach said to be unacceptable to other members of ASEAN.

Path 2: Diplomacy, trade, and security – emphasizing the positive

As China endeavored to compartmentalize South China Sea disputes, the bulk of recent Chinese official interchange and authoritative commentary on relations with Southeast Asia attempted to stay above the fray. On the whole, Chinese officials and official commentary remained positive as they focused on mutually advantageous, win-win diplomatic, economic, and security relations and sought to deal with Southeast Asian issues or complaints regarding China's broad claims to the South China Sea quietly or not at all. Those that deviated from this pattern and insisted on disputing Chinese claims and criticizing Chinese use of threats, coercion, and intimidation to silence the disputants included notably the Philippines and Vietnam. Manila and Hanoi often were depicted in official Chinese comments as supported by the US. When they disputed China's policies and practices in the South China Sea, the latter three countries were portrayed as selfish troublemakers seeking their own interests at the expense of a broadly advantageous trend of mutual development and convergence in Chinese-Southeast Asian relations.

Defense Minister Liang was shown in Chinese media as measured and reassuring as he met in May with his ASEAN counterparts in Phnom Penh and held an individual meeting with his Philippine counterpart. The Cambodian defense minister told the media that "it is good" for Liang to explain China's position on the South China Sea directly to his Southeast Asian counterparts. In his meeting with Philippine Defense Secretary Voltaire Gazmin, Liang reaffirmed China's claims to Scarborough Shoal and other disputed territory while encouraging his Philippine colleague to "maintain restraint" and "give priority to the overall situation."

In his meeting with the ASEAN foreign ministers on July 11, Foreign Minister Yang Jiechi reassured them of China's continued commitment to peace and development and sustained cooperative relations. He emphasized expanding business and financial cooperation, developing more maritime and land communication routes, and improving social, cultural, and other contacts. On the South China Sea, Yang placed emphasis on affirming Chinese claims and getting all parties to exercise "self restraint" consistent with China's view of the spirit of the 2002 Declaration on the conduct of the parties in the South China Sea. On the basis of full compliance with the DOC by all parties, Yang briefly noted that China is "open" to launching discussions on a code of conduct on the South China Sea "when conditions are ripe."

Yang followed the ASEAN meetings with visits to Indonesia, Brunei, and Malaysia during Aug. 9-13. He met top-level officials and focused on building close cooperation with each government and with ASEAN. Yang's meetings continued the themes of closer Chinese-Southeast Asian cooperation seen in meetings that President Hu Jintao and Prime Minister Wen Jiabao had this spring with the visiting Indonesian president and Malaysian prime minister as well as other senior Southeast Asian leaders. Yang duly reaffirmed Chinese positions on the South China Sea. Indonesian Foreign Minister Marty Natalegawa, who played a key role in hammering out the brief compromise statement of ASEAN foreign ministers issued on July 20, said he welcomed the opportunity to discuss South China Sea issues with his Chinese counterpart.

As prevailing Chinese commentary forecast mutually beneficial China-Southeast Asian relations where territorial and other disputes involving China are handled with great discretion, it tended to focus on advances in trade and investment as a result of the ASEAN-China Free Trade Agreement. *China Daily* claimed in late April that trade in 2011 reached \$362.3 billion, surpassing China's trade with Japan. It cited Chinese trade experts for the view that Chinese trade with ASEAN countries would surpass \$500 billion by 2015, predicting that year ASEAN would become China's largest trade partner, larger than the US and the European Union (EU).

For ASEAN to actually become China's leading trading partner, there would have to be little growth during 2012-2015 in China's trade with the US and substantial decline in China's trade with the EU in that period. The Chinese figure for trade with the US in 2011 was \$446.6 billion and for the EU the figure for overall trade in 2011 was \$567.2 billion. Meanwhile, assessing the significance of recent Chinese trade figures with ASEAN is complicated by the fact that ASEAN trade figures posted on the official ASEAN website appear much later than Chinese figures and the ASEAN figures consistently show a much lower level of China-ASEAN trade. Thus for 2010, the latest year available on the ASEAN website, total ASEAN-China trade was said by ASEAN to be valued at \$232 billion, whereas Chinese figures for 2010 said the value was about \$290 billion. The main reason for the difference appears to be ASEAN trade with Hong Kong, which was listed separate from China and valued at \$54.3 billion in 2010 according to ASEAN statistics. Adding \$54 billion to \$232 billion would roughly equal the amount China used in registering China-ASEAN trade for that year.

The role of the United States

For most of the reporting period, Chinese officials and commentary endeavored to portray the US in a relatively positive light regarding Southeast Asia and the South China Sea. Secretary of State Hillary Clinton's meeting with Foreign Minister Yang Jiechi while both were participating in the ASEAN Regional Forum and related meetings in Phnom Penh in July were reported with many positive comments. According to *China Daily* citing Chinese experts, Clinton's "tone" in interchange with Yang and others in Phnom Penh was less sharp than at the ARF meeting in 2010; she strove to "avoid tension" in US-China relations, eschewed taking sides over disputes in the South China Sea, and kept at arm's length efforts by the Philippines to involve the US in South China Sea disputes that would negatively impact US relations with China. Earlier reporting of a speech by Assistant Secretary of State Kurt Campbell previewing the Clinton visit highlighted planned US efforts to enhance cooperation with China as the US tries to "calm disputes" in the South China Sea.

The Chinese Foreign Ministry spokesman and official commentary expressed wariness regarding the implications for China of US military deployments in Southeast Asia and elsewhere along China's rim that were highlighted by Defense Secretary Leon Panetta at the Shangri La Dialogue in June. A *China Daily* editorial nonetheless concluded on a positive note that despite differences, "cooperation dominates the relationship between Washington and Beijing."

In contrast, when the US State Department spokesman released a statement on the South China Sea on Aug. 3, China reacted quickly, sharply but briefly to what *Xinhua* saw as groundless and

irresponsible charges leveled against China that revealed US intention to “drive a wedge” between China and its Southeast Asian neighbors. The official Chinese demarche to the US charge d’affaires and the strongly worded Chinese Foreign Ministry spokesman’s statement included criticism of the US for taking sides with unnamed countries contesting Chinese claims while making unfounded charges against China.

The spokesman’s statement and a subsequent interview with *Xinhua* by Fu Ying, the vice foreign minister with responsibility for Southeast Asia, focused less on the US and more on China’s approach to ASEAN and the South China Sea. The officials’ comments endeavored to highlight the positive in Chinese relations with ASEAN, disassociate China from the split in the group over the South China Sea, and forecast a prosperous and mutually beneficial future as all sides implement the 2002 DOC. The comments reiterated that China was ready to “enter into discussions” with ASEAN countries on a COC on the South China Sea “when conditions are ripe.” The spokesman also made clear that conditions are not seen by China as ripe as “some individual countries” show no respect for or compliance with the DOC and resort to “provocative” means which undermine the DOC and “create difficulties” in discussing a COC.

Taiwan and the South China Sea

Taiwan responded cautiously to the upsurge of disputed actions in the South China Sea. It has avoided the kind of diplomatic initiative seen in President Ma Ying-jeou’s call on Aug. 5 for Taiwan-China-Japan discussions over disputed islands in the East China Sea claimed by the three governments.

Taiwan reaffirmed its territorial claims in the South China Sea, which mirror those of China, complaining in a July 11 Foreign Ministry statement about “inappropriate actions” of unnamed countries bordering the South China Sea. Some Taiwan legislators pushed in May for an upgrade of weapons to defend Taiping Island (Ba Binh Island by Vietnam), the largest in the Spratly Islands, which is controlled by Taiwan, from increased intrusions by Vietnamese ships. Defense officials said in July that mortars and anti-aircraft guns would be sent to the island. On July 20, Taiwan rejected Vietnam’s protest regarding plans to extend the aircraft runway. Vietnam protested Taiwan’s announcement in August that it would hold a live-fire exercise in the area.

Media reports citing prominent Taiwan specialists said that the US government was privately concerned with Taiwan possibly expanding military deployments in the South China Sea and possibly responding positively to Chinese proposals for greater mutual cooperation over South China Sea issues. But Assistant Secretary of State Campbell told a Washington audience in late June that Taiwan has consulted closely with the US and has been “very, very careful” on South China Sea issues.

Assessing implications and outlook for South China Sea disputes

A number of prominent Chinese specialists have been calling for a tougher Chinese approach to South China Sea issues, and a leading *People’s Daily* commentator in this group, with the byline Zhong Shen, said on July 26 that China is “self-assured” that its “core interests” in the South China Sea will not be challenged as it pursues cooperation with Southeast Asian countries.

By contrast, most foreign specialists agree with a major report from the International Crisis Group (ICG) in July projecting a deteriorating situation. The ICG said the “likelihood of major conflict remains low,” but an earlier Council on Foreign Relations report written by CSIS specialist Bonnie Glaser said the risk of conflict is “significant.”

A varied group of foreign specialists generally agreed with an argument seen in a lengthy Aug. 10 *Wall Street Journal* Editorial that China was behaving like a bully in the South China Sea and countermeasures from the US and others were needed. The group included Senate Foreign Relations Asian Subcommittee Chairman James Webb, ICG officer Stephanie Kleine-Ahlbrandt, East-West Center scholar Denny Roy, Michael Auslin of the American Enterprise Institute, Michael Richardson of the Institute for Southeast Asian Studies in Singapore, and Robert Manning of the Atlantic Council.

Douglas Paal of the Carnegie Endowment for International Peace argued for more US restraint and focus on a more carefully calibrated effort to support long-term US interests in the region as it deals with the rise of China. He disagreed with the State Department statement of Aug. 3 which he said undermined the US stance of impartiality in South China Sea territorial disputes.

Singapore’s Kishore Mahbubani argued it was China that was making mistakes as its actions risk losing 20 years of “painstakingly accumulated goodwill” in Southeast Asia. Philippines scholar Aileen Baviera and Singapore scholar Tan Seng Chye were among Asian specialists lamenting ASEAN’s divisions and weaknesses, and warning of the negative consequences for Southeast Asian countries exerting influence in regional and world affairs. CSIS specialist Ernest Bower placed full blame on China for ASEAN’s divisions, affirming that despite China’s public support for ASEAN, “a weak and divided ASEAN” is what China wants. By contrast, Mark Valencia of the Nautilus Institute laid blame for ASEAN disunity and rising tensions in the South China Sea on heightened China-US rivalry in Southeast Asia

Carlyle Thayer posted a forecast on July 13 that ASEAN disunity will slow the negotiating process between ASEAN members and China on a COC in the South China Sea. Institute of Southeast Asian Studies specialist Ian Storey told the National Bureau of Asian Research that the disputed claims and “action-reaction dynamic” among concerned states give cause for low expectations regarding any COC that may emerge from the protracted discussions among ASEAN countries and between them and China over the subject.

China-Myanmar

Relations between China and Myanmar saw new developments in recent months. In the business, trade, and economic sector, Beijing has been keen to solicit key endorsements and promises from Myanmar that the latter will ensure uninterrupted implementation of key projects that have been previously negotiated. In June, Foreign Minister Yang Jiechi met Myanmar counterpart Wunna Maung Lwin to seek reassurances that major cooperation projects would continue unabated. Vice Premier Li Keqiang reiterated his concern with senior Myanmar officials in June that both sides should work toward protecting the legitimate rights of foreign business and enterprises operating in Myanmar. These concerns seem to point to the Chinese

disappointment with Myanmar President Thein Sein's decision to call off the construction of a mega-dam construction project in Myitsone in August 2011, owing to protests and complaints from local residents regarding the environmental impact of the dam. Beijing hopes that one of its most important projects, a 2,000-km gas pipeline that runs through Myanmar and ends in Kunming, will not be disrupted.

On the security side, recent reports by Human Rights Watch indicate that China is forcing the Kachin minority refugees in Yunnan to return to Myanmar, despite recent clashes between the Myanmar government forces and the ethnic Kachin Independence Army. In July 2012, the Chinese government responded and issued a statement denying the reports of the forced return of Kachin refugees by Chinese government officials. In spite of the statement, Singapore's *Straits Times* provided an update in August 2012 that around 2,000 Kachin refugees have been forced to return to Myanmar from China's Yunnan province. While the practice of forced repatriation may be difficult to verify, official exchanges between China and Myanmar indicate that border security has become a major topic of concern for both sides. Chinese Minister of Public Security Meng Jianzhu met President Thein Sein and other senior Myanmar officials in July and August 2012 to discuss strengthening border security and law enforcement cooperation, including tightening immigration control and exit and entry registration systems.

Outlook

How the Philippines, Vietnam, other South China Sea disputants, ASEAN, the US, and others concerned respond to China's increasingly muscular approach to defending its position in the South China Sea remains to be seen. It also remains unclear how strong disagreement within ASEAN on dealing with China and the South China Sea disputes has weakened ASEAN's unity in dealing with China over a South China Sea Code of Conduct and other issues. The ASEAN Summit and such concurrent meetings as the East Asian Summit to be held in Phnom Penh in November are likely to provide indicators of whether tensions over the South China Sea will rise or fall, and what the broader implications of these tensions may be.

Chronology of China-Southeast Asia Relations May - August 2012

May 8, 2012: Chinese Minister of Public Security Meng Jianzhu meets Singaporean counterpart Teo Chee Hean in Beijing to increase joint law enforcement cooperation under the Interpol and ASEAN frameworks and to tackle cross-border organized crimes in the region.

May 9, 2012: The first deep-water drilling rig developed in China is put into service in the South China Sea 320 km southeast of Hong Kong at a water depth of 1,500 meters.

May 12, 2012: Minister of Public Security Meng Jianzhu and Malaysian Deputy Minister of Home Affairs Lee Chee Leong agree to deepen cooperation on combating transnational crimes, including telecommunications fraud, exit and entry administration, and counter-terrorism.

May 23, 2012: Chinese Vice President Xi Jinping meets Secretary General of Myanmar's Union Solidarity and Development Party Htay Oo in Beijing. They agree to work toward implementing the China-Myanmar comprehensive strategic cooperative partnership, an agreement struck during Myanmar President Thein Sein's state visit to China in May 2011.

May 28, 2012: Chinese Defense Minister Liang Guanglie visits Cambodia and signs a military cooperation agreement with counterpart Tea Banh. The agreement calls for continued joint training of military personnel and for China to maintain its support for Cambodia's military capacity by building more military hospitals and training schools.

May 28-30, 2012: Chinese Foreign Minister Yang Jiechi visits Singapore and meets counterpart K. Shanmugam. They agree to increase senior-level exchanges, contacts, and cooperation.

May 29, 2012: Defense Minister Liang Guanglie meets ASEAN counterparts during the sixth ASEAN Defense Ministers Meeting in Phnom Penh. The ministers agree that defense and military cooperation between ASEAN and China remain unaffected by the South China Sea dispute and that they remain committed to resolving the dispute through peaceful means.

May 29, 2012: Philippine Defense Minister Voltaire Gazmin and Chinese counterpart Liang Guanglie meet separately in Phnom Penh and agree to exercise restraint in order to prevent escalation of tensions in the South China Sea.

May 30, 2012: Chinese Vice Foreign Minister Fu Ying meets experts from China and Vietnam in Beijing on the sidelines of the first round of bilateral negotiations on maritime cooperation. The negotiations include identifying future prospects for the two sides to work together in such areas as environmental protection, joint scientific research, search and rescue operations, and disaster relief, and assistance on the high seas.

June 10-16, 2012: He Guoqiang, a member of the Standing Committee of the Political Bureau of the Communist Party of China, embarks on a regional visit that includes Laos, Cambodia, and Malaysia. His regional tour focuses on exchanging views on tackling corruption and disciplinary inspection and punishment for corruption crimes.

Jun 13, 2012: Chinese Vice Premier Li Keqiang and Foreign Minister Yang Jiechi meet visiting Myanmar Foreign Minister Wunna Maung Lwin in Beijing. The two sides agree to strengthen the bilateral strategic partnership, including business, trade, and economic ties.

June 18-21, 2012: Xu Caihou, vice chair of China's Central Military Commission, meets Singaporean Defense Minister Ng Eng Hen in Beijing. They exchange views on the current state of bilateral military and defense ties and the South China Sea territorial disputes and agree to increase senior-level exchanges and joint training in the military sector.

June 21, 2012: In response to China's announcement of the administrative upgrade for Chinese presence in the South China Sea, Vietnam's legislature passes the "Vietnamese Law of the Sea," which claims sovereignty over the disputed islands in the South China Sea. Chinese Foreign Ministry issues a protest and summons the Vietnamese ambassador to China.

June 22, 2012: Jing Zhiyuan, member of China's Central Military Commission and commander of the PLA's Second Artillery Force, meets Thai Defense Minister Sukumpol Suwanatat in Bangkok. They pledge closer military and security ties through increasing security consultations, joint training, and closer cooperation on humanitarian assistance and disaster relief.

July 4, 2012: Vice President Xi Jinping meets Thai Foreign Minister Surapong Tovichakchaikul in Beijing and agrees to deepen bilateral ties through closer coordination on international and regional security issues and on expanding humanitarian exchanges. Thailand assumes the three-year role of ASEAN-China coordinator on regional security issues.

July 6, 2012: Chinese Vice Premier Wang Qishan and Singaporean Deputy Prime Minister Teo Chee Hean co-chair the 9th Joint Council for Bilateral Cooperation meeting. The meeting focuses on developing a bilateral strategic partnership through increasing cooperation in the financial sector as well as research and development in science and technology.

July 10, 2012: Minister of Public Security Meng Jianzhu visits Myanmar and meets President Thein Sein. They discuss strengthening border security and law enforcement cooperation.

July 10-12, 2012: Foreign Minister Yang Jiechi visits Phnom Penh to attend a series of ASEAN-related meetings including the ASEAN Plus 3 Foreign Ministers Meeting, East Asia Summit Foreign Ministers Meeting, and the ASEAN Regional Forum.

July 15, 2012: The PLA and the Indonesian Army conclude a counterterrorism drill in Jinan. The 15-day drill includes live-fire exercises, air landing, and search and rescue operations.

July 21, 2012: China's Central Military Commission (CMC) approves the creation of a military garrison command at Woody Island in the South China Sea's disputed Paracel Islands.

July 23, 2012: China's Defense Ministry announces it will establish a military garrison in the Parcel Islands.

July 24, 2012: Taiwan's Ministry of National Defense states it is ready to deploy mortars and anti-aircraft guns on Itu Aba (Taiping Island), the largest of the Spratly Islands.

July 26, 2012: Philippine Navy announces it will deploy ships to Thitu Island as a warning to Chinese fishing boats operating near the island and within the Philippines' 12 nautical-mile territorial waters.

July 27, 2012: According to *The Jakarta Post*, China and Indonesia are holding talks on joint production of C-705 anti-ship missiles. Missile production site will be in Indonesia, with technical assistance by China, and is part of a joint effort to increase collaboration between Chinese and Indonesian defense industries. China and Indonesia also agree to establish a naval dialogue mechanism later this year.

Aug. 2, 2012: Minister of Public Security Meng Jianzhu meets Malaysian counterpart Hishamudin Tun Hussein in Beijing for talks on combating transnational crime, including human trafficking and money laundering.

Aug. 9, 2012: Police forces from China, Laos, Myanmar, and Thailand conclude a joint law enforcement patrol on the Mekong River to help maintain shipping security. Joint enforcement includes intelligence sharing and exchanges and an emergency response mechanism.

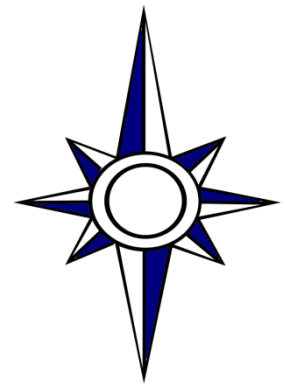
Aug. 10, 2012: Foreign Minister Yang Jiechi visits Jakarta and meets Indonesian counterpart Marty Natalegawa to re-establish the China-Indonesia Joint Commission, which was initiated in 2004, but has been inactive. It will strengthen bilateral relations with a focus on investment, trade, defense, energy security, and tourism.

Aug. 11, 2012: Foreign Minister Yang visits Brunei and meets Crown Prince Al-Muhtadee to discuss the current state of bilateral relations. They reinforce their commitment to expand political, economic, as well as people-to-people exchanges and ties.

Aug. 16, 2012: Gu Xuilian, president of the China-ASEAN Association, visits Hanoi to take part in the Seventh Conference on China-ASEAN People-to-People Friendship Organization. The meeting promotes exchanges on the arts, culture, and people-to-people diplomacy that would complement and deepen ASEAN-China strategic partnership.

Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



China-Taiwan Relations: A Year for Consolidation

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President Ma's inaugural mentioned no new initiatives, confirming that this would be a year for consolidating relations rather than making breakthroughs in cross-strait relations. While Beijing understands Ma's domestic position, it continues nudging Ma and Taiwan to move beyond economic issues. The 8th ARATS-SEF meeting in August finally concluded the long-stalled investment agreement – a significant step – but only by finessing key contentious issues. Debates within the DPP over its policy toward Beijing continue. However, initial decisions by new DPP chairman Su Tseng-chang indicate that the party is not yet willing to adjust its policy. President Ma has taken steps to underline the ROC claims to the Diaoyutai Islands.

Ma inaugural

As soon as Ma Ying-jeou won re-election in January attention shifted to what he would say about cross-strait relations in his second inaugural address on May 20. Four years earlier, he enunciated core aspects of his policy including his “three noes” – no independence, no unification, no use of force – and mentioned that Taipei would also enter consultations on a possible peace agreement. Knowing how important such statements are in setting future agendas, Beijing had quietly been making it known through several channels that it hoped for an indication that relations could move forward in some politically significant way. Progress on economic issues was assumed; Beijing wanted something on the political front. Specifically, Beijing communicated its hope that Ma would drop the “no unification” element of his “three noes.” Ma also got advice from an opposite quarter. Former Democratic Progressive Party (DPP) Chair Tsai Ing-wen published an open letter to Ma in which she advised that he should be careful not to say that Taiwan and the mainland are parts of one China. Given the controversy over Ma's very conditional reiteration in September that he might consider a peace agreement in the coming decade, Beijing understood it was unlikely that Ma would mention that objective.

On May 20, President Ma studiously avoided giving any indication that progress would be sought on political issues. He reiterated the “three noes” policy in standard terms, retaining the no unification element. In talking about “one China,” Ma reiterated that his policy was grounded in the Republic of China (ROC) Constitution that envisaged the ROC having two areas – a free area on Taiwan and a mainland area. Mainland Affairs Council (MAC) Chairperson Lai Shin-yuan made it clear that this view should be summarized as “One ROC, two areas” not “One China, two areas.” The one area where Ma seemed to take Beijing's perspectives into account was when he talked of the two sides sharing a common Chinese ethnic heritage – in line with Beijing's desire to promote shared ethnic bonds. However, Ma went on to say that it was progress on democracy and human rights that would reduce the feeling of “otherness” felt by

people on Taiwan. Although his address made no mention of a peace agreement, when asked by the media, he replied there was no urgency about such an agreement. In sum, there was nothing said to give Beijing hope for any breakthrough on political issues.

Beijing's controlled frustration

While Beijing avoided public criticism of Ma's address, mainland scholars and officials indicated their disappointment in private. The address increased doubts that Ma would ever provide leadership in moving from economic to political issues. Beijing policy-makers are caught between awareness of the domestic political constraints on Ma and their awareness of latent criticisms within China that no progress is being made toward reunification. Their response has been twofold – to look for opportunities to influence the domestic political debate within Taiwan and to continue efforts to strengthen cultural affinity.

On June 29, the Chinese Integration Association, a pro-unification group in Taiwan, held a conference in Taipei and Beijing decided to accept the association's invitation to participate. Rather than just encouraging scholars to attend, Beijing chose to send three former officials led by Wang Zaixi, now an Association for Relations Across the Taiwan Straits (ARATS) vice chairman. When the MAC learned of this, they denied Wang and the others visas a few days before the conference, saying that their participation in a conference on the theme "strengthening identity and mutual trust" – the very themes Taiwan Affairs Office Minister Wang Yi had been talking of this spring – was inappropriate.

Politburo Standing Committee member Jia Qinglin addressed the eighth Kuomintang-Chinese Communist Party (KMT-CCP) Forum in Harbin on July 28. In discussing Beijing's current cross-strait priorities, Jia again gave pride of place to political issues repeating Beijing's desire to build mutual political trust and to strengthen cultural affinity. He stated that the core of the "one China framework" was that both the mainland and Taiwan belong to "one country." The use of "one country" was new; since the 16th Party Congress the usual wording was that the mainland and Taiwan belong to "one China." Was Jia's wording just a different way of expressing "one China?" Or did this signal a significant shift in emphasis or policy? Was it a message for Ma or for the DPP? Regardless, Jia's wording provoked considerable discussion in Taipei. Some pro-KMT commentators said it means that Taipei must be firm in insisting that the basis for cross-strait cooperation is the 1992 consensus, under which each side has its own interpretation of the meaning of "one China." DPP officials said Jia's remarks require stronger reaffirmation that Taiwan and China are separate countries; otherwise Taiwan will be swallowed up in the PRC. Thus far, Jia's wording has not been repeated. Generally, Beijing has tried to convey a sense of policy continuity in the period leading up to the 18th Party Congress. On Aug. 28, Wang Yi told the media that he and Jia Qinglin had reiterated Beijing's Taiwan policy several times, noting its "stability and continuity."

At consultations in Beijing in July, Beijing continued to press Taipei to negotiate a cultural agreement. For the mainland, the ideal agreement would enshrine broad principles and general commitments to promote shared Chinese culture. Agreeing to that would be political suicide in Taiwan. What Taipei might consider is a concrete agreement that would reduce specific barriers

to cultural cooperation and protect artist's intellectual property rights. Despite Beijing's interest in an agreement, no progress was made on those concrete issues.

At the Harbin forum, Jia Qinglin also repeated the attention to grassroots contacts that TAO Minister Wang Yi had mentioned earlier in the year. Jia said that Beijing would encourage people on the mainland and Taiwan to join hands, to do more for the benefit of Taiwan people and together contribute to the great renovation of the Chinese nation (*中华民族 zhonghua minzu*). In August, Wang Yi further elaborated on this grassroots policy in speaking to a cross-strait forum for local officials in Chengdu. Recently, this approach has led to an intensified and coordinated effort by different mainland groups to contact an ever-wider range of local civic organizations in Taiwan offering cooperation, often financial. One Taiwan official characterized this strategy as being "to use the countryside to surround the city." In essence, if Beijing cannot move beyond economics at one level, it will try to make progress on another.

Cross-strait developments

The two sides agreed last fall that the twice-postponed investment agreement would be signed at the next ARATS-SEF (Straits Exchange Foundation) meeting. Differences concerning an independent dispute resolution mechanism and notifications about the detention of businessmen continued to delay the agreement. The eighth meeting finally took place on Aug. 9 in Taipei and saw the signing of the Investment Protection and Promotion Agreement and a Customs Cooperation Agreement. As the negotiations had taken over two years, the ability to conclude the investment agreement did represent a significant accomplishment. The agreement addresses the resolution of investment disputes with government agencies and commercial partners, but it does not identify an independent body to which difficult disputes can ultimately be referred. Rather, it lays out principles and procedures that may be followed to resolve disputes and creates a cross-strait resolution mechanism as one alternative.

The relevance of the issue concerning notification of the detention of businessmen was underlined when it became known that Taiwan businessman Bruce Chung had been detained June 18 on the grounds of national security. Taipei had been seeking a binding requirement for notification within 24 hours whenever a businessman was detained. It was much longer before Chung's detention was confirmed. It turned out that he had been detained because of his Falun Gong affiliation, making his case a clear example of the gulf in the two sides' conceptions of national security. In the end, agreement on a binding 24-hour notification requirement could not be reached. Instead, the issue was dealt with in a side "consensus" document which states that both sides' public security authorities "should" make such notifications and committing the SEF and ARATS to cooperate in dealing with detentions. As an example that such cooperation can work, Bruce Chung was released the day after the agreement was signed.

Predictably, the Taiwan government was criticized by the opposition for not getting these two issues resolved in fully satisfactory ways. Former DPP MAC Chairman Joseph Wu was one who made such charges. The business community in Taiwan welcomed the agreement. For its part, Beijing put most weight on the investment promotion aspects of the agreement, as it committed Taipei to reduce restriction on People's Republic of China (PRC) investment in Taiwan. In

August, President Ma called for further opening of Taiwan to PRC investment, which remains at very low levels in comparison to PRC investment elsewhere.

Beyond the two agreements, negotiations have been continuing in working groups of the Economic Cooperation Framework Agreement (ECFA) Cross-Strait Economic Cooperation Committee (CSECC) on trade in goods, services trade, and dispute resolution more broadly. On Aug. 31, Taipei and Beijing signed the long-awaited Memorandum of Understanding (MOU) on currency settlement. The MOU will provide for the direct settlement of Renminbi and New Taiwan dollar accounts between designated mainland and Taiwan banks and regulate banks use of the two currencies. The implications of this agreement will depend on implementation details that are yet to be worked out.

Discussions have also been continuing, likewise behind closed doors, concerning the reciprocal exchange of offices between SEF and ARATS. This too is an issue that Beijing has been promoting and Taipei has been handling cautiously. When President Ma officiated at the opening of the new SEF office in Taipei on May 18, he endorsed the goal of exchanging offices. However, this issue too is politically charged. Some DPP officials have compared an ARATS office in Taipei to the PRC's Central Government Office in Hong Kong, through which Beijing exercises its role in Hong Kong. When ARATS Chairman Chen Yunlin called on MAC Chairwoman Lai Shin-yuan on Aug. 9, he raised the proposal. In reporting to the press afterward, Lai said that for the moment the two sides had only agreed to "separately plan, study and evaluate" the issue. She also noted that the exchange of offices would require amendments by the Legislative Yuan to the basic statute on cross-strait relations.

DPP developments

On May 27, Su Tseng-chang won the DPP election for party chairman. The outcome reflected the divisions within the party. Su, who won with 50.47 percent of the vote, was running against three avowed fundamentalists who were concerned about possible changes in the DPP's cross-strait policy. Together, the three garnered 47 percent. The remainder went to moderate Hsu Hsin-liang. Not only had the fundamentalists shown considerable grassroots support, but Su himself had avoided clarifying his policy toward Beijing.

In an initial interview after his election, Su commented that the DPP had its own China policy and should not feel that the policy had to be changed because of an election loss. In a subsequent interview with the *Wall Street Journal*, Su told US audiences that he would be flexible. The first test of his intentions came on the question of whether the DPP would establish a department to coordinate more active contacts with Beijing and what it should be called. Recall that five years ago, the DPP had merged its former "China Affairs Department" into its "International Affairs Department." The moderates advocated re-establishing a separate department but using the word "mainland" in its title.

In June, Su stated that the party would re-establish the separate department and also create a high-level policy commission. On July 25, he announced the re-establishment of the "Department of China Affairs" and the party's decision to establish a "China Affairs Committee" to act as the party's highest China policy-making body. Su explained that the party was only

using “China” as a geographic term. However, his choice of terminology indicated that the party had decided not to adjust policy, which remains based on the 1999 Resolution on Taiwan’s Future that views Taiwan and China as two separate countries. At least, that was the way Beijing viewed the decision. The TAO spokesman welcomed the DPP’s interest in contacts with China but added that Beijing opposed its advocacy of a “one country on each side” viewpoint.

Su subsequently appointed economist Hong Tsai-lung to head the China Department. There were reports in the media that Su had offered the China Affairs Committee chairmanship to Frank Hsieh, but that Hsieh had said that he would only accept the position if the party endorsed his advocacy of the “constitutional one China” view. After these press reports, Su said that the party was in no hurry to establish the committee.

DPP mainland visits

There is a consensus within the DPP that the party needs to expand contacts with China, in part to deny the KMT the ability to monopolize contacts and misrepresent DPP views. For its part, Beijing sees opportunities to influence the internal DPP debate and has made it clear that the door is open for DPP members to visit China in appropriate capacities, meaning not in their party capacities. Facilitating visits by DPP members is one element in the broader policy of reaching out more widely to engage people in Taiwan.

Many party members have been invited to events in China in recent months. In June, several DPP members attended a forum in Fujian sponsored by the TAO. In July, the Chinese Academy of Social Sciences (CASS) invited Hong Chi-chang, who was the SEF chairperson during the Chen Shui-bian administration, to Beijing. Former DPP official and current legislator Hsiao Bi-khim attended a conference in Shanghai. Five DPP local councilors attended a large cross-strait conference of local officials in Chengdu. This is just to mention a few examples. The results have been mixed. On his return, Hong Chi-chang concluded that the time is not ripe for party-to-party contacts because of the gulf between DPP and CCP views. Hsiao Bi-khim similarly commented that views of the two sides are “worlds apart.”

An article in *People’s Daily* in August expressed some frustration over these visits commenting that the DPP visitors seemed motivated by a quest for votes in future elections rather than in transforming DPP policy. Nevertheless, in late August, TAO Minister Wang Yi reiterated that the door was open for DPP leaders to visit China in appropriate capacities and appropriate circumstances. However, he reiterated that party-to-party contacts could not take place as long as the DPP adhered to its Taiwan independence stance. A few days later, Wang Yi, echoing the *People’s Daily*, expressed the hope that the DPP would adjust its mainland policy.

East China Sea tensions

Activists from all sides have inflamed passions over the Senkaku/Diaoyu/Diaoyutai Islands in recent weeks. Beijing and Taipei have separate claims to the islands. Beijing would prefer to cooperate with Taipei in contesting Japan’s claims, but Taipei insists that it acts only in support of the ROC claim. President Ma has to walk a tight rope in balancing cross-strait, Japan, US,

and domestic factors in shaping his policy on an issue that China and Japan are the major players. This summer he apparently decided Taipei should do more.

Taipei has generally discouraged activists, as their actions complicate Taiwan's important relations with Japan. However, on July 4, Taiwan Coast Guard ships escorted a vessel carrying Taiwan protestors to the islands. A Coast Guard spokesman described the action as a "no conflict, no avoidance" policy in the Diaoyutai Islands.

President Ma launched an East China Sea Peace Initiative on Aug. 5. He called on all parties to exercise restraint, maintain dialogue, abide by international law, develop a "code of conduct," and establish mechanisms to cooperate in resource development. Ma's statesman-like and constructive initiative has focused attention on the ROC claim.

On Aug. 15, the Taiwan Coast Guard ferried supplies to a boat that was taking activists from Hong Kong and Macau to the islands. While providing supplies, Taipei prevented the boat from entering Taiwan ports and did not accompany it to the islands. Furthermore, efforts by some Taiwanese to join the protests ended when the activists could not obtain a boat, perhaps because of government influence. Japan detained several of the activists, who had displayed both the PRC and ROC flags. However, as the Coast Guard's very limited aid to Hong Kong activists raised questions about the policy of not cooperating with the PRC, Taipei reiterated that there had been no change in that policy. A few days later, a large group of Japanese activists, including some Diet members, went to the islands, with a dozen or so swimming ashore. This inflamed sentiments and led to anti-Japanese demonstrations in many Chinese cities. On Aug. 20, President Ma explained his peace initiative in an interview with Japan's *NHK* and reiterated that Taipei does not cooperate with Beijing against Japan.

Economic issues

The formal launch of trade agreement talks between China, Japan, and South Korea continues to concern Taipei. In response, President Ma has said on more than one occasion that Taiwan must speed up trade liberalization measures, in part to avoid becoming overly dependent on economic ties with China. Ma succeeded in pushing legislation on US beef imports through the Legislative Yuan in July and has since called for holding Trade and Investment Facilitation Agreement (TIFA) talks with Washington. Taipei has said that progress is being made in negotiating a "high quality" FTA-like economic cooperation agreement with Singapore. Consideration of other bilateral economic agreements is underway with New Zealand, India, Malaysia, and the Philippines. Taipei has also repeated its interest in eventually joining the Trans-Pacific Partnership (TPP) process.

According to the Taiwan statistics, cross-strait trade totaled \$59.5 billion dollars in the first half of 2012. Taiwan's exports to China in the first half declined 8.8 percent from a year earlier and Taiwan's export dependency ratio on the China market fell from 40.2 percent to 38.8 percent. As China's worldwide imports in this period grew by 6.8 percent, Taiwan's share of China's imports fell from 7.4 percent to 6.8 percent, according to Beijing statistics.

Looking ahead

The CCP's 18th Party Congress in October will begin a process in which the leadership will pass from Hu Jintao to Xi Jinping and a new line-up of senior officials. There is no indication that this will lead to significant changes in Beijing's policy toward Taiwan in the coming months, though events need to be watched carefully. Against that background, no major developments are likely in cross-strait relations in the coming months.

At the implementation level, talks will continue on trade issues in sub-committees under ECFA's Cross-Straits Economic Cooperation Committee (CSECC). Beijing will continue to cultivate influence among civic groups in Taiwan and to press the DPP to adjust its mainland policy.

Chronology of China-Taiwan Relations May – August 2012

May 6, 2012: Second Democratic Progressive Party (DPP) chairmanship election debate focuses on cross-strait issues.

May 10, 2012: Frank Hsieh calls for a new cross-strait forum with DPP participation.

May 13, 2012: Macau opens an Economic and Cultural Office in Taipei.

May 14, 2012: Tsai Ing-wen's writes an open letter to President Ma Ying-jeou.

May 15, 2012: Hong Kong's Financial Secretary John Tsang opens a representative office in Taipei.

May 16, 2012: TAO comments on Tsai's open letter to Ma.

May 17, 2012: US House of Representatives passes Granger Amendment mandating the sale of 66 *F-16s* to Taiwan.

May 18, 2012: President Ma speaks at the inauguration of the new SEF building.

May 20, 2012: President Ma is inaugurated for a second term as president of the Republic of China.

May 21, 2012: Taiwan Affairs Office (TAO) Deputy Chair Ye Kedong arrives in Taiwan for 5-day visit.

May 22, 2012: DPP's David Huang warns against exchange of Straits Exchange Foundation-Association for Relations Across the Taiwan Straits (SEF-ARATS) offices.

May 23, 2012: Taiwan Health Minister Chiu Wen-ta addresses the World Health Assembly.

May 24, 2012: Taiwan Culture Minister Lung Ying-tai proposes a cross-strait cultural forum.

May 24, 2012: Malaysian and Taiwan think tanks agree to study trade agreement prospects.

May 27, 2012: Su Tseng-chang wins DPP chairmanship election.

June 3, 2012: Joseph Wu is named head of DPP Central Policy Committee.

June 6, 2012: DPP Chairman Su says party will have a “China” Department and “China” Commission.

June 7, 2012: Taiwan’s Financial Supervisory Commission approves branches for the Bank of China and the Bank of Communications in Taipei.

June 17, 2012: A cross-strait forum is held in Fujian.

June 17, 2012: Beijing approves a second Taiwan tourism office in Shanghai.

June 18, 2012: Taiwan businessman and Falun Gong practitioner Bruce Chung is detained in the mainland.

June 19, 2012: Jia Qinglin addresses peaceful unification conference.

June 25, 2012: Taipei denies entry to an ARATS delegation led by Wang Zaixi.

June 28, 2012: Bank of China opens its Taipei branch.

June 29, 2012: Chinese Integration Association Conference in is held in Taipei.

July 4, 2012: Taiwan Coast Guard escorts activists to Daioyutai Islands.

July 6, 2012: Tianjin Mayor Huang Xingguo leads a large delegation to Taiwan.

July 12, 2012: Talks on increasing cross-strait flights are postponed.

July 15, 2012: DPP Party Convention is held in Taipei.

July 21, 2012: Indian economists visit Taipei for study on an economic agreement.

July 22, 2012: Chung-hua Institution for Economic Research says Taipei and Manila will undertake parallel private studies on economic agreement.

July 24, 2012: Chinese Academy of Social Sciences (CASS) invites former DPP SEF chair Hong Chi-chang for a conference in Beijing.

July 25, 2012: DPP Chair Su announces the re-establishment of China Affairs Department.

July 27, 2012: Jia Qinglin meets Wu Poh-hsiung in Harbin.

July 28, 2012: The eighth KMT-CCP Forum is held in Harbin.

Aug. 5, 2012: President Ma proposes the East Sea Peace Initiative.

Aug. 6, 2012: ARATS Vice Chair Zhang Mingchuan visits Taipei to attend the Peace and Prosperity Forum.

Aug. 8, 2012: Annual Cross-strait Tourism Promotion Conference is held in Kaohsiung.

Aug. 8, 2012: Chinese Vice Minister of Commerce Jiang Yaoping leads large purchasing mission to Taiwan.

Aug. 9, 2012: Eighth SEF-ARATS meeting held in Taipei; investment and customs agreements are concluded.

Aug. 9, 2012: ARATS Chairman Chen Yunlin meets MAC Chairwoman Lai Hsin-yuan.

Aug. 10, 2012: Taiwan Businessman and Falun Gong practitioner Bruce Chung is released from prison in the mainland.

Aug 13, 2012: DPP Legislator Hsia Bi-khim attends conference in Shanghai.

Aug. 15, 2012: Japan arrests Hong Kong activists on one of the Senkaku Islands.

Aug. 18, 2012: Large Japanese group including Diet members visits the Senkakus.

Aug. 19, 2012: Third cross-strait local government forum is held in Chengdu.

Aug. 21, 2012: First cross-strait Kinmen-Xiamen fiber optic cable inaugurated.

Aug. 26, 2012: Cross-strait media forum is held in Fuzhou.

Aug. 28, 2012: Cross-strait marriage and family association is inaugurated in Beijing.

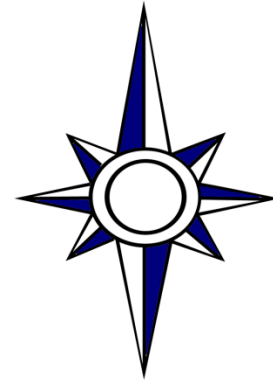
Aug. 30, 2012: Third coordinated search and rescue operation is held between Kinmen and Xiamen.

Aug. 31, 2012: Cross-strait Currency Settlement Memorandum of Understanding is signed.

Aug. 31, 2012: National Security Council Advisor Hu Wei-chen leads a delegation of officials to Taiping Island in the Spratly Islands.

Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



South Korea-North Korea Relations: Waiting for Better

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There is very little to be said about relations between the two Koreas in the middle four months of 2012. And under a sensible new dispensation granted by this esteemed journal's editors, I need not pretend otherwise. Usually guilty of over-writing (probably in more senses than one) when there was much to report and comment on, for once this time we shall be brief.

Inter-Korean relations have more than one level. *Comparative Connections* focuses mainly on "high politics," i.e., states as actors and their interactions. It is in that sense that this time we have sadly little to report. As regular readers or anyone who follows the peninsula will know, relations between the two Koreas could hardly be worse. In recent months they have hardly interacted at all, though each has engaged in megaphone diplomacy. As always the North's was shriller and nastier. We analyzed a particularly foul aspect of this in the last issue, and there seems no special merit in dwelling on this again. But there is also "low politics," meaning interactions by nonstate actors – private citizens, NGOs, traders, and so on – in a range of realms: aid, business, culture, family ties, and more. To a degree, in a situation as tense as Korea, these too are constrained by and take their cue from the state: wholly so in Pyongyang, but not entirely in Seoul. On this level there is more to report, mainly in the chronology. For once it may be advisable to read that before this, to get a sense of the wider picture and detailed fabric of inter-Korean relations at this juncture. Here we pick a few themes. What have the two states been saying to, or at, each other?

Not quite so personal

The slightly good news is that Pyongyang has partly toned down its vitriolic personal attacks on ROK President Lee Myung-bak. The website of the official *Korean Central News Agency (KCNA)* no longer displays such charming slogans as "Let Us Cut off Windpipes of the Lee Myung Bak-led Swarm of Rats!" After flashing across the masthead of *KCNA's* homepage for months, these were moved to a less prominent position at the foot of the page. They have now been replaced by sentiments just as militant but less personalized, such as "Let's Realize the Nation's Cherished Desire through a Great War for National Reunification."

Clicking on this leads to a lengthy file of articles now headed "U.S.-S. Korean Provocation Censured," though the contents overlap with those formerly collated under "Lee Myung Bak Group Under Fire." Evidently someone decided both to depersonalize this a little – after all, Lee will soon be history; at this writing, barely five months of his presidential term remain – and also not to let his imperialist masters in Washington (as they see it) off the hook. Above all, the vile cartoons depicting Lee as a rat being bloodily done to death have disappeared.

Targeting Seoul's media

Not that the North is any less angry. In an astonishing outburst in June, it took umbrage at Southern sniping at a children's festival in Pyongyang. With Kim Jong Un pictured cuddling kiddikins who wept for joy, Nazi comparisons were freely (if not very accurately) made. For this the Korean People's Army (KPA) not only threatened three ROK dailies by name – the usual rightist suspects: the *Chosun*, *JoongAng*, and *Dong-A Ilbo* – but printed the coordinates of their buildings in Seoul (albeit partly wrong), as if to show that KPA artillery already had these bad-mouthing vermin in their sights. As usual the threat proved hollow, so far.

Also menaced by name were several defectors and other activists who campaign for human rights in North Korea. A tirade on July 31 by the wittily named Committee for the Peaceful Reunification of Korea (CPRK) directly threatened four such individuals in South Korea for alleged plots against the DPRK, including fantastic accusations of plotting to blow up statues of you know who. Earlier the North had produced at a press conference a captured defector, Jon Yong Chol, who gave a lurid and detailed account of being recruited for such a plot. But there is not a jot of evidence for this, which did not stop DPRK media working themselves up into great froths of faux indignation. A friend of Jon's in Seoul said he was a drug dealer.

Terrorist and proud

Anyone mulling North Korea's worthiness to be reinstated on the State Department's roster of terrorist nations – sadly, its being listed remains subject to politics rather than hard facts – might care to note the CPRK's bluster, not least this passage: “We will ... never allow those abductors, terrorists and saboteurs who dare hurt the dignity of the supreme leadership of the DPRK ... to go scot-free *even by scouring all parts of the earth*” (emphasis added). This is no idle threat. The *Chosun Ilbo* is probably safe from KPA mortars, but there have been several instances of Northern assassins being intercepted and confessing they had been sent south to silence especially troublesome defectors.

And not only defectors. One of these “targets to be punished” – the CPRK did not mince its words – was “wicked traitor” and “despicable renegade” Kim Young-hwan. Kim is a South Korean, so how can he be a traitor? Because in a fascinating if alas untypical odyssey, in the 1980s he was an influential pro-North student leader; tortured by the then dictatorship, and important enough to be whisked in a KPA submarine from a beach near Seoul to meet Kim Il Sung. That encounter dented his faith. The Great Leader proved a great letdown, ignorant of his own Juche theory. By 1995, Kim Young-hwan was denouncing the Northern regime, and has worked to overthrow it ever since. (See a fascinating article by the *New York Times*' ever-excellent Choe Sang-Hun: <http://www.nytimes.com/2012/08/24/world/asia/korean-activist-kim-young-hwan-ex-supporter-of-north-plots-his-next-move.html>) In late July, Kim made wider headlines, claiming he was tortured during three months' detention in China. Beijing of course denied this, but the incident made waves in the ROK-PRC relationship.

Of rabid dogs and peace jars

Not that PRC-DPRK ties were all clear sailing either. Korea-China is another's bailiwick in these pages, but in the real world the dyads and triads overlap. Pyongyang naturally does not like to

see Sino-South Korean ties flourish even in the military field, and took umbrage when the second South Korean-China Defense Strategic Dialogue was held in Beijing on July 31. Unable to criticize its ally and benefactor directly, *KCNA* reviled “gangsters of the puppet military, yes men of traitor Lee Myung Bak” for “holding ‘dialogue on defense strategy’ in neighboring country” (sic). China will no doubt have appreciated being told, in inimitable DPRK style, that “rabid dogs must be beaten to death instead of getting close to them.”

South Korea is subtler, or quirker. In May, Unification Minister Yu Woo-ik was pictured in an apron at a kiln in Munkyeong, 150 km south of Seoul. Guided by master potter Kim Jung-ok, he put together a terracotta jar on which he wrote ‘Peaceful Unification’; a symbol of the nation’s need to start preparing – in particular financially – for the big bang. It all looked rather sweet. Yet surely *Rodong Shinmun*, daily paper of the North’s ruling Workers’ Party of Korea (WPK), had a point when it commented on May 23: “The ‘jar for unification’ is actually aimed to raise money needed for the ‘unification under liberal democracy’”.
Link: <http://english.yonhapnews.co.kr/fullstory/2012/05/14/73/4500000000AEN20120514002100315F.HTM>
[L](#)

That’ll be \$5.8 million, if you please

Speaking of money, in May, Seoul reminded Pyongyang that the first repayment for food aid sent a decade earlier fell due in June. Needless to add, no cash was sent south. This was a bit disingenuous of the South. Although strictly rice and fertilizer were provided as the softest of loans rather than outright aid, had the “Sunshine Policy” continued it is hard to believe that this would not have been rolled over or cancelled. Besides, everyone knows North Korea never pays for anything if it can help it, and usually gets away with it. Another recent instance was its effort – arguably successful, in that most has now been *de facto* written off – to duck its \$11 billion Soviet-era debts to Moscow by claiming, as one Russian authority put it, that this was “a sort of Soviet investment into ‘protecting the Eastern flank of the Socialist system.’” (See <http://nautilus.org/napsnet/napsnet-policy-forum/roadblock-removed-the-issue-of-north-korean-debt-to-russia-settled/>)

That was typically brazen, yet in a sense not untrue. Under Lee Myung-bak, South Korea seemed to forget the in-truth rather paltry sums – though ROK conservatives claim otherwise – which flowed North under various pretexts (some under the table) during the decade of “Sunshine” might similarly be seen as a kind of investment. No guaranteed return, but at least an effort to create structures of mutual interest where none yet existed, so as to balance and in time neutralize the many mutual hostilities. One could even see this as a long-term ploy to soften up the North for eventual collapse, as 20 years of West German *Ostpolitik* arguably did to the former GDR. I have quoted here before, possibly more than once, the dictum of the Edwardian humorist who wrote as Saki (real name, H.H.Munro): that among all the many ways to kill a cat, choking it on cream should not be overlooked.

Lee, by contrast, views *Nordpolitik* mainly through prisms of politics, ideology, and security rather than geo-economics. Those issues matter, but meanwhile China has hastened to fill the vacuum and invest in protecting its eastern flank on the Yalu and Tumen rivers. By the time I next write, South Koreans will have elected Lee’s successor (he cannot run again) on Dec. 19; regardless of party they will almost certainly change tack and try to retrieve lost ground. Park

Geun-hye, no friend of Lee and now standard-bearer for the no longer quite so right-wing ruling party – which in a Kennedyesque touch she has rebranded as Saenuri (New Frontier), wrote in *Foreign Affairs* a year ago of the need to build “Trustpolitik” (whatever that may mean) with the North. Moon Jae-in, the probable candidate of the liberal opposition Democratic United Party (DUP), said in August that if elected he would seek a third inter-Korean summit and an economic union with North Korea, beginning by resurrecting joint-venture projects agreed by Roh Moo-hyun (2003-08) but cancelled by Lee Myung-bak.

A better way

Among all the bile, there are already glimpses of another way. In June the mayor of Incheon met senior North Koreans at a forum on economic cooperation in Dandong, right on China’s border with North Korea. (Dandong faces the DPRK city of Sinuiju across the river known as Amnok in Korea but Yalu more widely.) This was the first meeting between high-ranking South and North Korean officials of the Kim Jong Un era. Also in China, equally close to North Korea on the other side of the peninsula, two South Korean firms, steelmaker Posco and the Hyundai Group, on Sept. 10 broke ground for a 1.5 sq km \$177 million distribution center in Hunchun in Yanbian Korean Autonomous Prefecture; just upstream of the DPRK’s Rason Special Economic Zone, which it is clearly intended to serve.

Meanwhile at a third (southwest) corner of the DPRK, the joint venture Kaesong Industrial Complex (KIC) somehow survives and modestly thrives despite wider inter-Korean hostility. More Northerners than ever (over 51,000) work there, and output rose 23 percent year-on-year in the first half of 2012 to \$236 million. Hundreds of Southern managers and other staff commute daily from Seoul across the formerly impenetrable Demilitarized Zone (DMZ). On June 27, Kang Mi-hwa, an employee of shoemaker Samduk Tongsang which has a factory in the KIC, was garlanded as the millionth person to pass through Dorasan immigration office since it opened in 2003: she has been making the trip since 2005. She is Korea’s future.

Chronology of North Korea-South Korea Relations May – August 2012

May 2, 2012: Officials in Seoul say that since April 28, 252 flights in and out of South Korea have experienced GPS (Global Positioning System) signal jamming.

May 3, 2012: In a joint statement at an IAEA meeting in Vienna, all the permanent members of the UN Security Council – including China and Russia – urge North Korea “to refrain from further actions which may cause grave security concerns in the region, including any nuclear tests.” They also reconfirm their “serious concern” at last month’s rocket launch.

May 4, 2012: The ROK’s state-owned Export-Import Bank of Korea (Eximbank) reminds the DPRK’s Choson Trade Bank that the first repayment installment of \$5.83 million for food loans, agreed in September 2000, falls due on June 7. No reply is received, nor any payment.

May 6, 2012: The DPRK Foreign Ministry rejects the UNSC permanent members’ joint statement (see May 3) as “a grave illegal action of violating the sovereignty of the DPRK and its

right to use space and nuclear energy for peaceful purposes.” It vows to continue both nuclear and rocket programs.

May 6, 2012: The ROK Unification Ministry (MOU) says that 366 North Korean defectors arrived in South Korea in the first three months of this year, down sharply from 566 in the same period last year. It attributes the drop to a crackdown on the Sino-DPRK border.

May 14, 2012: Guided by master potter Kim Jung-ok at Munkyeong, 150 km south of Seoul, ROK Unification Minister Yu Woo-ik makes a terracotta jar on which he writes ‘Peaceful Unification’; as a symbol of the nation’s need to start preparing – in particular financially – for the two Koreas becoming one.

May 15, 2012: Seoul sources say GPS signals jamming by North Korea ceased on May 14. Some credit President Lee Myung-bak’s meeting with Chinese counterpart Hu Jintao on that day. Jamming had affected 609 flights by 10 ROK airlines and 48 by 22 foreign airlines as of May 9, when release of such data was stopped on security grounds.

May 23, 2012: A study by Hyundai Research Institute senior fellow Hong Soon-jick claims that economic losses to South Korea during 2008-11 from the Lee administration’s reduction and later suspension of inter-Korean commerce totaled 10 trillion won (\$8.3 billion), over five times more than the losses to North Korea (1.8 trillion won). This estimate is inflated by including opportunity costs, such as supposed losses of \$4.1 billion from failure to go ahead with the second-phase expansion of the joint venture Kaesong Industrial Complex (KIC).

May 24, 2012: *Wall Street Journal* quotes Unification Minister Yu saying “The reason why North Koreans criticize South Korea ever more strongly, we believe, is an expression of anxiety ... I expect this kind of fidelity race (sic) will fade away as [Kim Jong Un’s] authority gets stabilized and anxiety is removed.”

May 26, 2012: Jun Won-tchack, a conservative lawyer, stirs controversy by suggesting on live TV (*KBS*) in Seoul a sharp question to be put to a few newly elected ROK lawmakers who are reputedly pro-Pyongyang: “If one can answer yes to the question, ‘Are Kim Il Sung and Kim Jong Il sons of bitches?’ then he or she is not a blind follower of the North.”

May 28, 2012: President Lee Myung-bak says in his biweekly radio address that “The North has repeatedly made wild assertions, but what matters more are some pro-North Korea groups within our society.” This is his first comment on an ongoing controversy over a pro-North faction within the far-left Unified Progressive Party (UPP).

May 30, 2012: The Seoul Central District Prosecutors’ Office says two men are under arrest on suspicion of leaking GPS jamming technology to North Korea. One, a 74-year-old named only as Lee, is a communist sentenced to life imprisonment in 1972 for spying for the North. Released on parole in 1990, he began a trading business with the DPRK in 1994.

May 31, 2012: Citing intelligence sources, the Seoul daily *JoongAng Ilbo* reports the arrest of Lee Gyeong-ae, a DPRK spy who came to the South via Thailand last year posing as a defector.

Her past missions included luring a defector back from the US to China, where she also laundered counterfeit dollars. She is the third such “honeytrap” agent caught since 2008.

June 1, 2012: “Flower of unification,” Lim Soo-kyung, famous for an unauthorized visit to North Korea in 1989 in her student days and is now a lawmaker for the DUP, gets into an altercation with a young defector, Baek Yosep. Calling Baek a “traitor,” she yells “How can a son of a bitch like you, a Northern defector of humble birth, come and challenge a lawmaker of the South Korean parliament?” Lim later apologizes several times, saying she was drunk.

June 4, 2012: ROK police say that a Seoul man aged 39 named Cho has been arrested for collusion with the Korean People’s Army (KPA)’s Reconnaissance General Bureau (RGB) in China to distribute computer game programs infected with malignant codes in the ROK.

June 4, 2012: In an “open ultimatum to the south Korean group of traitors,” the KPA General Staff warns that it has “already targeted” Southern media for criticizing an ongoing children’s festival in Pyongyang.

June 4, 2012: Former ROK Prime Minister Lee Hae-chan, now running for chairmanship of the DUP, says on the radio that North Korean human rights issues are its domestic affair and the South should not interfere. Two days later he dismisses a bill on DPRK human rights by the ruling conservative Saenuri party as a trick for “ultraconservative groups” to send more anti-Pyongyang propaganda leaflets across the DMZ. He also dismisses any criticism of such sentiments as a “new McCarthyism” in South Korea.

June 6, 2012: A military source in Seoul says that since mid-May sorties by KPA fighter jets have risen sharply to up to 50 per day. The previous day, one *SU-25* fighter came near enough to the DMZ to cause four ROK interceptor planes to scramble in response.

June 7-8, 2012: A foundation linked to the leftist Seoul daily *Hankyoreh* co-hosts a forum in Dandong with that city and the ROK port of Incheon – which on June 6 signs an MOU on cooperation with another city in northeast China, Shenyang. North Korea sends two WPK Central Committee members and Ri Chang Dok, vice chair of its National Reconciliation Council (NRC). Though not formal participants in the forum, they meet Incheon mayor Song Young-gil; it is said to be the first inter-Korean meeting of officials of the Kim Jong Un era.

June 11, 2012: MOU says it will amend the Inter-Korean Exchange and Cooperation Act. In the future South Koreans and Northern defectors will no longer have to seek permission to send a certain amount (yet to be specified) of money to relatives in the North for living and medical expenses. MOU also plans a register of businesses involved in inter-Korean trade – currently banned except for the KIC – so that they can receive support (presumably compensation).

June 11, 2012: Criticizing persecution of pro-Pyongyang elements in the South, the North’s Committee for the Peaceful Reunification of Korea (CPRK) threatens to disclose favorable comments made by conservative ROK presidential hopefuls such as Park Geun-hye, Chung Mong-joon, and Kim Moon-soo during their past visits to the DPRK, adding that this “will just stun all south Koreans.” As of September this threat had not been carried out.

June 18, 2012: ROK Foreign Ministry (MOFAT) admits some of its staff in Thailand have treated Northern defectors high-handedly. Two female employees are relieved of their duties. They had admitted shouting but denied swearing, as one elderly refugee alleged.

June 18-19, 2012: “Virgin bomber” Kim Hyon-hui, convicted of but pardoned for the 1987 KAL 858 bombing (115 died), does her first TV talk show. As in her book, she claims Kim Jong Il personally ordered the bombing to disrupt the Seoul Olympics, and chose a plane full of Koreans working in the Middle East to avoid any repercussions if foreigners were killed.

June 27, 2012: Kang Mi-hwa, who works for shoemaker Samduk Tongsang in the Kaesong Industrial Complex (KIC), is garlanded as the millionth person to pass through the ROK’s Dorasan immigration office since it opened in 2003. Some 400 South Koreans commute daily to the KIC across the once impassable DMZ; Ms Kang has been doing so since 2005.

June 28, 2012: At a press conference in Pyongyang which *KCNA* serializes over a week in seven parts, Pak Jong Suk (66), a returned defector, confesses her sins and fulsomely thanks Kim Jong Un for forgiving her and letting her come back to live with her son in Pyongyang.

June 29, 2012: On the 10th anniversary of a naval clash that killed six ROK sailors, Lee Myung-bak is the first president ever to attend the annual memorial. The Seoul press claims a cover-up at the time saying that then-president Kim Dae-jung accepted the North’s claim that this was an accident and suppressed contrary evidence so as not to jeopardize his “Sunshine Policy.”

July 1, 2012: MOU says the number of Northern defectors reaching South Korea fell 43 percent in the first five months of this year to 610 from 1,062 in the same period last year, due to increased security along the North Korea-China border.

July 5, 2012: Roh So-hui, 68, a pro-North activist who illicitly entered the DPRK via China on March 24, to be much featured in Pyongyang media thereafter, is seized and bound with ropes as he returns home by crossing the Military Demarcation Line (MDL) at Panmunjom. On Aug. 9 he is charged with pro-enemy activities under the National Security Law (NSL). Nearby, ROK police keep apart rival demonstrations by groups welcoming him home and denouncing him. The latter display a coffin and burn effigies of both Ro and Kim Jong Un.

July 19, 2012: At a press conference in Pyongyang Jon Yong-chol, said to be a defector, confesses to “trying to perpetrate hideous crime of destroying statues and monuments in the DPRK at the instructions of the US and south Korean intelligence agencies.” North Korean media launch a vitriolic campaign about this. There is no evidence of any such plot. Seoul confirms that Jon had been a defector; a friend of his claims he was actually a drug dealer.

July 23, 2012: The North’s Korean Central Television ramps up its anti-Lee venom, apropos the nonexistent plot to blow up statues. A military dog is shown lunging toward a human-size rag doll with a name tag of the South Korean president, while KPA soldiers fire at paper targets with Lee’s name, parodied images and accusations against Lee written on them.

July 25, 2012: At the Summer Olympics in the UK, the DPRK women's soccer team angrily leaves the field in Glasgow when a pre-match video screen mistakenly displays the ROK flag. They return after 40 minutes.

July 25, 2012: At a press conference in Seoul, Kim Young-hwan, a prominent activist for North Korean human rights, claims he was tortured during three months' detention in China.

July 29, 2012: Park Sun-young, an ex-lawmaker and human rights activist, claims that some 100 defectors living on Jeju Island alone have gone back to the North this year. MOU denies this, saying the real number of double-defectors is minuscule. It does seem to be increasing however.

July 30, 2012: Under *KCNA's* headline "DPRK Will Take Corresponding Measures against Terrorism," the North's Committee for the Peaceful Reunification of Korea (CPRK) directly threatens "wicked traitor Kim Yong Hwan," whom it also calls a "despicable renegade," and three other named individuals in South Korea as "targets to be punished."

Aug. 3, 2012: ROK government source claims that the KPA is realigning some front-line military units, including moving some 50 *Mi-2* and *Mi-4* attack helicopters to its Taetan and Nuchon air bases near the Yellow/West Sea border. This renders them vulnerable, so it is speculated that it was Kim Jong-un's order rather than that of military specialists.

Aug. 3, 2012: A delegation from Hyundai Asan is allowed to visit Mount Kumgang to mark the ninth anniversary of the suicide of former Hyundai group chairman Chung Mong-hun.

Aug. 6, 2012: A Hyundai Asan executive confirms that North Korea has taken over Hyundai's facilities at the now little-used resort, and says they are "fairly well maintained."

Aug. 6, 2012: South Korea's MOU announces that the 51,310 North Korean workers at the joint venture Kaesong Industrial Complex (KIC) would receive their usual 5 percent annual pay hike. This takes the basic monthly wage to \$67.05. [*Yes, that is per MONTH*].

Aug. 16, 2012: MOU allows the Korean branch of the Christian relief group World Vision to go to North Korea to discuss possible aid. A 3-person delegation holds talks in Kaesong next day. The ministry notes that so far this year 13 Southern NGOs have given assistance worth a total of 4.1 billion won (\$3.6 million) to the North on 22 occasions.

Aug. 17, 2012: ROK Defense Minister Kim Kwan-jin accuses the North of trying to interfere in the South's upcoming presidential election. He does not specify how.

Aug. 17, 2012: Moon Jae-in, front-runner to be the liberal opposition Democratic United Party (DUP)'s presidential candidate in December, says that if elected he would seek a third inter-Korean summit and an economic union with North Korea.

Aug. 18, 2012: Kim Jong Un visits the artillery unit on Mudo Island which in November 2010 shelled the South's Yeonpyeong Island, killing four. He orders it "to turn the west sea into a graveyard of the invaders" if a single enemy shell lands in DPRK waters. This is one of several visits to the front by Kim ahead of regular annual US-ROK joint military exercises.

Aug. 20-31, 2012: *Ulchi Freedom Guardian*, a regular annual computer-based joint ROK-US military exercise, is held as usual. Some 56,000 ROK and some 30,000 US forces participate. DPRK media, as always, claim that this is prelude to an invasion.

Aug. 21, 2012: MOU reports that output at Kaesong Industrial Complex (KIC) rose 23 percent year-on-year in the first half of 2012, to \$236 million.

Aug. 22, 2012: Park Geun-hye, the presidential candidate of South Korea's ruling Saenuri party, says she will not tolerate security threats but that "various talks" with the North are needed to break the current deadlock.

Aug. 27, 2012: MOU sends a letter to Pyongyang urging it to give notice before discharging water from its Hwanggang Dam on the Imjin River, which flows into the South. Since Aug. 17 this has happened several times without warning. In October 2009 the North agreed to give prior notice, after a flash flood caused by such a discharge drowned six Southern campers.

Aug. 28, 2012: Two Southern aid NGOs say the North unilaterally cancelled (via fax) talks due next day in Kaesong about potential help for flood victims. Two theories were offered: Northern anger at ongoing US-ROK military exercises, or damage there from Typhoon Bolaven,

Aug. 29, 2012: ROK Foreign Minister Kim Sung-hwan tells a forum in Seoul that Kim Jong Un appears firmly in control of North Korea.

Aug. 29, 2012: The South's Defense Ministry (MND) conveys a new medium-to-long-term defense plan to President Lee. Its provisions include doubling the Cyber Command's staff to 1,000, upgrading both offensive and defensive capacity as well as a big increase in deployment of surface-to-surface missiles targeting North Korea's nuclear facilities and missile bases.

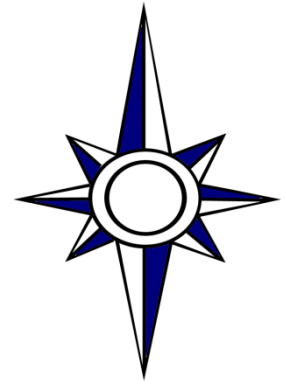
Sept. 5, 2012: The Presidium of the Supreme People's Assembly (SPA), North Korea's rubber-stamp parliament, announces that an unusual second SPA session this year will be held on on Sept. 25. There is speculation that economic reforms will be announced.

Sept. 5, 2012: Kim Jong Un sends condolences to the family of Unification Church founder Moon Sun-myung, who died on Sept. 3 aged 92. Though anti-communist, the Northern-born Moon met Kim Il Sung and his companies invested in a hotel and auto plant in North Korea.

Sept. 10, 2012: Two ROK firms, steelmaker Posco and Hyundai Group, break ground for a 1.5 sq km \$177 million distribution center in Hunchun city in Yanbian Korean Autonomous Prefecture, China. This is just upstream of the DPRK's Rason Special Economic Zone, which it is clearly intended to serve.

Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



China-Korea Relations:

Managing Relations amidst Power Transitions

**Scott Snyder, Council on Foreign Relations/Pacific Forum CSIS
See-won Byun, George Washington University**

Senior-level dialogue between China and North Korea resumed this summer when head of the Chinese Communist Party (CCP) International Department Wang Jiarui became the first senior foreign visitor to meet Kim Jong Un. Previously, there had been a great deal of speculation regarding the absence of leadership exchanges since Kim Jong Il's death. Several other high-level exchanges followed. Discussions focused on reconciling priorities and Chinese support for Kim Jong Un's consolidation of power. Although more subdued, there were also several high-level exchanges between China and South Korea as they celebrated the 20th anniversary of diplomatic ties, initiated talks on establishing a bilateral free trade agreement, held the second round of strategic defense talks, and sparred over South Korean concerns about human rights.

Interactions

After a nearly eight-month hiatus in high-level interactions, senior-level dialogue between China and North Korea resumed on Aug. 2 when Kim Jong Un met Chinese Communist Party (CCP) International Department head Wang Jiarui in his first official meeting with a senior foreign visitor. Wang was also the first foreign visitor to meet Kim Jong Il in early 2009 following Kim's stroke in the fall of 2008. Prior to Kim Jong Un's meeting with Wang, there had been a great deal of speculation regarding the absence of leadership exchanges between the two countries following Kim Jong Il's death, especially given the unprecedented intensity and breadth of leadership exchanges between the two in 2011. Wang's visit to Pyongyang was bracketed by two other high-level exchanges. In late July, Minister of People's Security Ri Myong Su led a Workers' Party of Korea (WPK) delegation to China to meet CCP counterpart Meng Jiangzhu, Secretary of Political and Legislative Affairs Zhou Yongkang, and Jiangsu party secretary Luo Zhijun. In mid-August, Jang Song Taek (Kim Jong Un's uncle and head of the WPK Administrative Department) led a 50-person delegation to China for the third meeting of the joint steering committee for the Rason Economic and Trade Zone and Hwanggumphyong and Wiwha Islands Zone. In Beijing, Jang held separate talks with President Hu Jintao, Premier Wen Jiabao, and Wang Jiarui.

Despite joint claims of progress in the cross-border economic projects, North Korea's limited implementation of reform and opening in line with Chinese conditions continues to be an obstacle to the expansion of Sino-DPRK economic relations. North Korea's failure to inform China in advance of its plans to launch a satellite in April in conjunction with the 100th anniversary of Kim Il Sung's birth and the 13-day detention of Chinese fishermen in May had suggested heightened political tensions although the value of bilateral trade continued to increase rapidly in the first part of 2012.

China and South Korea marked the 20th anniversary of normalization of relations in rather subdued fashion on Aug. 24. The lack of enthusiasm can be attributed in part to an impending leadership change in both countries, but also reflects the emergence of hard political issues, including the four-month detention in China of a prominent South Korean human rights activist, Kim Young-hwan, who charged upon his return to Seoul that he had been tortured by Chinese authorities. The second bilateral strategic defense talks were held in China on July 31 between Deputy Chief of the PLA General Staff Ma Xiaotian and ROK Vice Defense Minister Lee Yong-gul, who also met Defense Minister Liang Guanglie in Beijing. China's State Councilor and Minister of Public Security Meng Jianzhu met President Lee Myung-bak, Foreign Minister Kim Sung-hwan, and other senior officials in Seoul on July 12-14. Bilateral FTA talks were officially launched in May, with the three rounds of talks so far producing indeterminate results. PRC Vice Premier Wang Qishan visited South Korea on June 27-29 in conjunction with the Yeosu Expo that ran from May 12 to Aug. 12 and met Minister of Strategy and Finance Park Jae-wan. Sino-South Korean exchanges also occurred in the context of regional meetings, including the fifth China-ROK-Japan trilateral summit on May 13-14 in Beijing and the July 11-12 ASEAN Ministerial Meetings in Phnom Penh, where Chinese Foreign Minister Yang Jiechi met counterparts from both South and North Korea.

Reconciling Chinese priorities in North Korea: stability, reform, and denuclearization

North Korea's detention of 28 Chinese fishermen on May 8 and the reported demand for ransom appeared to mark the peak in a period of political strain in Sino-DPRK relations since Kim Jong Un's assumption and consolidation of leadership. While Beijing referred to the case as a maritime issue, some analysts regarded the incident as Pyongyang's strategic retaliation against China's open criticism of North Korea's April rocket launch and nuclear ambitions, as well as China's passivity regarding North Korean defectors seeking asylum in South Korea. Beijing's cautious management of the issue reflected a desire to avoid an escalation of diplomatic tensions with North Korea's new government. Reports of North Korea's claim to "nuclear-armed state" status in its constitution did not elicit a strong reaction from Beijing, where the Foreign Ministry spokesperson on June 1 reiterated China's calls for the "common interest" of denuclearization. Instead, North Korean Foreign Minister Park Ui Chun is reported to have shouted at counterpart Yang Jiechi in their Phnom Penh meeting over a *Global Times* editorial that opposed North Korean nuclear developments on the grounds that they might have a domino effect that would lead to nuclear weapons acquisition by South Korea, Japan, and Taiwan. At the same time, rumored Chinese efforts to restrain North Korea from conducting a third nuclear test in the weeks following North Korea's failed rocket launch appear to have been successful, at least for the time being.

The first signs of recovery in China-DPRK high-level exchanges began with Ri Myong Su's five-day visit to China in late July. Chinese official reports of this visit emphasized the need for joint efforts on public security cooperation while explicitly stating Beijing's concern with stability. According to the Chinese state media, Zhou Yongkang, also a member of the CCP Politburo, expressed hopes that "the DPRK would maintain stability and realize social and economic development under the leadership of Kim Jong Un and the party," and called for strengthening cooperation against cross-border crime to "help maintain the security and stability

of the two countries and their border areas.” During Minister Ri’s talks with PRC counterpart Meng Jianzhu, they pledged to strengthen communication and cooperation between public security ministries based on the signing of agreements on law enforcement in 2011.

Wang Jiarui’s meeting with Kim Jong Un a week later provided Beijing with an opportunity to consolidate relations with the Kim Jong Un leadership. Wang pledged to maintain high-level contacts, strengthen party exchanges, strengthen “practical cooperation,” enhance strategic communication and coordination on global and regional issues, and maintain Korean Peninsula and regional peace and stability. Although these goals were largely a reiteration of Hu Jintao’s framework for Sino-DPRK relations outlined during his 2010 and 2011 summits with Kim Jong Il, there was no explicit mention in Wang’s comments of deepening economic and trade cooperation despite a mutual recognition of economic development as the WPK’s domestic priority. The subsequent visit to China by Jang Song Taek, chief of the WPK Central Administrative Department and also a member of the WPK Political Bureau and vice chairman of the National Defense Commission, suggested that conditions in Pyongyang remain a primary obstacle to reforms that might lead to the expansion of Chinese trade and investment. In reference to the joint economic zones, Premier Wen called for “improving laws and regulations” and indicated that both sides should “let the market play its role creating favorable conditions for land and tax.” President Hu acknowledged the growth in bilateral trade, investment, and economic ties, but also expressed hopes for “exploring new ways of cooperation.”

The consolidation of the Kim Jong Un regime and Chinese support

China’s political and economic engagements with the North remain tied to the ongoing consolidation of Kim Jong Un’s power in Pyongyang. The expansion in high-level exchanges from July immediately followed Kim Jong Un’s appointment as marshal on July 18, which was after the dismissal of Ri Yong Ho as chief of General Staff of the People’s Army and promotion of Hyon Yong Chol to vice marshal. At the time of People’s Security Minister Ri Myong Su’s visit to China, the DPRK state media officially identified Ri Sol Ju as the wife of Marshall Kim Jong Un on July 25. On the same day, it also reported that she met PRC Ambassador to North Korea Liu Hongcai at a Pyongyang theme park. In his meeting with Wang Jiarui on Aug. 2, Kim was accompanied by Vice Premier Kang Sok Ju, WPK Secretary and Director of the United Front Department Kim Yang Gon, and Vice Director of the WPK International Affairs Department Kim Song Nam. Wang’s dinner reception hosted by Ambassador Liu was attended by Jang Song Taek, Director of the Korean People’s Army (KPA) General Political Bureau Choe Ryong Hae, WPK Secretary and Director of the International Affairs Department Kim Yong Il, Chief Secretary of the Pyongyang WPK Committee and Chairman of the Pyongyang City People’s Committee Mun Kyong Dok, Korean Central News Agency President Kim Pyong Ho, and WPK Vice Department Director Ri Su Yong.

Ambassador Liu’s return to Beijing ahead of Jang Song Taek’s trip to China in August suggested Beijing’s top-level treatment of Jang as Kim Jong Un’s uncle and patron. On Aug. 15, the North Korean media released a picture of Kim Jong Un attending a completion ceremony of an amusement park in Pyongyang accompanied by Ambassador Liu, aunt Kim Kyong-hui, and Director of the People’s Army General Political Bureau Choe Ryong Hae, regarded as the most influential person in the DPRK military. The South Korean media has depicted such images as

reflecting both the close family ties within the Kim regime and its reliance on China. South Korean observers have also speculated that one purpose of Jang Song Taek's visit to Beijing was to set up a trip to China by Kim Jong Un. Such a visit would require Chinese officials to decide how to handle complicated protocol and public affairs issues, given Kim Jong Un's relative youth and the public impression created if Kim were to meet with Chinese leaders.

China's economic engagement of the Kim Jong Un regime

Recent DPRK media reports of parliamentary chief Kim Yong Nam's visit to Vietnam and Laos were seen by some observers as indicating Kim Jong Un's willingness to learn from other communist neighbors that have undertaken market reforms, and may have been an attempt by North Korea to diversify its economic ties in an effort to limit its dependence on China. There have been contradictory reports on progress on the Hwanggumphyong and Wihwa Island economic zone since its establishment in June of 2011. The PRC Foreign Ministry spokesman refuted Japan's *Kyodo News* claims on June 25 that China seeks to put the project on hold given its limited economic value. After the Aug. 14 meeting of the joint steering committee, the PRC Ministry of Commerce spokesperson confirmed that the project will enter a stage of investment, citing "preliminary achievements" such as the renovation of a road linking Jilin's Quanhe port and Rason's Rajin port, cross-border transportation of goods through Rajin port, Chinese tours to the North, and a pilot area for high-efficiency agriculture. Doubts remain, however, over the extent to which the North Korean side will adhere to the joint principle of "government-guided, enterprise-based, market oriented, mutually beneficial" cooperation stressed by its Chinese counterparts. China's Commerce Ministry on Aug. 16 affirmed that the DPRK has "amended" its laws for the zones, reportedly a source of disagreement over the past months. Despite their uncertain prospects, cross-border economic projects remain a key driver of bilateral political exchanges at the local level. Jang's itinerary also reportedly included tours of Jilin and Liaoning provinces and meetings with provincial party secretaries Sun Zhengcai and Wang Min.

A new trend in Sino-DPRK economic ties, meanwhile, is the inflow of North Korean labor to China. On July 1, the *Los Angeles Times* reported on an agreement under which China is hiring about 40,000 North Korean laborers to work in China, with annual cash remittances of about \$2,000 per person likely to go largely to a new regime faced with international sanctions. According to Chinese government data, the number of DPRK visitors to China increased by 31 percent from 116,000 in 2010 to 152,000 in 2011, of which 75 percent were businessmen and laborers. Tourism programs to North Korea for Chinese remain an additional source of hard currency for the Kim Jong Un regime. Chinese and DPRK companies on Aug. 17 jointly launched a new tourist route between Yanji and Rason according to the Yanji Tourism Administration, carrying travelers between the two cities on a daily basis. Jilin's tourism authorities have pointed to a recent boom in cross-border tourism since China's launching of its first charter flight from Jilin to the North in July. In late June, China launched a cruise tour to Mount Kumgang, the site of an inter-Korean tour program for South Korean tourists that closed after the 2008 shooting death of a South Korean tourist by a North Korean soldier.

China's interests in both North Korean reform and denuclearization appear to remain largely contingent on concerns over North Korea's domestic stability during political transition in Pyongyang. On June 12, the PRC Foreign Ministry spokesperson denied Japanese media reports

that China violated UN sanctions by exporting to North Korea the missile launch vehicles of the type that appeared during the military parade in Pyongyang last April in honor of Kim Il Sung's 100th birthday. In addition, a *Yonhap* report indicated that China held a river-crossing exercise on the Yalu River border with North Korea on June 12 involving more than 100 Chinese soldiers, raising speculations over Chinese preparations against a potential refugee crisis on the Sino-DPRK border.

Chinese and South Korean approaches to Northeast Asian peace and stability

The strengthening of China's ties with Pyongyang followed a period of renewed Chinese criticism of South Korea's alliance with the US and its approach to regional security. On June 28 in response to US-ROK military exercises held on June 23-25 in the Yellow Sea and joint naval exercises by the US, South Korea, and Japan off Jeju Island on June 21, the PRC Defense Ministry spokesman criticized the "intentional" strengthening of military alliances. After the second US-ROK Defense and Foreign Ministers' Meeting (2+2) in Washington in mid-June, where the two sides agreed to strengthen missile defense cooperation, a *PLA Daily* commentary on June 29 stated that the move would undermine global arms control and disarmament, worsen the DPRK nuclear issue, lead to a regional arms race, and have an "immeasurable negative impact" on the establishment of a multilateral security mechanism in Northeast Asia. Such remarks appeared to resonate with a *Xinhua* editorial earlier that month affirming the role of the Shanghai Cooperation Organization (SCO) as a "regional stabilizer" rather than a "bullying military alliance." The US-Japan-ROK military drills began a week after the SCO's own *Peace Mission 2012*, its ninth counterterrorism joint military exercise involving 2,000 military personnel from member states. In an interview ahead of the 12th SCO Summit in Beijing on June 6-7, President Hu Jintao affirmed the SCO member states' support for dialogue as "the only proper choice" for resolving the Korean nuclear issue, calling for denuclearization of the peninsula through the Six Party Talks.

China also reacted strongly to developments surrounding South Korea's negotiations for a military pact with Japan that would facilitate intelligence exchange on North Korea, the plans for which were laid aside on June 29. Debates among Chinese analysts appeared in a *PLA Daily* report on May 31 attacking the deal as "an embarrassment of failure." According to Zhang Lianggui of the Party School, "exerting pressure" on North Korea is the primary goal of the agreement, the negotiations for which appeared to be driven further by North Korea's April rocket launch. Lin Zhiyuan of the PLA's Academy of the Military Sciences relates South Korea's emerging military cooperation with Japan to the "shift of the US strategic focus" to Asia, and points to "insurmountable obstacles" to a trilateral military alliance including regional reactions and domestic opposition in both South Korea and Japan. A July 8 report by a Korea Institute for National Unification analyst argued that expanding military ties with Japan could give Seoul "leverage against China" given Beijing's "favorable attitude" toward Pyongyang, suggesting that China may shift its stance if it recognizes that its North Korea policy will only strengthen South Korea's ties with the US and Japan.

Sino-South Korean cooperation, on the other hand, has maintained progress in the trilateral context with Japan. At the fifth China-ROK-Japan summit in Beijing on May 13, the three leaders agreed to launch trilateral free trade agreement (FTA) talks in 2012, signed an investment

agreement, released joint declarations on the “trilateral comprehensive cooperative partnership,” and agreed to strengthen agricultural and environmental cooperation. Such agreements, while in their preliminary stages, have been achieved despite recent strains in the three neighbors’ bilateral diplomatic relationships which continue to cast doubts over whether the focus of trilateral cooperation can reach to the region’s core security priorities.

Assessing the 20-year Sino-ROK diplomatic relationship

The occasion of China and South Korea’s 20-year anniversary of diplomatic relations in August has drawn mixed assessments. Progress in political and security ties remains limited when assessed against the wildly successful Sino-ROK economic partnership. An outcome of the second Sino-ROK bilateral strategic defense talks on July 31 was an agreement to establish a hotline between defense chiefs, adding to naval and air force hotlines established in November 2008 to prevent accidental clashes and facilitate disaster cooperation. Although the defense hotlines demonstrate efforts to strengthen military cooperation for regional stability, the defense talks were only launched last year after a period of historic tensions over North Korea and other regional security issues that have set back efforts envisaged under the cooperative strategic partnership forged in 2008. The ROK Farm Ministry confirmed on July 31 that China and South Korea have agreed to reduce fishing quotas in each other’s exclusive economic zones (EEZs) from 2013 in an effort to preserve maritime resources. Fatal clashes in the Yellow Sea over illegal fishing have remained a major source of diplomatic strain, driving public protests in South Korea at the time of President Lee Myung-bak’s visit to Beijing last January. The ROK Foreign Ministry reportedly postponed submitting a claim on an East China Sea shelf beyond its EEZ to the UN given opposition from Japan and China. South Korea’s similar claim in 2009 immediately sparked a dispute over sea territory demarcation with China, which followed up with its own claims to the Okinawa Trough and Ieodo.

PRC State Councilor and Public Security Minister Meng Jianzhu’s three-day visit to Seoul in July was the first official visit to South Korea by a Chinese public security minister since normalization. Focused on strengthening law enforcement and consular cooperation, Meng’s meetings raised hopes for the release of four South Korean activists detained in China in March for assisting North Korean defectors and endangering Chinese “national security.” Although the activists were released a week later, tensions worsened over Kim Young-hwan’s claims following his return to South Korea that he was tortured while under Chinese custody. Despite Seoul’s calls for an investigation, the PRC Foreign Ministry did not make its first official response rejecting the allegations until July 31. China’s handling of North Korean refugees reemerged as a diplomatic issue earlier this year with increasing pressure from South Korean activists critical of China’s current tilt toward the DPRK regime. South Korea’s Unification Ministry officials have attributed the 43 percent drop from last year in the number of DPRK defectors to South Korea during the first five months of 2012 to tightened security on the China-DPRK border since Kim Jong Il’s death. The release of Kim Young-hwan, known as a former leader of a leftist movement in South Korea before joining the Network for North Korean Democracy and Human Rights, exemplifies China’s tendency to be relatively cautious in its handling of high-profile and internationally-publicized cases related to North Korean refugees. Kim Young-hwan’s case presents potential legal challenges and costs to China’s international image, and has also raised domestic debates in South Korea that feed into perceptions of the

relationship with Beijing. Lawmakers have criticized the foreign ministry's handling of the issue while others have cautioned against drawing attention to the activities of rights activists in China.

Growing asymmetry in the Sino-South Korean economic partnership

PRC and ROK commerce ministers agreed in the formal launch of bilateral FTA negotiations in May to pursue trade liberalization beyond each side's commitment to the WTO and address sensitive areas including South Korean agriculture and fisheries and Chinese manufacturing. China and South Korea seek to expand the bilateral trade volume to \$300 billion by 2015 from \$221 billion in 2011, a 17 percent increase from 2010 according to South Korean data. In the latest round of free trade talks on August 22-24, both sides agreed to remove tariffs on products within 10 years of implementation of the FTA, but have yet to reach agreement on the level of tariff concessions and classification of "sensitive" items. ROK Deputy Trade Minister Choi Seok-young recognized "significant differences of opinion" following the conclusion of talks with PRC counterpart Yu Jianhua on July 2-4, focused on service and manufacturing criteria and domestic legal procedures. The July talks were held a week after South Korea held initial discussions in Taipei on a bilateral investment treaty with Taiwan, which South Korean officials have clearly separated from trade talks with China. Some South Korean policymakers have indicated that an FTA with China would strengthen South Korean competitiveness against Taiwan in the Chinese market since the signing of China-Taiwan Economic Cooperation Framework Agreement (ECFA) in 2010.

Difficulties in China-ROK trade talks undermine the prospects of trilateral FTA talks with Japan to be launched later this year. Although Premier Wen, at the three-way summit in May, called the trilateral FTA negotiations a "driving force" for East Asian economic integration, the outcome of talks will likely depend on the bilateral trade relationships. While ROK-Japan trade talks have been stalled since 2004, both rounds of China-ROK trade talks this summer incited protests by thousands of South Korean farmers who called attention to the perceived economic and health threat from Chinese agricultural products. Broader prospects for the China-ROK-Japan FTA will depend in part on US-China economic and political competition and corresponding US-led efforts under the Trans-Pacific Partnership.

During their meeting in Yeosu on the occasion of the Yeosu Expo's "China National Day" celebrations on June 28, PRC Vice Premier Wang Qishan and ROK Minister of Strategy and Finance Park Jae-wan identified electronics, communications, car manufacturing, tourism, the green economy, and the marine sector as key areas for strengthening the strategic cooperative partnership. While South Korea has benefited from China's cheap labor and domestic market, China's emerging competitive advantage and economic leverage is an increasing source of South Korean concern. A Samsung Securities report on July 27 warned that China's expected industrial restructuring over the next decade would boost Chinese competitiveness and pose challenges for South Korean firms rather than present opportunities. According to an annual IMF report for China released on July 25, a 1 percent decline in Chinese investment would reduce South Korea's economic growth by 0.6 percent given the direct impact faced by South Korean exports. Korea International Trade Association (KITA) data show that since normalization in 1992, ROK exports to China have increased at an annual rate of 23 percent, more than double the average 11 percent growth rate for other overseas markets. China's shifting emphasis on domestic demand

also appears to be hurting South Korean exports, which grew 14.8 percent in 2011 but declined by 1.6 percent between January and May 2012. The Korea Institute for International Economic Policy estimates that an FTA with China could boost South Korea's real economic growth by 2.28 percent over 10 years. However, the potential annual loss of over 3.3 trillion won (\$2.9 billion) for South Korea's farming industry is almost 4 times higher than estimated losses from the Korea-US FTA.

Recent developments in Jeju showcase the growing importance of Chinese-driven tourism and investment, which supports the island's development efforts led by the Jeju Free International City Development Center (JDC). The number of Chinese visitors in Jeju has increased more than tenfold since 2000, and accounted for 59 percent (396,000) of all overseas visitors to the island in the first half of 2012. Under an agreement signed with JDC on July 11, China's Greenland Group has planned investments in the Jeju Healthcare Town project totaling KRW 1 trillion, including a medical R&D center and recreational and residential facilities. China opened a consular office on Jeju Island in July as part of an agreement reached between President Lee Myung-bak and Premier Wen Jiabao in 2010 to promote bilateral exchange.

Managing North Korea: reform or denuclearization?

Consultations on the future of North Korea remain the central priority in Sino-South Korean relations as both countries face leadership transitions in the coming months. The two-decade old Sino-ROK diplomatic relationship is clouded by concerns over not only the relative weakness of political and security ties but also the shifting structure of the economic partnership. A new South Korean administration will seek to place the Sino-South Korean relationship on a more mutually productive path without weakening the US-ROK security alliance.

South Korean cooperation with China will be necessary in the context of South Korean efforts to stabilize the inter-Korean relationship, promote reform, and denuclearize North Korea. China and South Korea need to cooperate to facilitate North Korea's economic reform and achieve its denuclearization. But differences over human rights of North Korean refugees and those who assist them or the reemergence of competition for favor or market share from Pyongyang could easily prevent the level of cooperation necessary to neutralize nuclear North Korea as a source of provocation or as a security threat. Beijing's emphasis on reform has been consistently clear in its economic policies toward the North, but this emphasis has also emerged as a point of friction in Sino-DPRK relations. It remains unlikely that China will push for reforms to the extent of challenging North Korea's political stability, and China certainly prioritizes North Korea's stability over denuclearization. Kim Jong Un's apparent consolidation of power and prioritization of efforts to solve North Korea's economic problems, could open a new chapter in North Korea's relations with both South Korea and China, but a reforming and nuclear North Korea might also become a more active object of competition in the Sino-ROK relationship.

Chronology of China-Korea Relations

May – August 2012

May 2, 2012: China and South Korea launch free trade agreement (FTA) talks.

May 7, 2012: A delegation of the Kim Il Sung Socialist Youth League led by secretary of its Central Committee, Ri Young Hwan, attends 90th anniversary celebrations of the Communist Youth League of China and the 93rd anniversary of the May 4 Movement in China.

May 7-14, 2012: A China Association for International Friendly Contacts delegation led by its president, Li Zhaoxing, visits Pyongyang. Li meets President of the Presidium of the Supreme People's Assembly Kim Yong Nam and attends a ceremony to donate materials for the renovation of Kumsusan Palace of the Sun.

May 8, 2012: DPRK authorities seize 3 Chinese fishing boats and detain 28 Chinese fishermen.

May 8, 2012: Vice chairman of the Beijing-based Investment and Development Group of the DPRK, Kim Chol Chin, and the mayor of Tumen city, sign an agreement on the development of North Korea's Onsong Island.

May 8-9, 2012: A North Korean agricultural technology survey group visits Hebei Academy of Agricultural and Forestry Sciences.

May 9-10, 2012: China's Fishery Administration rescues a South Korean fishing boat and relocates its 8 crew members to Haimen port, Zhejiang.

May 10, 2012: DPRK Vice Minister of Foreign Affairs Pak Kil Yon and PRC Ambassador to Pyongyang Liu Hongcai sign an agreement on developing the cross-border bridge between Ji'an and Manpo cities.

May 12-18, 2012: Jang Hyon Chol, secretary of the Central Committee of the Kim Il Sung Socialist Youth League, leads a DPRK youth delegation to China. The delegation tours Fujian province and meets Quanzhou city's Deputy Party Secretary Zhu Shufang and Secretary of the Provincial Communist Youth League committee He Minghua.

May 13-14, 2012: PRC Premier Wen Jiabao, ROK President Lee Myung-bak, and Japanese Prime Minister Yoshihiko Noda hold the fifth China-ROK-Japan summit in Beijing.

May 14, 2012: DPRK Vice Minister of Public Health Kang Ka Kuk leads a delegation to Beijing and visits Beijing Chaoyang Hospital.

May 21, 2012: Twenty-eight Chinese fishermen return to China after being detained for 13 days by the DPRK.

May 22, 2012: Wang Zhizhen, vice chairwoman of the National Committee of the Chinese People's Political Consultative Conference (CPPCC), and Chung Ui-hwa, South Korea's acting National Assembly speaker, agree to expand parliamentary exchanges.

May 24, 2012: PRC and ROK culture ministers attend the fifth ASEAN+3 Culture Ministerial Meeting in Singapore.

May 31, 2012: The PRC Ministry of Defense spokesman refutes ROK media reports on China's signing of a military supply agreement with South Korea.

June 1, 2012: A PRC spokesman expresses China's support for Korean denuclearization in response to North Korea's claim of "nuclear-armed state" status in its constitution.

June 12, 2012: More than 100 Chinese soldiers conduct a river-crossing exercise on the Yalu River border with North Korea.

June 13, 2012: PRC Foreign Ministry denies Japanese media reports that Chinese exported missile launch vehicles to North Korea in August 2011 in violation of UN sanctions.

June 14, 2012: The PRC Foreign Ministry spokesperson calls for regional peace and stability in response to planned US-ROK-Japan joint naval exercises south of the peninsula.

June 18-23, 2012: A delegation of the Korea Retired Generals and Admirals Association visits China and meets PRC Defense Minister Liang Guanglie in Beijing.

June 21-22, 2012: South Korea and Taiwan hold initial discussions in Taipei on a bilateral investment treaty.

June 24-28, 2012: PRC and ROK officials attend the third ASEAN+3 forum on armed forces unconventional security at Shijazhuang Army Command College of the PLA.

June 27-29, 2012: PRC Vice Premier Wang Qishan visits South Korea for the "China National Day" ceremony of the Yeosu Expo and meets Minister of Strategy and Finance Park Jae-wan.

June 28, 2012: PRC Defense Ministry spokesperson expresses China's opposition to the strengthening of military alliances following joint US, South Korea and Japan military drills.

June 29, 2012: PRC Foreign Ministry spokesperson calls for regional peace and stability after the delay in the signing of the first military pact between South Korea and Japan.

June 29, 2012: China launches a cruise to North Korea's Mount Kumgang. About 100 Chinese tourists from Jilin begin their 4-day trip.

July 2-4, 2012: China-ROK FTA talks are held on Jeju Island. South Korean farmers and fishermen hold protests against the talks in Seoul on July 3.

July 11, 2012: PRC and DPRK Foreign Ministers Yang Jiechi and Park Ui Chun meet on the sidelines of the ASEAN ministerial-level meetings in Phnom Penh.

July 12-14, 2012: PRC State Councilor and Minister of Public Security Meng Jianzhu visits South Korea and meets President Lee Myung-bak, Foreign Minister Kim Sung-hwan, Justice Minister Kwon Jae-jin, Prosecutor General Han Sang-dae, Commissioner General of the National Police Agency Kim Ki-Yong, and South Korea's National Intelligence Service chief.

July 12, 2012: PRC and ROK Foreign Ministers Yang Jiechi and Kim Sung-hwan meet on the sidelines of ASEAN ministerial-level meetings in Phnom Penh.

July 14, 2012: China opens a consular office on Jeju Island.

July 18, 2012: Kim Jong Un is appointed marshal after Ri Yong Ho's dismissal as People's Army chief of General Staff and Hyon Yong Chol's promotion to vice marshal.

July 20, 2012: South Korean activist Kim Young-hwan returns to South Korea after his 114-day detention in China.

July 24-28, 2012: Ri Myong Su, member of the WPK Political Bureau and National Defense Committee and North Korea's minister of people's security, visits China and meets Chinese counterpart Meng Jianzhu and Zhou Yongkang, member of the CCP Political Bureau Standing Committee and Secretary of the Political and Legislative Affairs Committee.

July 25, 2012: First Lady of the DPRK Ri Sol Ju receives PRC Ambassador Liu Hongcai at a theme park.

July 30-Aug. 2, 2012: ROK Vice Defense Minister Lee Yong-gul visits China and meets Defense Minister Liang Guanglie and participates in the second China-ROK strategic defense talks with Ma Xiaotian, deputy chief of the PLA General Staff.

July 30-Aug. 3, 2012: Wang Jiarui, head of the CCP International Department, leads delegation to North Korea to meet Kim Jong Un and DPRK counterpart Kim Yong Il, accompanied by Deputy Director of the WPK's International Affairs Department Kim Song Nam and PRC Ambassador Liu Hongcai.

July 31, 2012: The PRC Foreign Ministry releases Beijing's first official comments rejecting allegations of torture against a South Korean rights activist detained in China.

July 31, 2012: South Korea's Farm Ministry confirms that South Korea and China agreed to reduce fishing quotas in each other's exclusive economic zones.

Aug. 1, 2012: PRC, ROK, and Japanese central bank governors meet in Dalian.

Aug. 13-18, 2012: Jang Song Taek, head of the WPK Central Administrative Department, leads a 50-person delegation of the DPRK-China Joint Guidance Committee to China.

Aug. 14, 2012: The third meeting of the China-DPRK joint steering committee for the Rason Economic and Trade Zone and Hwanggumphyong and Wihwa Islands Economic Zone is held in Beijing, co-chaired by Jang Song Taek and Chen Deming, PRC minister of commerce.

Aug. 15, 2012: Kim Jong Un attends the completion ceremony of an amusement park in Pyongyang with PRC Ambassador to the DPRK Liu Hongcai, Kim's aunt Kim Kyong Hui, Director of the People's Army General Political Bureau Cho Ryong Hae, and other officials.

Aug. 16, 2012: Jang Song Taek meets International Department head Wang Jiarui in Beijing. Others attending are Deputy Head of the CCP International Department Liu Jieyi, PRC Ambassador to the DPRK Liu Hongcai, and DPRK Ambassador to China Chi Jae Ryong.

Aug. 17, 2012: Jang Song Taek meets President Hu Jintao and Premier Wen Jiabao in Beijing.

Aug. 17, 2012: China and North Korea open a new tourist route from Yanji to Rason.

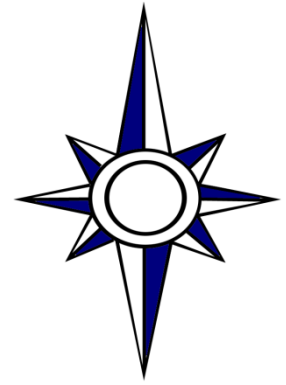
Aug. 24, 2012: President Hu Jintao, Premier Wen Jiabao, and Foreign Minister Yang Jiechi, and President Lee Myung-bak, Prime Minister Kim Hwang-sik, and Foreign Minister Kim Sung-hwan, exchange messages to celebrate the 20th anniversary of China-ROK diplomatic relations.

Aug. 29, 2012: South Korea opens a consular office in Dalian, Liaoning province.

Aug. 31, 2012: PRC Vice President Xi Jinping attends a reception marking the 20th anniversary of Sino-South Korean diplomatic ties, co-hosted by the Chinese People's Association for Friendship with Foreign Countries and the ROK Embassy in Beijing.

Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



Japan-China Relations:

Happy 40th Anniversary...? Part 2

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The summer was not all about the Senkakus, but the islands did dominate developments in the bilateral relationship. The Ishihara Senkaku purchase plan went full speed ahead. By the end of August, Japanese citizens had contributed over 1.4 billion yen toward the purchase and the Tokyo Municipal Government had formally petitioned to conduct a survey of the islands prior to purchase. Meanwhile, Hong Kong activists landed on the islands, sparking diplomatic protests from Tokyo; Japanese activists followed with their own landing on the islands, sparking diplomatic protests from Beijing and anti-Japanese riots across China. Japan's ambassador to China caused his own political storm in Tokyo when he expressed his personal view that the Ishihara plan could lead to a crisis in Japan-China relations. Relations suffered further as Tokyo hosted the convention of the World Uighur Congress and President Hu Jintao found a bilateral meeting with Prime Minister Noda inconvenient during a trilateral China-Japan-ROK meeting in Beijing. An alleged spy incident involving a Chinese diplomat served to further complicate relations. Japan's 2012 defense white paper reiterated, longstanding, but growing concerns with China's lack of transparency and the increasing activities of its navy in waters off Japan. Meanwhile public opinion on mutual perceptions continued a downward trend in both countries.

Summitry

Premier Wen Jiabao, Prime Minister Noda Yoshihiko, and President Lee Myung-bak met in the Great Hall of the People on May 13. The three leaders agreed to begin negotiations on a free trade agreement (FTA) within the year and strengthen the three countries' comprehensive cooperative partnership. They also agreed to work to prevent North Korea from taking provocative actions and escalating tensions on the Korean Peninsula. Deputy Chief Cabinet Secretary Saito Tsuyoshi told reporters that China said it would do its best to persuade North Korea "not to act against the interests of regional stability."

Noda also met Wen separately. Taking up the issue of the Xinjiang Uighur Autonomous Republic and the Senkaku Islands, Wen said "it is important to respect China's core interests and matters of great concern" and reiterated China's longstanding position on the issues. Noda replied that "China's maritime activities, including those in waters near the Senkakus, have provoked the sentiments of the Japanese publics." The two leaders, however, did agree to make every effort to deepen the mutually beneficial strategic relationship, and Noda invited President

* The views expressed in this article are the views of the author alone and do not necessarily represent the views or policy of the National Defense University, the Department of Defense, or the US government.

Hu to visit Japan to advance mutual trust. Noda also asked China to resume negotiations on the East China Sea gas fields; Wen replied that he wanted to move toward reopening of negotiations with a clear mutual understanding.

Afterward, Chief Cabinet Secretary Fujimura Osamu, parsing Wen's words, told reporters that "core interest" did not refer to the Senkakus. Other Japanese diplomatic sources clarified the "core interest" reference pertained to Uighur Autonomous Republic and "matters of great concern" referred to the Senkakus.

On May 14, President Hu Jintao met President Lee, however a bilateral Hu-Noda meeting did not take place. Japanese media reported that the snub reflected China's pique with the meeting of the World Uighur Congress that was taking place the same day in Tokyo. The *Sankei Shimbun* reported that a senior Japanese diplomat related that, during an early May visit to Beijing to advance the trilateral summit, a senior Japanese government official had been told that allowing the Uighur Congress to meet in Tokyo had "political significance." The *Yomiuri Shimbun* offered a slightly different take. Noting the heated exchange over the Senkakus in the Wen-Noda meeting, a Japanese source suggested that China had acted out of concern that a Hu-Noda meeting would have worsened bilateral relations since the Senkaku issue would have been addressed.

World Uighur Congress

The Fourth World Uighur Congress met in Tokyo, with some 120 representatives from 10 countries attending. In her opening remarks, exiled leader Rebya Kadeer criticized China for "stepping up its violent and repressive policies" toward the Uighur minority and called on Beijing "to stop the massacre against the Uighurs." In a letter to members of the Japanese Diet attending the Congress, China's ambassador indicted the Congress as a criminal organization aimed at breaking-up China and protested the meeting as an "obstacle" to the development of China-Japan relations. In Beijing, the Foreign Ministry expressed "strong dissatisfaction" with Japan for allowing the Congress, "a thoroughly anti-China separatist organization," to meet in Tokyo in the face of China's "firm opposition." The ministry went to explain that China could brook no external interference in Xinjiang-related matters which are the internal affairs of China.

Further complicating the Japan-China relationship, some Congress participants were reported to have visited the Yasukuni Shrine. In response, China's Foreign Ministry spokesperson Hong Lei told reporters that "The anti-China separatists of the 'World Uighur Congress' have been colluding with Japanese right-wing forces, which fully expresses their political nature of splitting their motherland and undermining China-Japan relations." Following the conclusion of the Congress, Kadeer attended the "Support the World Uighur Congress and Oppose Chinese Hegemony" symposium held in Tokyo and made a 10,000 yen contribution to the fund, established by Tokyo Gov. Ishihara Shintaro, for the purchase of the Senkaku Islands.

Security

Japan Maritime Self-Defense Force (JMSDF) patrol aircraft identified three Chinese warships passing through the Osumi Strait between Kyushu and the island of Tanegoshima on April 29.

The passage through the strait was the first in nine years for the PLA Navy and was considered “unusual” by the JMSDF. On May 8, five PLA Navy ships, two missile destroyers, two frigates, and an assault ships, entered the Pacific Ocean through international waters southwest of Okinawa and conducted exercises. Chief Cabinet Secretary Fujimura Osamu told a press conference that “China will probably expand the area of activities and regularize the conduct its maritime activities.” In turn, Japan will continue to pay careful attention to its activities. A senior Ministry of Defense official thought the exercises were “intended to improve the ability to lead a fleet ... with the goal of developing a blue-water navy.”

The May 9 *Sankei Shimbun* reported that during November 2011 exercises near Okinawa, Japan’s Ground, Air, and Maritime Self-Defense Forces worked through scenarios aimed at recovering the Senkaku Islands in the event of their occupation by Chinese forces. The exercises were focused on responding to three contingencies: illegal acts in peacetime; a situation in which armed attack is expected; and an actual armed attack. The first phase of the scenario involved the landing of Chinese forces disguised as fishermen on the islands, followed by the dispatch of PLA Navy ships along with amphibious and airborne forces and PLA Air Force fighters.

On July 7, Japanese media reported that the Frontier Subcommittee of the National Strategy Council had recommended a reconsideration of the government’s position on Japan’s exercise of the right of collective self-defense. In doing so, the subcommittee argued that reinterpreting the Constitution would allow Japan to “boost its value to partner countries and step up security cooperation.” Foreign Minister Gamba Koichiro observed that a review of the current interpretation would need to be undertaken in due course.

At the end of July, the Noda Cabinet approved the release of its white paper, *The Defense of Japan 2012*. It reiterated longstanding, but growing, concerns with China’s lack of transparency, with the Chinese Navy’s increasing activity in the seas surrounding Japan, and with repeated incursions of China’s non-PLA ships into Japanese waters, citing in particular the July incursion of three ships of the Fisheries Law Enforcement Command into Japan’s territorial waters. For the first time, the white paper expressed concern with the increasing “complex” relationship of the PLA with China’s Communist Party and with the PLA’s “changing influence” in the formulation of foreign policy. China’s Foreign Ministry rejoined that China’s increasing military capabilities are aimed at protecting its “sovereignty and territorial integrity; they do not pose a threat to other countries.” Meanwhile, the Ministry of Defense asserted China’s sovereignty over the Diaoyu Islands and made clear that the PLA is prepared “to fulfill its duty.”

Spy incident

At the end of May, Japanese media reported that Tokyo Metropolitan Police authorities, through the Foreign Ministry, had asked the Chinese Embassy to make available for questioning First Secretary Li Chunguang. Li, a Japan specialist, graduated from Henan University with a BA in the Japanese language in 1989, attended the PLA’s Japanese language school, and served in the PLA Intelligence Department. He also attended the Matsushita Institute of Government and Management in 1999 and served at China’s Institute of Japanese Studies before being assigned to the embassy in Tokyo.

Japanese media reported that police authorities wanted to question Li about possible violations of the Vienna Convention on Diplomatic Relations. Li, reportedly, had obtained an alien registration card using false personal information, passing himself off as researcher at Tokyo University, and using the illegally obtained papers to open a private bank account, concealing his identity as a diplomat. The police claimed that monthly deposits of 100,000 yen were made into the account by a Japanese company interested in the China market. As the story developed, on May 30, a senior vice minister at the Ministry of Agriculture, Forestry, and Fisheries, admitted that he had met Li to discuss a project aimed at promoting Japanese agricultural exports to China, but denied having “close ties” with Li or giving him classified information. Meanwhile the minister of agriculture ordered an investigation to see if any classified information had been passed. The *Yomiuri Shimbun* also reported that Li had been in contact with employees of Japan’s defense and high-tech companies and that police were planning to interview his contacts.

On May 31, the Tokyo Metropolitan Police Department handed the Li case over to the Tokyo District Public Prosecutor’s Office. Responding to media inquiries, the counselor of the Chinese Embassy said reports that Li was engaged “in spying activities are totally groundless” and that Li had returned to Beijing “because of the expiration of his term in office.” On June 6, the *Asahi Shimbun* reported that a Japanese diplomatic trainee studying in Shanghai had been asked to appear at the public security office following a study trip made to a nearby city. The trainee reported the summons to the Japanese embassy and Tokyo ordered him home without responding to the summons.

The Senkaku purchase plan; part I, May-June 2012.

The Tokyo Municipal government opened an account at the Mizuho Bank to accept deposits toward the purchase of the Senkaku Islands on April 27. Tokyo Gov. Ishihara Shintaro met Prime Minister Noda Yoshihiko on the same day. Ishihara said that they did not discuss his Senkaku purchase plan but that he cautioned the prime minister that the Foreign Ministry would be the biggest problem with regard to the plan, observing that “The Ministry has no ability but to flatter the big power.”

As agreed at the December 2011 summit, director generals of the Chinese and Japanese Foreign Ministries, along with representatives of maritime-related departments met in Hangzhou on May 16 in an effort to establish a high-level consultative mechanism on maritime issues. On the Senkakus, both sides reiterated longstanding positions, but agreed on the importance of bringing together stakeholders from various ministries and departments as a first step in building confidence and creating a crisis management mechanism.

On May 22, Eda Satsuki, senior advisor to the Democratic Party of Japan (DPJ), met Wang Jiarui, head of the CCP’s International Department in Beijing. Afterward, meeting with reporters, Eda quoted Wang as saying “To China, both the Diaoyu and the Uighur area are core interests.” Eda also said that Wang had made clear China’s strong opposition to the Ishihara purchase plan. At his regular press conference, Chief Cabinet Secretary Fujimura took up Wang’s “core interest” remarks and made clear that “whatever the China side says, it will have no influence on Japan’s position.” Fujimura also attempted to downplay Wang’s statement by casting it as Wang’s personal opinion as opposed to official policy.

On May 29, Gov. Ishihara, in remarks to the Foreign Correspondents Club of Japan, expressed a strong sense of alarm with respect to China. He said that China, which had politically exterminated Tibet, was now taking aim at the Senkakus. Should Japan continue “to be timid toward China over the Senkaku issue, a little rising sun could become the sixth star on the five-starred red flag.” China’s Foreign Ministry, addressing Ishihara’s purchase plan, observed that however pretty this artifice is, “it in no way changes the reality that the islands belong to China.”

The Tokyo Metropolitan Assembly took up Ishihara’s Senkaku purchase plan on June 5, with the governor remarking that he would “take action on behalf of the weak-kneed government.” In the face of China’s assertion of sovereignty over the islands, there was not a moment to lose in transferring ownership to the government. The *Asahi* reported that a senior official of the CCP in charge of exchange with Japan, referring to Ishihara’s statements, had expressed concern “about the possible spread of Japanese public opinion in support of his remarks.”

Subsequently, the Tokyo Municipal Government announced that it would send a two-man survey team, accompanied by an Ishigaki fisheries cooperative, to the Senkaku area. The team however would not land on the islands. At the same time, six members of the Diet participated in a privately sponsored ship visit to the islands. Addressing the reports of the recent Japanese activities, China’s Foreign Ministry spokesperson Liu Weimin reiterated that “any unilateral move taken by Japan over the Diaoyu Island is illegal and invalid.” He stated that China “has lodged solemn representations with Japan, demanding Japan to stop creating new disturbances and safeguard the overall interest of China-Japan relations with concrete actions.” Speaking to a China-Japan academic symposium in Shanghai, former State Councilor Tang Jiaxuan, now head of the China-Japan Friendship Association, said that some Japanese political leaders, in an effort to expand their political support base, had raised the idea with a view to giving rise to antagonism. Tang also made clear that the Senkaku issue should not disrupt events and exchanges scheduled to mark the 40th anniversary of diplomatic relations.

As the purchase plan debate heated up, Japan’s Ambassador to China Niwa Uichiro, in an interview published in the June 7 *Financial Times*, expressed his concern that the purchase, if actualized, would bring about an “extremely grave crisis in bilateral relations.” Commenting on interview, Chief Cabinet Secretary Fujimura said that Niwa’s remarks reflected his “personal opinion and that it would be a mistake to interpret them as expressing the opinion of the government.” Fujimura emphasized that from the point of view of history and international law, there could be no doubt that the Senkaku Islands are Japanese territory.

On June 8, following Liberal Democratic Party (LDP) calls for Niwa’s recall, Foreign Minister Gemba told reporters that the ambassador had apologized for the confusion caused by his statement. Later, the Cabinet in a written statement announced that Niwa’s choice of words did not convey the government’s position and was “inappropriate.” That afternoon, Gemba told the Upper House Committee on Diplomacy and Defense that that the government had no plans to censure or recall the ambassador. *Xinhua*, however, cast Niwa’s remarks as simply speaking truth to power, publicly expressing concern over the potential damage to the bilateral relationship. The *People’s Daily* and the *Global Times* blasted the Ishihara plan as reflecting “the thoughts of a poisonous snake.”

On June 11, Ishihara appeared before the Lower House Budget Committee. In his remarks, he again faulted the central government for failing to defend Japan's uninhabited islands. He said it was "absurd for Tokyo to step in, but we have to," announced that public donations to support the Senkaku purchase stood at 1.1 billion yen, and expressed a willingness to sell the islands to the central government following the purchase from the private owner. Ishihara also called for the recall of Ambassador Niwa. The following day, Ishihara told reporters that it made no sense for the Tokyo government not to receive permission from the central government to be able to land on the Senkakus in order to conduct a survey of the islands and their wildlife inhabitants.

On June 16, Nagashima Akihisa, special assistant to the prime minister, told a *TBS* audience that it was reasonable for Japan to have clear possession of the islands. He urged the public to consider whether, given China's markedly increasing activities in the area, a peaceful and stable state of affairs on the island could be maintained absent national ownership. At the end of June, Ishihara told a radio audience that the Senkaku purchase would be his top priority, outpacing thoughts of forming a new political party in advance of anticipated elections. Ishihara also reported that over 80,000 contributors had deposited over 1.3 billion yen toward the Tokyo Municipal government's purchase of the islands

The Senkaku purchase plan: part II, July-August

On July 6, Deputy Chief Cabinet Secretary Nagahama Hiroyuki and Special Assistant Nagashima informed Ishihara that the national government intended to purchase three of the Senkaku islands: Uotsurijima, Minamikojima, and Kitakojima. Prime Minister Noda said, "we are considering the issue comprehensively from the viewpoint of maintaining and controlling the islands in a peaceful and stable manner." He reaffirmed that the islands "are an integral part of our country from the standpoint of history and international law, and no territorial dispute exists because the islands have been under our effective control." A government source told the *Asahi Shimbun* that the government had decided to act because "if they are purchased by Ishihara, who has spoken and acted provocatively on many occasions, the Japan-China relationship will deteriorate further."

Ishihara told Noda's representatives that "Tokyo will purchase the islands first and then hand them over to the state in consideration of the circumstances of the issue and the owner's view." He explained that the owner of the islands, Kurihara Hiroyuki, had told him that he would only sell the islands to the Tokyo Municipal Government and had "no plans to negotiate with the central government." According to Ishihara the owner, concerned about reports of the central government's intent to buy the islands, had telephoned him. Ishihara acknowledged that government officials had visited him, but told Kurihara "I ignored what they said. You can set your mind at ease." Kurihara, in remarks to the Foreign Correspondents Club of Japan, explained that he was concerned that the Senkaku dispute could "turn into a war" and to "prevent such a thing from occurring," he thought "a deal between an individual and the Tokyo Municipal Government is smoother than a purchase buy the central government." As for the final disposition of the islands, Kurihara had no objection if the Tokyo government were to re-sell the islands to the central government. Reacting to reports from Tokyo, Foreign Ministry spokesperson Liu Weimin stated that China had made "stern representations" with Japan over its

recent moves ... making clear the Chinese government's firm position to defend its territorial sovereignty over the Diaoyu islands....”

On July 11, three ships of the Fisheries Law Enforcement Command, the *Yuzheng 204*, the *Yuzheng 202*, and the *Yuzheng 35001*, entered Japanese waters off the Senkakus. Vice Foreign Minister Sasae Kenichiro called in China's ambassador and protested the incursion as “extremely serious” and “unacceptable.” The following day, the *Yuzheng 33001* intruded into Japan's contiguous zone. In response to a Japan Coast Guard challenge, the Chinese ship replied that it was “patrolling in Chinese waters.” Chief Cabinet Secretary Fujimura reiterated Japan's position that the islands are an “integral part of Japanese territory and acknowledged that a protest had been made through diplomatic channels. In Beijing, the Foreign Ministry's spokesperson explained that “China's fisheries administration ships went into waters under Chinese jurisdiction according to Chinese laws for routine patrol and inspection...”

As the Chinese ships were entering, Japanese waters, Foreign Ministers Gemba and Yang Jiechi met in Phnom Penh at the ASEAN Regional Forum. Gemba, while avoiding the use of the word “nationalize,” told Yang of Japan's intention toward the islands, explaining that doing so would serve to “maintain and manage these islands in a peaceful and stable manner.” Gemba portrayed the action as simply a change of ownership within Japan and not an international issue and strongly protested the presence of the Chinese ships in Japanese waters. In reply, Yang did not directly address the nationalization plan but reiterated China's position that the islands are “an integral part of Chinese territory,” and expressed the hope that Japan would act to safeguard the larger bilateral relationship. A Chinese official described the atmospherics as being “not relaxed but neither was it tense.” A Japanese member of the Gemba's party observed that Yang was “not belligerent” and that it seemed that the two ministers believed that “precisely during hard times, the Foreign Ministers of both sides should communicate steadily.”

At the same time, Ishihara was making clear the intention of the Tokyo Municipal Government to ask the central government's permission to land on the islands. In a press conference, he said that he could not understand “why the government will not grant permission” and if it failed to do so “it will be hard pressed to explain why.” Meanwhile, Chief Cabinet Secretary Fujimura explained that in the event that the Tokyo government should ask permission to land on the islands, the Noda government would take a comprehensive approach to the request, taking into consideration various factors including the owner's intentions and whether it would support the peaceful and stable management of the islands.

On July 20, Gov. Ishihara met Kurihara to formulate concrete plans with regard to the islands. The day before, Ishihara told the media that a sale of the islands to the central government would be conditioned on the construction of safe harbors on the islands as well as taking measures to prevent landings by Chinese nationals. Asked how he would respond should the central government deny his request to land on the islands to conduct a survey, Ishihara said that he did not think that “the state has any right to intervene in commercial transactions between municipalities and the private sector.” He added that he “would not hesitate to bring a lawsuit.” At the end of July, sources involved in the development of the government's strategy revealed that the government had been prepared to offer 2 billion yen for three of the islands and had

requested a meeting. Kurihara, however, turned down the request and made clear his intention to continue talks with Ishihara, saying “I cannot make Mr. Ishihara lose face.”

On July 26, during a plenary session of the Lower House, Prime Minister Noda took up the Senkaku issue, stating that, should “neighboring countries” engage in illegal activities in Japan’s sovereign territory and waters, “the entire government would respond resolutely to such acts, including the use of the SDF, if necessary. Minister of Defense Morimoto, following Noda’s remarks, told reporters that “action by the SDF is secured by law in cases where the Japan Coast Guard or police cannot respond.” As for the Senkaku purchase plan, Noda explained that consultations were ongoing at various levels and that the government was taking a comprehensive approach to the matter. The following day, Chief Cabinet Secretary Fujimura attempted to downplay the prime minister’s remarks on use of the SDF, telling reporters that Noda had “only referred to a theoretical possibility.” In Beijing, Foreign Ministry spokesperson Hong Lei announced that “China has expressed its grave concerns and strong dissatisfaction with Japan’s extremely irresponsible remarks.” At the same time, he noted “Japan’s expressed wish to resolve problems through diplomatic efforts” and urged Japan to “earnestly uphold the larger interests of bilateral relations and make concrete efforts to properly handle relevant issues.”

On Aug. 12, as media were reporting that Hong Kong activists were onboard a ship headed for the Senkakus, Chief of Staff of the Self Defense Force Gen. Iwasaki Shigeru ordered the preparation of a manual for the mobilization of the SDF to deal with “grey zone” provocations, involving incursions from China’s maritime surveillance ships, Chinese fishing trawlers, and illegal landings on the islands. The Japanese Coast Guard would play the role of first responder in the case of maritime incidents and the Okinawa Prefectural Police would play a similar role in the event of illegal landings. However, if armed ships prevent the Coast Guard and the Prefectural Police from exercising law enforcement responsibilities, the SDF would be mobilized “to preserve public order.”

Senakaku landings and goings

Toward the end of July, it was reported that a nonpartisan group of Diet members would petition the government to allow them to land on the Senkaku Islands to hold commemorative services for civilians who died in an attack by US warplanes on a ship sailing from Ishigaki to Taiwan at the end of the war. (The city of Ishigaki is the site of the annual service). On Aug. 13, the government turned down the legislators’ request, citing current policy which permits only government officials to land on the islands.

Two days later, Hong Kong activists landed on the Uotsuri Island; 14 were subsequently arrested by the Okinawa Prefectural Police under the Immigration Control and Refugee Recognition Law. The landing was front page news in Japan. In Beijing, 20 to 30 activists staged a demonstration by the Japanese Embassy, which cautioned Japanese residents to exercise care with regard to external activities.

In Tokyo, Prime Minister Noda told reporters that “we will handle this squarely in line with the law.” Chief Cabinet Secretary Fujimura made clear that the landings took place in the face of repeated warnings against such action. Vice Minister Sasae called in Ambassador Cheng

Yonghua to protest; meanwhile Ambassador Niwa was called into the Chinese Foreign Ministry, where officials called for the release of the 14 activists. After a meeting of relevant Cabinet ministers, the Japanese government, rather than press charges, deported the 14 activists on Aug. 17. On their return, the activists made clear that they would look for opportunities to return to the islands until the Chinese and Taiwanese government figure out a way to solve the issue.” They also called for large scale demonstrations on Sept. 18 to mark the 81st anniversary of the Manchurian Incident. China’s media carried factual accounts, without commentary, of the activist return. China’s netizens proclaimed a diplomatic victory.

In Tokyo, addressing reports of a possible return of the Hong Kong activists in October, Vice Foreign Minister Yamaguchi Tsuyoshi said that steps would be taken to “avoid a recurrence at all costs.” During a *Fuji Television* interview, Special Advisor Nagashima called for the strengthening of constabulary forces and the possible use of the SDF to conduct surveillance in Japanese waters.

Following the departure of the Hong Kong activists, Japanese activists, on Aug. 19, landed on Uotsuri Island. At the diplomatic level, Beijing protested the landing and called on Japan to “immediately cease actions harming China’s territorial sovereignty.” Ambassador Niwa rejected the protest and called on Beijing to take steps to prevent a recurrence of the Aug. 15 landing. At the street level, anti-Japanese demonstrations broke out in Beijing, Shenzhen, Huangzhou, Xian, Guangzhou, Chengdu, Shenyang, Harbin, and Qingdao. In Shenzhen, Japanese automobiles were vandalized and Japanese restaurants broken into. Concerned that the youthful demonstrators were going too far, China’s *Youth Daily* published an article headlined “Smashing Japanese Automobiles is not an Act of Patriotism.” The article expressed understanding with the demonstrators, found the actions of Japanese rightist elements to be the cause of their anger, and regretted that Chinese owners of Japanese autos had suffered loss. The article went on to point out that pictures of the car-smashing hurt “China’s image.” On Aug. 20, Japanese media reported that Chinese papers failed to carry stories on the anti-Japanese demonstrations, carrying only brief articles on the landing of the Japanese activists and the protest of the Chinese government. Japanese media speculated that Beijing was acting to tamp down the anti-Japanese mood and bring the situation under control.

On Aug. 17, the Tokyo Municipal Government filed a petition asking permission to land on the Senkaku Islands to conduct a survey in advance of acquiring them. The government, as Chief Cabinet Secretary Fujimura explained, did not formally take the petition under consideration, finding it lacking in details. The Tokyo government subsequently provided the detailed information, including an Aug. 29 date to land on the islands, and the government formally accepted the petition on Aug. 22. Fujimura said that the petition would be considered “in light of the purpose of the state’s leasing the islands, which is to ensure their peaceful and stable management.” He indicated that the government would make every effort to respond by the end of the month. Meanwhile, Gov. Ishihara told reporters that acceptance of the petition was expected, and even if it had not been accepted, he wanted to land on the islands, and even if arrested, that would be fine by him.

On Aug. 24, the Lower House of the Diet adopted a resolution asserting Japanese sovereignty over the Senkaku Islands. That evening, Prime Minister Noda opened a press conference with a

statement acknowledging that a series of recent events had raised issues of Japanese sovereign authority. He went on to make clear that the government's unwavering resolution to deal with the issues in a composed but firm manner. Noda noted that China only began to voice claims to the Senkakus in the 1970s when the possibility of oil reserves in the East China Sea first surfaced. He emphasized that "from the perspective of history and international law, there can be no doubt that the Senkakus are Japan's sovereign territory." Noda also said that the government would consider releasing the Coast Guard video of the arrest of the Hong Kong activists and suggested that the government would reach a decision on the Tokyo Government Senkaku petition by Aug. 29. The central government formally rejected the petition on Aug. 27.

Public opinion

In the annual Genron NPO-*China Daily* poll of public opinion, 84.3 percent of Japanese respondents expressed a negative impression of China, six points higher than the 2011 poll and the highest negative rating since the poll began in 2005. Allowed to choose multiple reasons for their opinion, 54.4 percent found China "selfish" in the pursuit of energy and natural resources; 48.8 percent cited China's activities in the East China Sea and the Senkakus. On the other hand, 65 percent of Chinese respondents had a negative impression of Japan – down 1.4 percent from 2011. Issues related to history and the Senkakus were the main reasons for the negative feelings of Chinese respondents.

Regarding overall bilateral relations, 53.7 percent of Japanese respondents viewed relations as "bad" and only 7.4 percent viewed them as "good." In contrast, just over 40 percent of Chinese respondents viewed bilateral relations as "good" – a drop of 10 percent from 2011. A relatively equal percentage viewed relations as "bad."

Outlook

With Hong Kong activists looking for an opportunity to return to the Senkakus, Gov. Ishihara moving ahead with his purchase plan, and historical anniversaries looming in September and December, prospects for a celebratory mood to mark the anniversary of normalization on Sept. 27 are not promising. The Senkaku controversy promises to continue through the end of the year, with unforeseen twists, turns, and repercussions expected.

Chronology of Japan – China Relations May – August 2012

May 2, 2012: Panasonic announces opening of lithium battery production in Suzhou, following the closing of a plant in Osaka Prefecture.

May 3, 2012: Japanese, Chinese, and ROK finance ministers agree to strengthen financial cooperation through bond purchases.

May 3, 2012: Japanese Coast Guard reports two Chinese Maritime Fisheries Law Enforcement ships entered Japanese territorial waters around the Senkaku Islands.

May 3, 2012: Chinese, Japanese, and ROK environmental ministers meet in Beijing.

May 12, 2012: China-Japan-ROK trade ministers agree to launch free trade agreement talks by the end of 2012.

May 13, 2012: Premier Wen Jiabao, Prime Minister Noda Yoshihiko, and President Lee Myung-bak meet in Beijing for a trilateral summit.

May 13, 2012: Russian authorities announce Korean and Chinese participation in infrastructure development on Etorofu and Kunashiri Islands.

May 14, 2012: Asahikawa Medical University and four Chinese medical institutions announce the launch of joint on-line telemedicine system.

May 14, 2012: Three People's Liberation Army (PLA) Navy frigates transit in international waters between Okinawa and Miyakojima into the western Pacific.

May 16, 2012: Chinese and Japanese officials meet in Hangzhou to discuss establishing high-level consultative mechanism on maritime issues.

May 19, 2012: Beijing informs Tokyo that the visit of the Vice Chairman of the Central Military Commission, Gen. Guo Boxiong, scheduled for May 24-28, is postponed "for work-related circumstances. This is the second time the visit has been delayed.

May 22, 2012: Democratic Party of Japan (DPJ) Senior Advisor Eda Satsuki meets Wang Jiarui, head of the CCP's International department, in Beijing.

May 25-27, 2012: Former Prime Minister Hatoyama Yukio visits China.

May 28, 2012: Foreign Minister Gamba Koichiro calls for an increase in Japan's defense budget, citing in particular need to protect Japan's southwest islands.

May 28, 2012: "Cool Japan" exhibition opens in Beijing.

May 31, 2012: Japanese police turn over alleged Chinese spy case to public prosecutors.

May 31, 2012: Liberal Democratic Party (LDP) election plank calls on government to purchase the Senkaku Islands.

June 1, 2012: China and Japan launch direct foreign exchange system.

June 5, 2012: Tokyo Municipal Government takes up Ishihara's Senkaku purchase plan.

June 6, 2012: Japanese Coast Guard identifies a Chinese Fisheries Law Enforcement ship operating in Japan's contiguous zone in the Senkakus; the spotting is the fifth in 2012 and the second following Ishihara's announcing of the Senkaku purchase plan.

June 7, 2012: Tokyo Municipal Government announces dispatch of two-man survey team to the Senkaku Islands.

June 7, 2012: Japan's Ambassador to China Niwa Uichiro expresses concern over Senkaku purchase plan in a *Financial Times* interview. He apologizes for confusion caused by his statement the following day.

June 11, 2012: Gov. Ishihara appears before Lower House Budget Committee.

June 14, 2012: Three Chinese warships transit Osumi Strait for exercises in the western Pacific.

June 16, 2012: Japanese Coast Guard aircraft find Chinese maritime research ship, *Dong ang Hong 2*, conducting research in an area outside the area for which it had asked permission; a Coast Guard patrol ship orders the Chinese ship to cease research and the captain complies.

June 16, 2012: Nagashima Akihisa, special advisor to prime minister, in TV interview supports government possession of Senkaku Islands.

June 17, 2012: Chinese media report that quarantine authorities find cadmium in fish imported from Japan.

June 21, 2012: China's Ambassador to Japan Cheng Yonghua criticizes Japan for supporting Uighur anti-China activities and equates Uighur activities with Aum Shinrikyo.

June 23, 2012: Japan's Ministry of Defense reports three Chinese warships had transited between Okinawa and Miyakojima on return from exercises in western Pacific (the same warships that had transited the Osumi Strait on June 14)

June 23, 2012: Academic symposium marking 40th anniversary of normalization opens in Shanghai. Former Prime Minister Fukuda Yasuo attends along with Tang Jiaxuan, Chinese head of the China-Japan Friendship Association.

June 28, 2012: Anticipating Tokyo birth of panda cub from giant panda on loan from China, Tokyo Gov. Ishihara suggests the cub be named "Sen-Sen" or "Kaku-Kaku." China's Foreign Ministry spokesperson blasts the suggestion as "a clumsy performance that will only tarnish the image of Japan and Tokyo.'

July 1, 2012: Japan puts into effect multiple entry visas for Chinese tourists for Fukushima, Iwate, and Miyagi prefectures; visa is conditioned on staying at least one night in the region on their first visit.

July 4, 2012: Japanese Coast Guard identifies Taiwanese ship, carrying Taiwanese activists, entering Japanese territorial waters in the Senkaku Islands.

July 6, 2012: Government officials inform Gov. Ishihara of central government's intent to purchase Senkaku Islands.

July 9, 2012: Fortune Global 500 reports 73 Chinese firms in its top ranking, which surpasses the 68 Japanese firms in the group.

July 11-12, 2012: Japanese Coast Guard identifies a total of four Chinese Maritime Fisheries Enforcement Agency ships operating in Japan's contiguous zone in the Senkakus.

July 11, 2012: Apple pulls "Defend the Diaoyu Islands" game from its App store in Beijing; the game depicts a Japanese invasion of the islands

July 14, 2012: Ambassador Niwa is recalled for consultations; returns to Beijing on July 16.

July 27, 2012: Tokyo Municipal Government runs ad in *Wall Street Journal* calling for US support of Senkaku purchase plan.

July 29, 2012: In Qidong, 5,000 Chinese protest Japanese Oji Paper Co. plan to build a pipeline to channel polluted water into East China Sea.

Aug. 3, 2011: 400 Japanese high school students from Iwate, Miyage, and Fukushima Prefectures arrive in China at invitation of the Chinese government; the visit is part of student exchange program marking 40 anniversary of normalization.

Aug. 5, 2012: Taiwan ship spotted conducting research, without notification, in Japan's EEZ.

Aug. 5, 2012: Taiwan's President Ma ying-jeou proposes Taiwan, Japan, and China participate in joint development of resources in East China Sea.

Aug. 6, 2012: Japan-China Comprehensive Energy Conservation and Environment Forum meets in Tokyo; Japan's Minister of Economy, Trade and Industry Edano Yukio urges resumption of negotiations on joint development of natural gas fields in East China Sea.

Aug. 7, 2012: China and Japan conclude 47 agreements on environment and energy conservation involving public and private cooperation.

Aug. 8, 2012: Japan and China agree to add four daily flights from Haneda to Shanghai and Guangzhou each by March 2013, thereby doubling the current total to 16 daily flights.

Aug. 10, 2012: Chief Cabinet Secretary Fujimura Osamu urges Cabinet members to exercise self-restraint with regard to Aug. 15 visits to Yasukuni Shrine.

Aug. 10, 2012: Hong Kong activists leave Hong Kong on ship bound for Senkaku Islands.

Aug. 14, 2012: Taiwan authorities prevent Taiwanese activists from joining Hong Kong activists' Senkaku protest.

Aug. 15, 2012: Supra-party group of 55 parliamentarians pays homage at Yasukuni Shrine; Land and Transport Minister Hata and Chairman of the National Safety Commission Matsubara visit separately in private capacity; Tokyo Gov. Ishihara also visits Yasukuni.

Aug. 15, 2012: Hong Kong activists land on Uotsuri Island in Senkakus; 14 are subsequently arrested by Okinawa Prefectural Police.

Aug. 17, 2012: Hong Kong activists deported.

Aug. 17, 2012: Tokyo Metropolitan Government files petition with central government asking permission to land on Senkaku Islands for pre-purchase survey; government refuses formal acceptance citing lack of details in the Tokyo proposal.

Aug. 19, 2012: Japanese activists land on Uotsuri Island; China protests violation of Chinese sovereignty; Japan rejects protest; anti-Japanese riots break out across China.

Aug. 22, 2012: Government formally accepts Tokyo Metropolitan Government detailed petition for Senkaku landing.

Aug. 24, 2012: Lower House of Diet adopts resolution asserting Japanese sovereignty over Senkaku Islands.

Aug. 24, 2012: Prime Minister Noda pledges government efforts to protect Japanese sovereignty over Senkaku Islands.

Aug. 26, 2012: Japan Self-Defense Force conducts live-fire exercise focused on island defense.

Aug. 27, 2012: Japan's central government rejects a Tokyo Metropolitan Government request for permission to land on one of the Senkaku Islands.

Aug. 27, 2012: The car of Ambassador Niwa is attacked in Beijing and the Japanese flag is torn from it. The Chinese Foreign Ministry expresses deep regret for the incident.

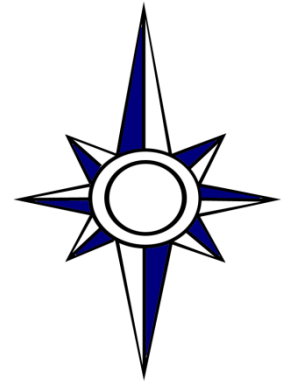
Aug. 27, 2012: Japanese Coast Guard releases video of encounter with Hong Kong activists.

Aug. 28-31, 2012: Ground Self-Defense Force conducts exercise focused on attack and on evacuation of residents of Japan's remote islands.

Aug. 28, 2012: Vice Foreign Minister Yamaguchi Tsuyoshi arrives in Beijing with a letter from Prime Minister Noda to President Hu in an effort to reduce tensions.

Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



Japan-Korea Relations: Grappling on a Hillside?

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Diplomatic disputes between Korea and Japan over historical issues and territory flared yet again this summer, being by far the most serious row since the mid-2000s. With both sides focused far more on proving the others' misdeeds than on finding some stable equilibrium, the disputes threatened to spill over and affect economic relations as well as distract leaders from focusing on a number of pressing domestic and foreign issues. We try to avoid overreactions in this forum, hence the title. Korea-Japan relations are nowhere near falling off a cliff, but without stabilizing relations, there are potential deleterious bilateral and regional effects that could result from the current disputes. There were three underlying themes that characterized and reinforced the general lack of rapport: first, the reverberations from these bilateral disputes onto third parties (US, China, and North Korea); second, the domestic sources of foreign policy (known as the "second-image" in international relations theory); and third, deliberate moves toward negative issue-linkage in stymieing diplomatic relations in the region.

Score: China 2, US 0 (North Korea 1?)

The familiar haunted Korea-Japan relations during the months of May to August. In the case of ROK-Japan, the controversy surrounding the so-called "comfort women" and the territorial spat over Dokdo/Takeshima drove relations, while DPRK-Japan relations were driven by the abduction issue. An unfortunate fact that is often missed in the analysis of ROK-Japan relations is that there is a perceptible absence of any reliable *mediator* to foster *détente* when tensions get high. Thus, despite the overused adage, "when whales fight, it is the shrimp whose back gets broken," (or "when two elephants fight, it is the grass that gets trampled,"), it is probably the US that most resembles the shrimp in the fight over history and territory between Seoul and Tokyo. Consequently, the score for the US remains at zero, given its attempts to stay neutral and "even-handed" despite the highly vested interest that comes from being the common denominator linking its two allies – which coincidentally, translates into little leverage over the situation.

Meanwhile, the greatest beneficiary of tensions between Seoul and Tokyo is China, which can channel the tensions to levy even greater pressure against Japan in its own territorial dispute over the Diaoyu/Senkaku Islands. It can also deter US plans to counter China by forging greater trilateralism in the region between the US, Japan, and ROK. When commentators argue that ROK-Japan relations are not zero-sum, they forget that there are more than two players involved. To slightly revise T.J Pempel's prediction for Asia that we will witness more peace but less influence by the US in shaping events [*International Relations of the Asia-Pacific*, Vol. 10, No. 3 (2010): 465-490], we may just see "*less Pax, and less Americana.*"

Before August – a month that seems to typically downplay neighborly love given Korea’s anniversary of its independence from Japan’s colonial rule – there were a few notable highlights of cooperation especially from May to June. In mid-May, China, South Korea, and Japan met for their fifth trilateral summit and focused on launching negotiations for a three-way free trade pact. Toward the end of May, a bureau chief-level meeting was held in Seoul, to discuss plans by the US, South Korea, and Japan to press a reluctant China to “turn up the heat” on an increasingly provocative North Korea. In early June, the US, South Korea, and Japan agreed at the Shangri-La Dialogue in Singapore to strengthen cooperation in deterring North Korean aggression. In mid-June, trilateral cooperation involving the US, South Korea, and Japan was again reaffirmed during the US-ROK foreign and defense ministers’ (2+2) meeting in Washington. In late-June, US, South Korea, and Japan conducted a joint naval exercise that marked Japan’s first official participation – it has been an observer in past exercises. In mid-July on the sidelines of the ASEAN Regional Forum (ARF) in Cambodia, the US, South Korea, and Japan agreed to continue close consultations in dealing with common security threats.

Nevertheless, a few “sensational” events soon overwhelmed any good-will that came out of such meetings. If May was all about “comfort women,” August was about Dokdo/Takeshima. On May 5, “The War and Women’s Human Rights Museum” opened in Seoul, with the help of both private but also direct governmental funding (of 500 million won or \$427,000). In the same month, the South Korean Supreme Court ruled in favor of former conscripted Korean workers seeking reparations for forced work without pay for Japanese companies during World War II. This was in direct contradiction to Japan’s official stance that the compensation issue had been resolved in the 1965 agreement. In August, South Korean President Lee Myung-bak visited the disputed territory of Dokdo/Takeshima, marking the first time a Korean president has ever set foot on the islands. This action was followed by a verbal remark by Lee urging Japanese Emperor Akihito to apologize to the Korean independence fighters of the Japanese colonial era, if the emperor was to visit South Korea.

Media coverage indicated that bilateral relations had again hit rock bottom. Most of the media coverage was one dimensional on both the Korean and Japanese side, asserting the voice of sovereignty. For instance, *Mainichi Shimbun* encouraged Tokyo to “take back hereditary lands” (Aug. 20 editorial), and emphasized the importance of “educating younger generations about why the Senkakus, Takeshima, and the four islands of the Northern Territories are a part of Japan” (Aug. 21 editorial). Earlier on Aug. 13, a poll was published by *Mainichi* claiming that half the Japanese population had negative views toward South Korea after President Lee’s visit to Dokdo/Takeshima. Similarly, the Aug. 20 *Chosun Ilbo* carried an editorial titled, “Japan must take a cold look at its empire,” which urged Japan to realize that “its lurch to the right since the inauguration of the Noda administration and aggressive stance on Dokdo and attempts to whitewash its World War II atrocities are constantly souring ties with Korea.” Similarly, netizens in South Korea were further enraged by reports that Kim Tae-woo, president of the Korea Institute for National Unification (KINU), had raised the idea of sharing the natural resources surrounding the waters of Dokdo/Takeshima if Japan acknowledges Korea’s claims to the territory and apologizes for historical issues. With the flurry created by the media in both countries, it is difficult for foreign media not to exploit the convenient yet one-dimensional caricature of the bilateral dispute as two children having a brawl.

There was, however, a poignant commentary by Lee Myeon-woo at the Sejong Institute that took a more pragmatic perspective and raised a set of necessary questions about President Lee's visit to the disputed islands ["To Embrace President Lee's Visit to Dokdo?" (Lee Daetongryeong-ae Dokdo Bangmun Hwanyeong?) *Sejong Commentary*, No. 249, Aug. 13, 2012]. The commentary states that Lee's visit to Dokdo/Takeshima should neither be problematized nor welcomed – it is not the act itself that is problematic as it represents an important diplomatic card. What we do need to problematize is why such a hand was played at this point in time, whether the visit achieved what it intended to achieve, and if the card was effective. The rationale behind the *timing* of the visit was admittedly ambiguous. In other words, what was the visit a response to? There seemed to be a general understanding that even though the idea to visit Dokdo/Takeshima may have been fermenting for a while, the final decision did not occur until a few days before the actual visit, with the official announcement being released one day prior to the visit. If Lee's visit was a show of discontent at the Japanese defense white paper that was released in August, which reaffirmed Japan's territorial ambitions for Dokdo/Takeshima (coupled with pressures stemming from the impending Korean independence day), Korea should have framed its actions as having been more meticulous and planned, rather than "spontaneous" or "sudden." As a logical corollary of the timing question, it is just as difficult to figure out whether the "diplomatic card" achieved its intended purpose and had any real impact. Considering that the impact of any card would potentially be greatest the first time it is used, the ambiguity surrounding the visit is even more palpable.

Regardless of the fuzzy rationale involved in the diplomatic spat between South Korea and Japan, the repercussions were not clear. As a direct result of the mounting tensions, some voices coming out of China portrayed satisfaction at seeing Japan "cornered." An editorial in the Aug. 20 *China Daily* by Zhou Yongsheng, a professor of Japanese studies at the China Foreign Affairs University, is a case in point. He asks "So why is Japan at loggerheads with nearly all its neighbors?" He states that "Japan's scramble for neighboring countries' islands will lead to stern countermeasures from China, the ROK, and Russia." He goes on to question the value of a Japan-ROK military alliance promoted by the US, saying that "such a military alliance will not only fail to improve security in Northeast Asia, but also risk an even bigger confrontation, which the ROK is not ready to face, because it is targeted at three countries: the Democratic People's Republic of Korea, China, and Russia." Even prior to the height of the current territorial spat, Japan's diplomatic efforts had been complicated by consecutive cancellations of meetings by South Korea and China. On May 17, South Korean Defense Minister Kim Kwan-jin canceled his trip to Japan. Two days later, Tokyo was notified that a visit by Guo Boxiong, vice chairman of the Communist Party Central Military Commission, would be postponed. Of course, it was unlikely that there was any conscious coordination between Seoul and Beijing, but it was evident that at least in the short-term, China did not lose much from the increased hostility between South Korea and Japan.

From the US perspective, better ROK-Japan relations would foster greater trilateral cooperation involving the US generate pressure against North Korea as well as China. This US objective was most evident in the latest report by Richard Armitage and Joseph Nye ("US-Japan Alliance: Anchoring Stability in Asia," *CSIS*, Aug. 15, 2012), which calls on Japan to "confront the historical issues that continue to complicate relations" with South Korea, and urges the US to "exert full diplomatic efforts to diffuse tensions" between the two neighbors. The report goes on

to suggest that “Washington, Tokyo, and Seoul should pool their diplomatic capital to jointly deter North Korean pursuit of nuclear weapons and help shape a regional environment best suited to respond to China’s emergence as a major power.” It is still unclear whether the US could stay “neutral” in bilateral disputes between South Korea and Japan while helping mend relations to bring both states under the trilateral fold. What is clear is that continued souring of ROK-Japan relations makes the US the equivalent of the shrimp in the fight between whales – whales that really care about the issue.

Another potential beneficiary of continued bilateral tensions between Japan and the ROK is North Korea. The most obvious reason would be the lack of coordination leading to weakened pressures against North Korea. The Aug. 18 *Yomiuri Shimbun* noted this fact when it stated that “the price for the worsening of bilateral relations will eventually have to be paid by both Japan and South Korea. A prolonged feud between the countries is bound to benefit only North Korea in connection with security affairs in the northeastern Asian region.” From another angle, a distracted Japan may mean greater leeway for Pyongyang to make certain “overtures” to Japan. For instance, in mid-June, North Korea allowed a select group of Japanese to visit two burial sites near Pyongyang, which allegedly contain the remains of Japanese soldiers, military officials, and civilians from World War II. This marked the first time that Pyongyang had allowed foreign media to report about the sites. Then, in August, the Japanese Red Cross Society met the North Korean Red Cross in Beijing to discuss the repatriation of the remains of those Japanese that died during and around the time of World War II, as well as allowing visits to their grave sites by bereaved family members. This was the first such meeting since August 2002. The slight thawing in relations also translated into the two agreeing to bilateral talks at the end of August – the first since August 2008. In context, Japan’s relations with North Korea looked a lot more promising than relations between South and North Korea. In fact, at around the same time that the Red Cross representatives from North Korea and Japan met to discuss the repatriation issue, the North Korean Red Cross rejected a proposal made by its South Korean counterparts for talks aimed at resuming reunions for families separated since the Korean War. Instead, the North accused the South of blocking cross-border exchanges and insisted that Seoul reopen the suspended tours to Mount Kumgang.

Inseparable domain of the domestic and international

In conjunction with the territorial dispute, it was not uncommon to hear more people attributing the foreign policy behavior of either South Korea or Japan to internal politics. From the Japanese side, an editorial in the Aug. 12 *Yomiuri Shimbun* pointed fingers at the Democratic Party of Japan-led government and its “leniency” for creating the diplomatic debacle, and that it was “only natural South Korea has exploited the fact that Japan’s diplomatic relations with the United States and China have been faltering.” Similarly, an article in the Aug. 14 *Asahi Shimbun* blamed the domestic situation in Japan, stating that “while some people criticize Japan’s weak diplomacy for allowing other nations to walk all over it, the major issue facing the administration is the fact that it cannot engage in true diplomacy with a lack of consistency as prime ministers go through a revolving door as well as due to the nitpicking being conducted by opposition parties and even within the ruling Democratic Party of Japan.”

Others have also honed in on the “incompetency” of the Noda administration, citing its preoccupation with the consumption tax hike issue as diverting attention from crafting solid diplomatic strategies. On Aug. 17, the head of the opposition Your Party, Watanabe Yoshimi, said it was “natural” to expect such actions from China and South Korea on territorial issues as the Japanese government is run by a “prime minister who can’t think of anything but a consumption tax hike.” Urushibara Yoshio, Diet affairs chief for New Komeito, stated that “politics is inward looking” in Japan, and that “the U.S.-Japan relationship has become unstable under the DPJ-led government, allowing China and South Korea to take advantage of this” (*The Japan Times*, Aug. 19, 2012). In early August, Japanese Prime Minister Noda Yoshihiko promised to hold general elections “in the near term” in exchange for support from the main opposition parties in a bid to save his sales-tax legislation from defeat. If Noda were to lose the election, it would mean that Japan could potentially have its seventh prime minister in the span of just over six years. Thus, continuing woes for the administration suggest further foreign policy instability concerning South Korea.

As for South Korea, electoral politics seemed even more defined given the presidential elections scheduled for December. This was most poignant toward the end of June when the signing of the General Security of Military Information Agreement (GSOMIA) fell through, due to backlash from the Korean people. The military accord was faulted not only for its emotional similarity to the “Eulsa Treaty” for some Koreans, but also the surreptitious manner in which the accord was approved during a Cabinet meeting without any prior notice to the public or a discussion within Parliament. There was speculation that Seoul’s announcement to forge a similar military agreement with China in May was a way to facilitate the agreement with Japan by appearing to be “balanced” and “even-handed.” Nevertheless, the negative momentum created by the incident involving GSOMIA led to the Korean government scrapping negotiations regarding the pending Acquisition and Cross-Servicing Agreement (ACSA). According to Shin Yul, a professor at Myongji University in Seoul, “the Korea-Japan military pact is a good item for the opposition parties to politicize,” claiming that “more than anything the government pushed for the pact without gaining public consensus which could be said is totally against the basis of democracy. The other thing is that the pact is with Japan. Anti-Japanese sentiment prevails here irrespective of whether voters lean to the right or to the left” (*The Korea Times*, July 16, 2012). Notwithstanding the validity of whether pandering to populist policies or anti-Japanese sentiments actually translate into votes, heads did roll – Kim Tae-hyo, senior presidential secretary for national security strategy, resigned, and Cho Sei-young, director-general of the foreign ministry’s Northeast Asian affairs bureau, was replaced.

Even North Korea chimed in, criticizing the South Korean administration for adopting “diversionary tactics.” Instead of applauding the visit by President Lee to Dokdo/Takeshima as a win against the “Japanese imperialists,” *North Korean Central News Agency (KCNA)* accused Lee of instigating Japan’s territorial ambitions over the disputed islands by displaying “low-profile diplomacy” and claimed that the visit was “intended to cover up his true colors as a pro-Japanese lackey, calm down the angry public and weather his ruling crisis.” Moreover, *Uriminzokkiri*, a propagandist website run by the North Korean Committee for the Peaceful Reunification of the Fatherland targeted at South Korea, called the visit a “farce” that masked President Lee’s “true identity as a pro-Japanese traitor” and merely aided the administration’s recovery from its own political crisis. One can deduce that the “political crisis” referred to here

could include not only the pull-back of the military accords with China and Japan, but also the graft charges brought against President Lee's brother toward the end of July, following a series of corruption scandals involving the leader's aides. It seems most likely, however, that if the domestic situation did have any role in the foreign policy making of either South Korea or Japan, its role would have been constitutive rather than causal. In other words, only in combination with other factors – empirical events, public sentiments, strategic interaction, etc. – would electoral politics have a large impact.

The perils of the grim trigger for ROK-Japan relations

Typically, issue-linkage is used as a strategy to generate cooperation: the simultaneous negotiation of multiple issues fosters joint settlement by either creating benefits for an actor that would otherwise find an agreement to be of little value or by guaranteeing commitment and compliance from an actor to an agreement from which it would otherwise defect. In the case of ROK-Japan relations, there are signs that the reverse may be occurring. Traditionally, the spillover from animosity created by historical and territorial issues has been relatively well-contained. Thus, economic relations have usually run on their own momentum regardless of tensions in another sector. However, after the heightened state of hostilities in mid-August, there were reports that the bilateral relationship as a whole was moving away from normalization. On Aug. 15, Japan's finance minister met Foreign Minister Gamba Koichiro to discuss responses to President Lee's visit to Dokdo/Takeshima, announcing on Aug. 17 that "the expansion of the [foreign- exchange] swap could be put back to the drawing board." The two states had enlarged their foreign-exchange swap agreement from \$13 billion to \$70 billion in October 2011, but this accord will expire in October 2012 unless both sides agree to its renewal.

Channels for dialogue have been shut off: the annual meeting of the finance ministers scheduled for Aug. 25 was postponed; the bilateral meeting set for late August on the sidelines of the 44th ASEAN Economic Ministers Meeting was cancelled; ministerial-level bilateral meetings at the Asia-Pacific Economic Cooperation (APEC) Leaders Meeting in Vladivostok in September have been scrapped, and; ministerial-level negotiations on adopting liquefied natural gas (LNG) that were scheduled for Sept. 19 in Tokyo have also been abandoned. In the terminology of game theory, the situation is looking more like the "grim trigger." The grim trigger entails a type of strategy that prescribes the "normal choice" (cooperation) until a rival deviates; once that deviation occurs, the "punishment choice" (defection) persists for the rest of the game – hence, a single defection triggering permanent defection. With the visit by President Lee to Dokdo/Takeshima as the trigger, bilateral relations are unraveling as each side seems keener on retribution than bargaining. Admittedly, the revoking of scheduled meetings and negotiations are largely symbolic, but the repercussions of closing off avenues for communication should not be dismissed.

The months ahead

As September begins, there is no apparent end in sight for the current diplomatic slap-fight between Korea and Japan. In late August, both tried to send official protest letters to the other while simultaneously trying to ignore or return the others' letter, each claiming that the other had outrageously violated established diplomatic protocol. Whether this issue will continue or even

increase in intensity and begin to have economic or political repercussions remains to be seen. Most likely a new president after the December ROK presidential elections will pledge to “begin anew” with Japan, as have all previous ROK presidents. As for Japan, Prime Minister Noda recently won an historical domestic political victory by passing the consumption tax – whether this allows him to focus more on repairing bilateral relations or whether he decides to shore up domestic support by taking a hardline stance is anyone’s guess.

Chronology of Japan-Korea Relations

May – August 2012

May 3, 2012: *Asahi Shimbun* reports that China, South Korea, Japan and 10 Southeast Asian countries have agreed to enlarge and strengthen their emergency liquidity program amidst growing volatility from high oil prices and the eurozone crisis.

May 5, 2012: *The Hankyoreh* announces the opening of “The War and Women’s Human Rights Museum” in Seoul, with funds raised by the Korean Council for Women Drafted for Military Sexual Slavery by Japan, which launched a committee for the museum’s construction in 2004. Some 200,000 people contributed to the fund, raising roughly two billion won (\$1.8 million).

May 7, 2012: *The Sankei* reports that the Japanese Embassy in Seoul lodged a protest with the Korean Foreign Ministry in response to the Korean government providing 500 million won toward building the museum dedicated to the “comfort women.”

May 13-14, 2012: The Fifth China, South Korea, and Japan trilateral summit is held in Beijing. The Joint Declaration on the Enhancement of Trilateral Comprehensive Cooperative Partnership focuses on launching negotiations on a three-way free trade pact.

May 16, 2012: The 44th annual gathering of Korea-Japan business leaders kicks off in Osaka. The meeting is attended by Japan’s Chief Cabinet Secretary Fujimura Osamu, Korea International Trade Association (KITA) chairman Han Duck-soo, and Mitsubishi Corporation chairman Sasaki Mikio.

May 17, 2012: South Korean Defense Minister Kim Kwan-jin cancels trip to Japan two days after Tokyo is notified that a visit by Guo Boxiong, vice chairman of the Communist Party Central Military Commission, would also be postponed.

May 18, 2012: Japan successfully launches its first foreign-made commercial satellite, marking its entry into the launch business. The South Korean satellite, the *KOMPSAT-3*, is a multipurpose observation satellite developed by the Korea Aerospace Research Institute (KARI).

May 21, 2012: According to *Yonhap*, South Korea is working on a plan to forge a military cooperation pact with China. South Korean Defense Ministry spokesperson Kim Min-seok stresses the need for a mutual logistical support treaty given the history of joint maritime exercises for humanitarian search-and-rescue operations.

May 22, 2012: A bureau chief-level meeting is held in Seoul to discuss plans by the US, South Korea, and Japan to press a reluctant China to “turn up the heat” on an increasingly provocative North Korea, *Asahi Shimbun* reports. The meeting was attended by Sugiyama Shinsuke, director-general of the Japanese Foreign Ministry’s Asian and Oceanian Affairs Bureau, Glyn Davies, the US special envoy for North Korean policy, and, Lim Sung-nam, Seoul’s chief nuclear envoy.

May 24, 2012: South Korean Supreme Court rules in favor of formerly conscripted Korean workers seeking reparations for forced work without pay for Japanese companies during World War II. The decision directly contradicts the stance of the Japanese Supreme Court.

May 26, 2012: *JoongAng Daily* reports growing pressure on South Korea’s major companies to contribute funds to the foundation established to support conscripts. This follows POSCO’s decision to donate 10 billion won by 2014 to the state program to support Koreans who were conscripted to work in Japanese enterprises during World War II.

May 26, 2012: According to *JoongAng Daily*, Tokyo announced that the issue of conscripted laborers and compensation has been resolved. Chief Cabinet Secretary Fujimura states that the issue was completely resolved in the 1965 agreement between Korea and Japan.

May 30, 2012: Quoting Japan’s Defense Ministry, *Asahi Shimbun* claims that Japan is considering deploying *Aegis* destroyers near the West Sea to deal with the long-range missile threat from North Korea.

June 2, 2012: US, South Korea, and Japan agree to strengthen cooperation in deterring North Korean aggression at a meeting of senior defense ministers at the 11th Asia Security Summit Shangri-La Dialogue held in Singapore.

June 7, 2012: *Yonhap* covers the meeting between Korea’s Ruling Saenuri (New Frontier) Party Chairman Hwang Yoo-yea and Japanese Ambassador Muto Masatoshi. The main focus of the talks was economic relations including the bilateral free trade agreement.

June 12, 2012: *Yomiuri Shimbun* quotes Korean President Lee Mung-bak’s remarks urging Japan to slash its trade surplus with South Korea before resuming negotiations on a bilateral free trade agreement.

June 13, 2012: Fielding questions concerning reports that North Korea’s ballistic missile launch vehicles were imported from China, Japanese Foreign Minister Gamba Koichiro states that “this is pertaining to intelligence” and that it is inappropriate for him to make any comments.

June 13-14, 2012: At the 2nd US-ROK Foreign and Defense Ministers’ (2+2) Meeting held in Washington, the ministers affirm the importance of trilateral security collaboration with Japan, and commit to expand the scope of that cooperation to include humanitarian assistance and disaster relief, maritime security, freedom of navigation, and nonproliferation of weapons of mass destruction.

June 21-22, 2012: US, South Korea, and Japan conduct a joint naval exercise in waters south of the Korean Peninsula.

June 21-22, 2012: *Mainichi* reports that journalists of *Kyodo News* and two Japanese broadcasters visited two burial sites near Pyongyang, which allegedly contain the remains of Japanese soldiers, military officials, and civilians from World War II.

June 26, 2012: *Mainichi* reports that a Japanese official in charge of collecting information on terrorism and nuclear proliferation apparently committed suicide following media reports of an intelligence leak regarding North Korean acquisition of missile launchers from China.

June 26, 2012: The South Korean government announces that it will sign a military pact with Japan. The General Security of Military Information Agreement (GSOMIA) provides the legal framework for the two countries to exchange and protect classified information.

June 27, 2012: Speaking at a press conference a day after the announcement by Seoul of the bilateral military pact, Foreign Minister Gamba confirms that Seoul and Tokyo are “making coordination towards early signing [of the pact].”

June 29, 2012: The signing of the GSOMIA falls through as the Korean media reports on the backlash regarding the surreptitious manner in which the pact was rushed through within the Korean Cabinet. The Korean ruling Saenuri Party requests the government to postpone the signing less than an hour before the scheduled ceremony.

June 29, 2012: According to the *Chosun Ilbo*, US Defense Secretary Leon Panetta urged Korean Defense Minister Kim Kwan-jin during the “2+2” meeting in mid-June to rush the South Korea-Japan military accord, but that Seoul denies the US made the demand.

June 30, 2012: US State Department spokesperson tells *Yonhap* that if signed, the military accord between South Korea and Japan will be “useful, but it [the US] maintains a largely cautious stance on the sensitive bilateral issue.”

July 1, 2012: *Hankook Ilbo* reports that Korean beer exports to Japan have increased almost 40-fold within the past three years, while Korean beer imports from Japan have increased over two-fold within the same period.

July 2, 2012: An acerbic editorial in the *The Hankyoreh* claims that the postponing of the bilateral military pact has proven that the Lee administration is “brainless” ... “with poor judgment and weak ability to predict circumstances.”

July 2, 2012: According to a public opinion poll conducted by Korea’s *Naeil Shinmun* regarding the latest “fiasco” regarding the bilateral military pact with Japan, 63.3 percent of the Korean population did not foresee the pact being forged without prior resolution of historical issues such as the territorial spat over Dokdo/Takeshima and the issue of the “comfort women.”

July 2, 2012: North Korea's *Rodong Sinmun* accuses the Lee administration of being "a clan of traitors" aiming to "realize the wild ambition to invade the North, backed by Japan," for its attempt to push forward with the military accord with Japan.

July 3, 2012: *Yonhap* reports that due to the general public backlash against the GSOMIA, the Korean government is moving toward scrapping negotiations regarding the Acquisition and Cross-Servicing Agreement (ACSA) that had been put on hold.

July 5, 2012: Kim Tae-hyo, South Korean senior presidential secretary for national security strategy, resigns over the controversy surrounding the government's attempt to push the military pact with Tokyo.

July 9, 2012: The Association of Forcibly Conscripted Korean Women (AFCKW), a Gwangju-based civic group announces that its 16th round of negotiations with Mitsubishi Heavy Industries Ltd. (MHI) to compensate Koreans exploited as forced laborers during Japanese colonial rule has ended without success.

July 12, 2012: The US, South Korea, and Japan agree to continue close consultations in dealing with common security threats including deterring provocations by North Korea. The decision was made on the sidelines of the ASEAN Regional Forum (ARF) in Phnom Penh, Cambodia.

July 16, 2012: Korean Foreign Ministry official tells *Yonhap* that Seoul is considering changing the English term, "so-called comfort women" in international documents to "sex slave."

July 16, 2012: According to an article in *The Korea Times*, the main opposition Democratic United Party (DUP) is politicizing the failed attempt to forge a Korea-Japan defense pact, calling for the dismissal of Prime Minister Kim Hwang-sik for mishandling the controversial accord.

July 23, 2012: South Korea's Seoul National University Hospital signs a memorandum of understanding with Japan's Nagoya University Hospital to strengthen cooperation and develop joint programs.

July 24, 2012: A US-based civic group, Korean American Civic Empowerment (KACE), holds a ceremony at the Capitol in Washington DC, to commemorate the fifth anniversary of the adoption of the landmark resolution on "comfort women." The resolution was first introduced by Representative Mike Honda (D-CA), and co-sponsored by 167 lawmakers.

July 25, 2012: *KCNA* criticizes Matsubara Jin, a Japanese state minister in charge of the "abduction issue," accusing him of manipulating past abductions of Japanese nationals by the North to "win popularity," branding such actions as a "politically motivated fraud."

July 25, 2012: US State Department official tells *Yonhap* that Japan's trafficking of Korean women for sex during World War II is an unassailable "fact." The official was responding to South Korean reports that Secretary of State Hillary Clinton urged the use of "enforced sex slaves" and not just "comfort women."

July 31, 2012: Japanese Cabinet endorses its 2012 defense white paper. Seoul immediately calls in Kurai Takashi, Japan's deputy chief of mission in Seoul to protest Tokyo's reiteration of its claims to Dokdo/Takeshima.

Aug. 9-10, 2012: Japanese Red Cross Society meets North Korean Red Cross in Beijing to discuss repatriation of the remains of those Japanese that died during and at around the time of World War II, as well as allowing visits to their grave sites by bereaved family members. This is the first such meeting since August 2002.

Aug.10, 2012: President Lee Myung-bak visits the disputed territory of Dokdo/Takeshima, sparking Japan to recall its ambassador from Seoul. This marks the first time that a Korean president has visited the islands.

Aug. 14, 2012: President Lee urges Japanese Emperor Akihito to apologize to Koreans that lost their life fighting for independence from the Japanese during the colonial era, if the Emperor is to visit South Korea.

Aug. 15, 2012: Two Japanese Cabinet ministers – National Public Safety Commission Chairman Matsubara Jin and Land, Infrastructure, Transport and Tourism Minister Hata Yuichiro – visit the Yasukuni Shrine on the 67th anniversary of Japan's surrender in World War II.

Aug. 16, 2012: *KCNA* criticizes Japan for its plans to raise the “abduction issue” at the bilateral meeting scheduled for the end of the month.

Aug. 17, 2012: Japanese Prime Minister Noda Yoshihiko sends a letter to President Lee via the embassy in Seoul, describing Lee's visit to Dokdo/Takeshima and the remarks about needing an apology from Japan's Emperor if he were to visit the South as regrettable. Noda also urges the territorial dispute be resolved at the International Court of Justice (ICJ).

Aug. 21, 2012: Tokyo sends Seoul a “note verbale” about jointly referring the territorial dispute over Dokdo/Takeshima to the ICJ. South Korean Foreign Minister Kim Sung-hwan dismisses the proposal, claiming that it is “not worth consideration.” Seoul returns the note on Aug. 23.

Aug. 21, 2012: South Korean Parliamentary Committee on Foreign Affairs, Trade, and Unification adopts resolution pressing Japan to withdraw its territorial claims over Dokdo/Takeshima.

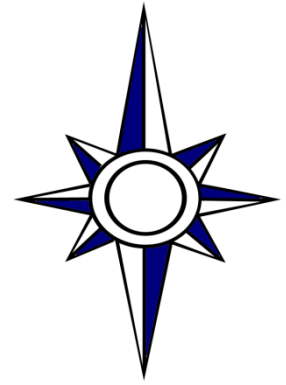
Aug. 24, 2012: Japan's Parliament adopts resolutions “strongly condemning” South Korea's recent actions regarding the disputed territory of Dokdo/Takeshima and calling the successful landing by Chinese activists on Diaoyu/Senkaku “extremely regrettable.”

Aug. 24, 2012: *Yonhap* reports that the ROK military is looking to go ahead with its schedule to conduct regular military drills in waters near Dokdo/Takeshima in early September.

Aug. 29-30, 2012: Pyongyang and Tokyo meet at the Japanese Embassy in Beijing, marking the first bilateral meeting since August 2008.

Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



China-Russia Relations:

Succession, SCO, and Summit Politics in Beijing

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In early June, Russia's new, and old, President Putin spent three days in Beijing for his first state visit after returning to the Kremlin for his third-term as president; his hosts (Hu and Wen) were in their last few months in office. Some foreign policy issues such as Syria and Iran required immediate attention and coordination between the two large powers. They also tried to make sure that their respective leadership changes in 2012 and beyond would not affect the long-term stability of the bilateral relationship. Putin's stay in Beijing also coincided with the annual SCO Summit on June 6-7. As the rotating chair, China worked to elevate the level of cooperation in the regional security group, which is faced with both opportunities and challenges in Central Asia, where strategic fluidity and uncertainty are increasingly affecting the organization's future.

Beijing summit, for the next decade

The hosts and guests at the summit in Beijing on June 5-6 were no strangers. By one account, this was President Vladimir Putin's 10th official visit to China as either Russia's president or prime minister, and already had more than 30 top-level meetings with Chinese leaders – more than with leaders of any other country. The Russian leader continues to be popular in China, so much so that an article in *Global Times* asked why Putin is more popular in China than in Russia.

Putin's trip to Beijing was far more than a popularity contest for his rather colorless hosts. Perhaps the most important issue was how to broaden and deepen the current "best-ever" relations. In their talks, Putin and Hu Jintao tried to map out the bilateral relations for the next decade, which would span most of Putin's 12 years as Russian president (assuming he completes his fourth term) and the entire fifth generation of Chinese leaders (Xi Jinping and Li Keqiang to be in power from late 2012 and early 2013 for the next 10 years).

Putin's two-day visit in Beijing was the longest stay during his 10-day foreign trip following his inauguration in May. His itinerary included Belarus on May 31, Germany and France on June 1, St. Petersburg on June 3-4 for the EU-Russian Summit, Uzbekistan on June 4, China June 5-7, and Kazakhstan on June 7. Putin's decision to skip the G8 Summit in Camp David on May 18-19 postponed his first meeting with US counterpart Barack Obama to June 18-19 at the G20 Summit in Los Cabos, Mexico.

One of the major items for Putin in Beijing was to assess succession politics. While there, Putin managed to meet separately with all top Chinese leaders (President Hu Jintao, Chief Legislator Wu Bangguo, Premier Wen Jiabao, Vice President Xi Jinping, and State Council Vice Premier

Li Keqiang). Xi and Li, who are poised to take over from President Hu Jiantao and Premier Wen Jiabao in the next nine months and are expected to stay in power for 10 years, have visited Russia before (March 2010 for Xi and April 2012 for Li). Putin's curious mind, nonetheless, still needs to observe those future paramount leaders of China.

Aside from the joint declaration, Hu and Putin presided over the signing of 11 documents in Beijing in the areas of energy, nuclear power and technology, tourism, journalism, investment, banking, industrial park management, and insurance. The joint statement issued after the meeting between Putin and Hu emphasized the need to maintain "close high-level exchanges" and improve "mechanisms for cooperation between parliaments, government, and departments for closer coordination over regional and global issues; deepen economic relationship (\$100 billion trade volume before 2015 and \$200 billion before 2020); promote cultural, tourism, educational and other societal exchanges; promote stability, development, and confidence building measures along border regions; and fight transnational crime and illegal immigration.

Of particular importance in the joint statement is an explicit clause regarding military-to-military (mil-mil) relations:

[T]o enhance the traditional friendship between the armed forces of the two countries by deepening cooperation at various levels and in all fields between the armed forces of the two countries, and carrying out joint military exercises aimed at improving coordinating capacity of the armed forces of the two countries and promoting regional peace, security, and stability.

Mention of the mil-mil relationship is rarely included in the annual Sino-Russian presidential joint statements despite the fact that the two sides have significantly deepened their cooperation in this area. The only recent exception was in 2009 when the joint statement stressed cooperation in security issues such as defensive defense, opposing missile defense and militarization of outer space, and military cooperation with other countries without targeting a third party. There was, however, no mention of the phrase "armed forces." The 2012 declaration also stressed the need for joint military exercises, which until April 22-27 of this year when the two sides staged the largest naval exercise in the Yellow Sea, had always been within the SCO "anti-terrorist" framework (*Peace-Mission*).

An uncertain world

The military component in the summit declaration was no accident as there are increased calls in China for formulating, at least a "quasi-alliance" with Moscow. Gen. Wang Haiyun [王海运], director of energy diplomacy at the China Foundation of International Studies in Beijing and former Chinese military attaché in Moscow, argued that the time is ripe for a "united front," or a quasi-alliance; at a time when Putin is consolidating Russia's "near abroad," and "pivoting" toward the Asia-Pacific and Europe. Given these "strategic adjustments" by Putin's Russia that "extensively coincide" with those of China, according to Wang, there is no reason not to further China's strategic coordination with Russia. Su Han [苏涵], director of the Russian Studies Center at the Beijing Foreign Affairs Institute, anticipates that Putin's return to the Kremlin will provide stability in China's northern and northwestern frontier for at least six years. At a time

when China is being squeezed from its northeast, east, southeast, and southwest, stability in Sino-Russian relations is imperative.

Putin's three-day stay in Beijing, therefore, was rich in political symbolism and strategic substance at a time when the world for Russia and China was far from serene. Syria appeared to be on the verge of a free fall as the West was stepping up its support for the rebels; Israel was posturing, perhaps more than any time in history, for a surgical attack on Iran's nuclear facilities regardless of the US desires; and Afghanistan's future remained uncertain at best as the US-led forces will start to leave the war-torn country. Meanwhile, territorial disputes between China and some of its neighbors continue to escalate. Behind all these crises was the ubiquitous hand of the Asia-pivoting United States with its active support for its Asian allies (Japan, South Korea, the Philippines) and friends (Vietnam). Indeed, a new fault line seems to be emerging with the two largest Eurasian powers of China and Russia on one side, and the US and its littoral allies/friends on the other. It is against this backdrop that Putin and his Chinese counterparts identified Korea, Syria, Iran, Afghanistan and Asia-Pacific as paramount in their strategic coordination in Part III of the joint statement.

Despite enhanced strategic coordination between Beijing and Russia, particularly regarding the Syria crisis (jointly vetoing West-sponsored draft resolutions in the UN three times in October 2011, and again in February and July 2012), the health of the strategic relationship cannot be taken for granted. An editorial by the *Global Times*, though optimistic about stable bilateral relations under Putin, cautions that Putin's return to the Kremlin does not necessarily mean he has finalized his plans for Russia's relations with China and the West. Most often, argued the editorial, interstate relations go against the preference of individual leaders. Nor is there a case in history of absolute harmony between two large states. The editorial cites some Russia specialists in China as saying that deep in the Russians' psyche China is something to be questioned [怀疑] and guarded against [防范] despite Russia's use of China's strategic value for its own interests. Finally, one simply cannot rule out Russia's "strategic vacillation [战略摇摆]" given the efforts by both the West and pro-West Russian intelligentsia. Still, Putin's Russia provides China with the best strategic opportunity for deepening China-Russian strategic relations and Beijing should "treasure [珍惜]" the next six to 12 years while Putin is in power. For this purpose, the Sino-Russian strategic relationship needs to have adequate "inclusiveness [包容性]" for various problems and frictions in their bilateral interactions to gradually convert the transitory nature of their strategic coordination into reality and convention.

SCO's Beijing Summit: calling for harmony

Putin's third day in Beijing was spent attending the 12th Shanghai Cooperation Organization (SCO) Summit. As the rotating chair for the annual meeting, China tried hard to make the SCO more effective in both economic and security areas. A total of 10 documents were inked by the six heads of state, including a presidential declaration pledging to promote lasting peace and prosperity in the region; a resolution endorsing the main aspects of the SCO's mid-term development strategy; a resolution on the organization's political-diplomatic measures and mechanisms to respond to situations jeopardizing peace, security and stability in the region; a resolution endorsing a program of cooperation in combating terrorism, separatism, and extremism for 2013-2015; a resolution confirming the SCO secretary general's report on the

organization's operations; a decision confirming a report of the SCO regional antiterrorist structure detailing the results of its work in 2011; and a resolution granting observer status to Afghanistan and dialogue partner status to Turkey.

Founded in Shanghai on June 15, 2001, the SCO's "periphery" continues to expand. Admission of Afghanistan and Turkey this year follows the 2009 expansion, when Belarus and Sri Lanka were granted dialogue partner status. The current lineup now includes five observer states (Mongolia, Iran, Pakistan, India and Afghanistan) and three dialogue partners (Belarus, Sri Lanka and Turkey), in addition to its six full members (China, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, and Uzbekistan).

The SCO has made considerable progress in terms of both institutionalization and outreach. The regional security group has been able to maintain relative stability (by China's account, over 500 terrorist plots have been foiled since 2004 and there were 70 successful projects in the defense and security area between 2001 and 2011) while promoting economic growth in an area encompassing a quarter of the human race and three-fifths of the Eurasian landmass. International Monetary Fund (IMF) statistics show that total gross domestic product (GDP) of the six SCO members reached \$9.39 trillion in 2011 despite the impact of the global financial crisis; the figure was just \$1.67 trillion in 2001. China's Ministry of Commerce data also show that China's trade with other SCO member states rose from \$12.1 billion in 2001 to \$113.4 billion in 2011. China has become Russia's largest trading partner, and the second largest partner of Kazakhstan, Kyrgyzstan, and Tajikistan.

These successes, however, may not be perceived as positive among all SCO states. One of the perceptions, or misperceptions, among other SCO members is that China has been using the regional group for its own economic interests at the expense of other members. Russia is also keenly and genuinely sensitive about its declining influence in Central Asia, whether it is caused by West's strategic presence or China's economic advancement into this part of the world that has long been considered to be Russia's "backyard."

In retrospect, China's effort to achieve some degree of economic integration (forget about a free trade zone – FTZ) among the SCO member states has been, at best, a disappointment. Aside from the growing trade volume, large economic projects, mostly in the energy sectors, have been undertaken by China with either individual SCO states (oil pipeline with Kazakhstan) or outside the SCO framework (gas pipeline with Turkmenistan via Uzbekistan and Kazakhstan).

China is well aware of the lack of trust, growing concerns, and even suspicions among SCO members regarding China's role and actions in Central Asia. At the Beijing summit, China continued to avoid discussion of an FTZ for the SCO, even as Beijing has been engaging in FTZ negotiations with many of its neighbors (Japan, South Korea, and ASEAN). Instead, a low-profile, less integrated and project-oriented approach was discussed and accepted by other SCO members. Part IV of the "Beijing Declaration on Building a Region of Lasting Peace and Common Prosperity" reads: "The member states will deepen and improve win-win regional economic cooperation, promote trade and investment facilitation, undertake major co-investment projects..."

Meanwhile, other SCO members accepted China's suggestions for developing "transport infrastructure that connects Asia with Europe, building relevant international transport corridors and improving the efficiency of multimodal transport." In return, China supported the Russian initiative to create a fund for financing various integration projects within the SCO. Chinese diplomats reportedly proposed the possibility of using these funds to help participant countries in case of budget problems. According to Commerce Minister Cheng Deming, an infrastructure network connecting regional energy, transportation, and telecommunications networks was in the making, and financial cooperation has been taking shape.

For years, China has called for reinvigorating the famous "Silk Road" trade route, and much of it would go through Central Asia. It takes more than one month for a 40-foot container to reach Europe from central or western China by sea, but it only takes 14-15 days by the Eurasian land route. Despite the obvious benefit for all parties, including all transit nations, many technical issues of these transportation projects, particularly railways, remain unresolved. Even the width of tracks embodies the geoeconomic, if not geopolitical, patterns. China, for example, prefers 1,435-mm-wide tracks (that are also used in Iran and Turkey). Kyrgyzstan, however, uses 1,520-mm tracks inherited from the Soviet rail system. For some in Russia, Chinese-type tracks would take Central Asia further away from Russia and toward China.

Aside from technical and financial challenges and controversies, winning the hearts and minds of Central Asians is perhaps more challenging for China than investing in and completing infrastructure projects. For this goal, China did take advantage of hosting the SCO Summit by launching several long-term cultural and educational projects. In his speech at the summit, Hu Jintao highlighted the need to promote mutual trust and socio-cultural harmony within the SCO, while security, economic prosperity, and outreach are ranked lower in his priority list for SCO's future development. Specifically, the Chinese president suggested a "committee of good-neighborliness, friendship and cooperation [上海合作组织睦邻友好合作委员会]" be set up to promote people-to-people interactions among SCO member states in order to lay a more solid social foundation for the development of the organization. Hu informed his counterparts that China would, in the next three years, train 1,500 experts from other SCO states. Additionally, in the next 10 years, China plans to provide 30,000 scholarships and 10,000 language training slots for individuals from the SCO member states. In addition to these cultural and educational grants, China will also offer a \$10 billion fund for loans to SCO member states.

It remains to be seen how effective these projects will be in addressing the trust deficit among SCO members. A bigger, and perhaps more fundamental, issue is how China's economic dynamics in Central Asia and beyond will interface with Putin's "pet" project of the Customs Union (from 2010) and its fuller format of the Eurasian Union (currently only Belarus and Kazakhstan are in the two unions). Moscow has been encouraging Kyrgyzstan and Tajikistan to join them, despite the hesitance from both countries. Regardless, Hu's call for harmony within the SCO finds its position in the "Beijing Declaration" signed by the heads of state: "The member states will continue to strengthen and upgrade cooperation within the SCO framework and build the SCO region into a region of lasting peace, friendship, prosperity and harmony," stated the joint statement at the onset. "This is the first comprehensive and strategic outline for the future trajectory of the SCO since its inception 11 years ago," commented Cheng Guoping, deputy foreign minister of China.

Hello Afghanistan!

Like yin and yang, harmony and disharmony are two sides of the same coin. As noted earlier, China's economic success in Central Asia can be an obstacle to its future growth in the region. Similarly, granting Afghanistan observer status in Beijing was a timely action in anticipation of the withdrawal of the NATO forces from Afghanistan in 2014. In the past few years, the SCO has established a liaison group with Afghanistan and held six rounds of deputy foreign minister-level consultations. In March 2009, the SCO also held an Afghan conference in Moscow.

Regardless of the SCO's effort, it is widely believed that the Karzai government will be further weakened by the NATO's withdrawal, at least in the short-term. A deterioration of Afghan security situation would affect its neighbors, many of which are already plagued by terrorism, religious extremism, drug trafficking, and cross-border criminal activities. Although acceptance of Afghanistan as an observer state will facilitate the SCO's interface with the war-torn nation, it will also mean an increased stake and added responsibilities for the SCO in Afghanistan.

It is unclear how the SCO will respond to the security deterioration inside Afghanistan if Afghan forces fail to maintain stability in the post-NATO period. At the summit in Beijing, the heads of state only agreed to "help the Afghan people in their national reconstruction" while supporting the "United Nations' leading role in coordinating the international efforts on the issue of Afghanistan." More specifically, Chinese officials stated that the SCO is going to "continue to provide aid to Afghanistan to promote its reconstruction and reconciliation of its ethnic groups." Further, "After the withdrawal of NATO troops in Afghanistan, SCO won't replace NATO to conduct any military operation as NATO did in Afghanistan," stated Chinese Deputy Foreign Minister Cheng Guoping, shortly after the SCO Summit in Beijing. "The SCO will try to realize perpetual peace in Afghanistan under UN framework."

The SCO's Afghan policy is based on the prospect of national reconciliation in Afghanistan "led" and "owned" by Afghans. Such an expectation may not be the case in the post-NATO Afghanistan. In this context, the SCO's principle of non-interference in the internal affairs of its member states and beyond would be seriously challenged. This is particularly true for those who have growing investment in Afghanistan, such as China and India.

Finally, the West is unlikely to hand off Afghanistan and leave it to Russia and/or China after 2014. So far, the SCO's "Afghan role" remains indirect at best and largely outside the country (Russia's transit hub for NATO, for example) with no direct involvement in Afghanistan's internal "reconciliation" process. Even if the bulk of the NATO forces in Afghanistan will be out of the country, tens of thousands of "contractors" are likely to remain inside the country for a long time. Moreover, NATO is preparing to relocate much of its logistics just outside Afghanistan. One may wonder if NATO's intelligence and Special Forces will also use those Central Asian hubs/bases.

Given these constraints, the SCO has been trying to get itself ready for the rapidly changing situation both inside and outside Afghanistan. One such effort was to gradually and continuously strengthen the SCO's ability to maintain security. There is a broad recognition for the need to

coordinate that effort with the Collective Security Treaty Organization (CSTO), whose members (Russia, Armenia, Belarus, Kazakhstan, Kyrgyzstan, and Tajikistan, and, until recently, Uzbekistan) overlap with those of the SCO. During the summit in Beijing, Deputy Foreign Minister Cheng Guoping reportedly said that the SCO “won't allow any unrest like that's happening in West Asia and North Africa.”

The SCO Summit in Beijing also moved the SCO toward closer political and diplomatic coordination in times of crises by passing a resolution on “political-diplomatic measures and mechanisms to respond to situations jeopardizing peace, security and stability in the region,” which is described as a “breakthrough” by some ranking Chinese officials in terms of SCO institutionalization and functionality. Specifically, the SCO states would legalize procedures for joint early warning, crisis management, protection and evacuating citizens from crisis areas, etc. President Putin also urged others to incorporate the SCO's observer states into the operation of SCO's Regional Anti-Terrorist Structure (RATS), which would greatly expand intelligence exchange and operational coordination of the SCO's anti-terrorist work with the SCO's four observer members of India, Pakistan, Iran, and Afghanistan.

In the area of defense, the summit in Beijing coincided with the second meeting of the SCO chiefs of staff, which was held in Khujand, Tajikistan. Delegates included Gen. Zhasuzakov Saken Adilkhanovich, chairman of the Kazakhstan Chiefs of Staff, Col. Subhankulov, Kyrgyz chief of general staff, Gen. Chen Bingde, Chinese chief of general staff, Gen. Aleksandr Postnikov, Russian deputy chief of general staff, and Lt. Gen. Naderrov, Tajikistani chief of general staff. They analyzed the security situation with a focus on the impact of terrorism on regional security and stability, discussed the future development of the defense security cooperation, and proposed cooperation measures, including strengthening military cooperation among the SCO member states and jointly combatting the “three evil forces” (terrorism, separatism, and extremism). The SCO launched its first chief of staff annual meeting on April 24-25, 2011 in Beijing and Shanghai.

Farewell Uzbekistan?

The Afghan factor itself will be challenging enough for the SCO in the next few years. The pending hand-off of Afghanistan by the United States and NATO would presumably reduce the West's strategic presence in this sensitive area for Russia and China. However, it has led to a surprising development that is impacting the cohesion and operation of the SCO.

On June 20, Uzbekistan signaled its intention to “suspend” its membership in the Collective Security Treaty Organization (CSTO); the decision was made public only eight days later. In its official note to the CSTO Secretariat, the Uzbekistan Foreign Ministry explained that “We are uncomfortable with the strategic plans of the CSTO in the Afghan sector ... Uzbekistan attaches priority to bilateral cooperation with this country;” and Tashkent is “uncomfortable with the plans for the increased military cooperation of the CSTO countries.” The Uzbek swing away from Russia's fold is not new. It actually did the same in 1999, only to return to the CSTO in 2006. In between, Tashkent allowed the US to use its Qarshi-Xonobod military base for the operation in Afghanistan. Uzbekistan President Islam Karimov is known to have been opposed to the formation of a CSTO collective rapid reaction forces and the “internationalization” of

potential conflicts in the post-Soviet area. Other grievances of Uzbekistan, such as its disputes with Kyrgyzstan and Tajikistan, may also have contributed to its decision to quit CSTO. Apparently anticipating President Karimov's exit move, President Putin made Uzbekistan his first official trip to an Asian country on June 4, prior to his state visit to China and the SCO Summit. Putin, however, was unable to persuade Karimov.

Long before Tashkent officially notified CSTO of its decision to suspend its membership, the SCO saw the first "collateral damage" of Uzbekistan's "go-alone" strategy. With the exception of joining the SCO's *Peace-Mission 2007* exercise, Uzbekistan had essentially suspended its participation in the SCO's defense and security activities, including the *Peace-Mission 2010* anti-terrorist exercise in Kazakhstan, *Peace-Mission 2012* in Tajikistan, the SCO's second chief of general staff meeting in Tajikistan on June 7, and the SCO's annual defense ministers meeting on Aug. 10, 2012 in Almaty. In the recent *Peace-Mission 2012* exercise, Tashkent went so far as to refuse to grant transit rights for Kazakh arms going through its territory to Tajikistan for the SCO exercises. This was despite the fact that Uzbekistan ratified the "Agreement on the Procedure for Organizing and Staging Joint Counter-terrorism Exercises by the SCO States," but its Parliament ruled later that the Uzbek military would take part in such exercises only as an observer. Tashkent's passivity within the SCO is especially odd given that SCO's Regional Anti-Terrorist Structure (RATS) is located in Tashkent.

Perhaps the "last straw" on the Uzbek "camel" came from the US strategy of relocating its military presence from Afghanistan to its peripheral areas through the so-called Northern Distribution Network (NDN), a network of road, rail, and air routes that traverses Central Asia states and has served as the main supply line for US and NATO forces in Afghanistan since early 2009. After Pakistan's decision to close its supply route in November 2011 as a result of NATO's cross-border attacks, the NDN quickly expanded its role in supplying NATO forces in Afghanistan (75 percent of all non-military items bound for Afghanistan and more than 60 percent of the fuel are supplied through NDN). With the approaching withdrawal deadline, NDN is now actively considered to be NATO's "reverse transit route" for 2014.

For those Central Asian states covered by the NDN, the deals with the US and NATO not only mean additional revenue, but also access to more advanced NATO gear, which will inevitably be followed by increased mil-mil relations, training arrangements, and even arms sales. For Uzbekistan, the Pentagon has agreed to provide sophisticated non-lethal communication and other equipment. Tashkent, however, also hopes to obtain lethal weapons. One likely outcome of this is to increase the bargaining power of those Central Asian states with Moscow in diplomatic, strategic, and military areas. Uzbekistan's flip-flop with regard to military base deals with the US and Russia a few years ago was a prime example. For the US and NATO forces, NDN's "reverse gear" would allow them to operate those NDN hubs/bases for a considerable time. From those locations, NATO forces would be able to conduct both deterrent and offensive military operations inside Afghanistan. Meanwhile, such a strategy will clearly expand the US/West military presence in Central Asian countries.

In late November 2011, the Pentagon secured separate deals with the three individual Central Asian countries (Kazakhstan, Kyrgyzstan, and Uzbekistan). Seven months later, NATO Secretary General Anders Fogh Rasmussen confirmed that NATO reached an agreement with the

same three Central Asian countries on June 4, 2012, the same day that President Putin visited Uzbekistan for talks with President Karimov.

Uzbekistan's decision to exit the CSTO in June 2012 and its reluctance in joining SCO's security-related activities are not just a function of the NDN and its monetary benefit, but also the result of Washington's effective diplomacy. In late September 2011, President Obama called Karimov and congratulated him on Uzbekistan's 20 years of independence. Prior to the November 2011 NDN deal, Secretary of State Hillary Clinton visited Tashkent and thanked it for supporting the US operation in Afghanistan. Clinton also noticed that Uzbekistan "is showing signs of improvement in the human rights situation and the broadening of political liberties," even if Western human rights groups disagree with that assessment. Shortly after the Pentagon's deal with Kazakhstan, Kyrgyzstan, and Uzbekistan, US State Department officials were quoted as saying, "We are pursuing active diplomatic efforts with Central Asian partner nations to promote stronger economic ties throughout the region so that goods, capital, and people can flow more easily across borders. We are pursuing these agreements to better support our troops in Afghanistan. Afghanistan's neighbors and the United States all have a common interest in regional stability." After the Uzbek withdrawal from CSTO, US Assistant Secretary of State Robert Blake visited Tashkent on Aug. 15-18, 2012, five days after a defense experts meeting of the SCO in Kazakhstan that Uzbekistan also skipped.

For all of this, Moscow could do little, not only because these Central Asian states are independent entities capable for conducting their own "multi-vector" diplomacy much as Moscow has been doing, but also because Russia itself is part of the NDN, allocating its Ulyanovsk air base on the Volga as a transportation hub to meet NATO's logistical needs. In exchange, Russia receives up to \$1 billion per year.

Outlook

The jury is still out on the fallout from Uzbekistan's sudden exit from CSTO and hesitation with SCO. Flirting with the West, however, does not have to come at the expense of existing relations, which is exactly what other SCO members such as Kazakhstan, Kyrgystan, Tajikistan, and even Russia, have been doing. China's relationship with the US is also one of cooperation and competition. The 74-year old President Karimov is a proud Uzbek national, representing a proud nation and people. With a population of 28 million, Uzbekistan is by far the most populous state and influential power in the region. The Central Asian nation, nonetheless, appears to be trying to figure out its identity regarding the differences in and limitations between independence, interdependence, neutrality (like Turkmenistan), and isolation. While warming up to Washington and NATO again, the Uzbek Parliament passed a law on Aug. 2, 2012, banning foreign military bases on its territory. Tashkent may well be playing the same game with bigger powers to maximize its interests such as higher payment for Russian bases, better terms for membership of the Eurasian Union, more loans with better terms, etc. Last if not least, Tashkent's move regarding CSTO is to "suspend" rather than terminate Uzbekistan's membership in the Russian-led security group, which indicates that Karimov is keeping the door open. Regardless, a period of uncertainty and fluidity seems to be in store for the SCO and Uzbekistan may not be the last the SCO member to increase its strategic space by playing major powers against each other.

Chronology of China-Russia Relations

May – August 2012

May 7, 2012: Chinese President Hu Jintao congratulates Vladimir Putin on his inauguration as Russian president and wished for great achievements of the Russian people in developing their country under Putin's leadership.

May 8, 2012: Chinese Premier Wen Jiabao congratulates Dmitry Medvedev on becoming Russia's prime minister after Russia's State Duma, the lower house of Parliament, approves him as prime minister in the new government.

May 10-11, 2012: Russian Foreign Minister Sergei Lavrov visits China and meets Foreign Minister Yang Jiechi and Vice President Xi Jinping. He also attends the opening ceremony of the Museum of History of Liberation of North East of China by the Soviet Army.

May 13, 2012: The 11th Russia-India-China (RIC) Foreign Ministers Meeting is held in Moscow. Among the topics discussed are North Korea's satellite launch and Iran's nuclear issues.

May 26, 2012: Hu Jintao, in his capacity as general secretary of the Communist Party of China (CPC) Central Committee, congratulates Prime Minister Medvedev on being elected chairman of the ruling United Russia party.

June 5, 2012: Twelve cars carrying over 30 Chinese and Russian journalists left Beijing for Moscow to mark Russia Tourism Year. In 2011, 840,000 Chinese visited Russia and 2.4 million Russians visited China.

June 5-7, 2012: President Putin visits China. He signs 12 agreements and participates in the annual SCO Summit in Beijing.

June 7, 2012: The 2nd meeting of SCO chiefs of general staff is held in Khujand in Tajikistan.

June 9-14, 2012: SCO member states conduct *Peace Mission 2012* at the Chorukh-Dairon range in northern Tajikistan. More than 2,000 soldiers and officers from Kazakhstan, Kyrgyzstan, China, Russia, and Tajikistan participate. Uzbekistan declines to join the drill.

June 18-22, 2012: He Guoqiang, member of the Standing Committee of the CPC Central Committee Political Bureau and head of the CPC Central Commission for Discipline Inspection, visits Russia. He meets President Putin after the opening ceremony of the 16th St. Petersburg International Economic Forum.

June 18, 2012: The leaders of BRICS nations (President Putin, President Hu, Brazilian President Dilma Rousseff, Indian Prime Minister Manmohan Singh, and South African President Jacob Zuma) met in Los Cabos, Mexico on the sidelines of the G20 Summit. They agree to boost cooperation within the group of emerging economies.

June 20-22, 2012: The 10th meeting of the Sino-Russian Joint Border Inspection Committee is held in Moscow. Deputy Foreign Minister I. V. Morgulov receives Deng Zhonghua, director of the Department of Boundary and Ocean Affairs of China's Ministry of Foreign Affairs.

June 29, 2012: Deputy Foreign Minister Mikhail Bogdanov and Chinese Ambassador to Moscow Li Hui meet in Moscow regarding the situation in Syria on the eve of the international ministerial meeting on Syria.

July 16, 2012: Russia's Federal Security Service (FSB) states that a Russian Coast Guard vessel (*Dzerzhinsky*) seized a Chinese fishing boat for poaching within Russia's exclusive economic zone in the Sea of Japan after a three-hour pursuit. Chinese Vice Foreign Minister Cheng Guoping expresses strong dissatisfaction with the alleged attack on a Chinese fishing vessel.

July 19, 2012: Russia and China veto a British-sponsored resolution regarding Syria. This is the third time Russia and China have acted together in the UN regarding Syria (two previous UN vetoes were on Oct. 4, 2011 and Feb. 4, 2012).

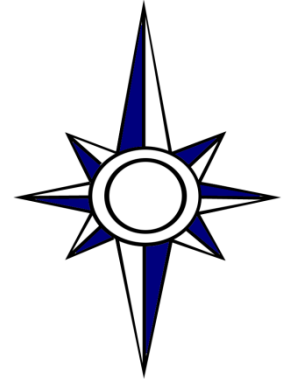
July 23, 2012: President Putin sends a condolence message to Hu Jintao over Beijing flood casualties that killed 80 people in the strongest flood of the past 50 years in Beijing.

Aug. 9-10, 2012: SCO defense experts meet to plan for joint events in 2012-2013 in Almaty, Kazakhstan. Representatives from Kazakhstan, China, Kyrgyzstan, Russia and Tajikistan attend the workshop.

Aug. 23-25, 2012: The 15th round of strategic consultations between the Chinese and Russian General Staff Headquarters is held in Irkutsk, Russia. PLA Deputy Chief of General Staff Ma Xiaotian and Russian Deputy Chief of General Staff Alexander Postnikov co-chair the consultations, which are described as "frank, friendly and in-depth" over bilateral and global issues of common concern.

Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



Australia-East Asia/US Relations: Rebooting the Alliance

Graeme Dobell

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The Obama administration's military rebalancing to Asia helped reboot the US alliance with Australia. Indeed, the arrival of US Marines in northern Australia put real boots into the reboot. The announcement that the Marines were heading for Darwin was the centerpiece of President Barack Obama's visit to Australia in November. After the alliance intimacy achieved by two conservative leaders – George W. Bush and John Howard – it seemed unlikely that a Democrat president and a Labor prime minister could tighten the alliance bonds further. Obama and Gillard managed it, proving again the special status of the alliance for both sides of Australian politics. The Marine deployment became an important element in the broader debate in Australia about the emerging power system in Asia and the terms of Australia's future relationship with its number one economic partner, China. Even in trade, Australia now faces different US and Chinese visions of the institutional framework for Asia's future.

Obama and Darwin

The rare mention of Australia's Northern Territory in international news is usually when a crocodile eats a tourist; this is the remote country brought to the movies by Crocodile Dundee. In 2011, Barack Obama conferred on the territory's capital, Darwin, a strategic significance it last had in Asia when the Japanese bombed the port in 1942 (and in their first raid, dropped more bombs than fell on Pearl Harbor). The US president dropped his bombshell in Canberra, at a joint press conference with Prime Minister Julia Gillard and in an address to Parliament – and then Obama and Gillard flew to Darwin just to underline the message of US boots on the ground. As Obama told Parliament, the "larger purpose" of his visit was the "broader shift" toward the Asia-Pacific, what he described as "our new focus." He told Australia's MPs and senators that he had made "a deliberate and strategic decision" that the US would play a larger role in shaping the region: "The United States is a Pacific power, and we are here to stay."

The president announced two new US force posture initiatives: the rotational deployment of US Marines to Darwin and increased visits by US Air Force aircraft to bases in Northern Australia. As a third future priority, Australia and the US will look at increased US Navy use of Australia's key Indian Ocean port, HMAS Stirling, near Perth, now the largest Australian Navy base. Starting early in 2012, US Marines began a regular deployment for around six months at a time, to conduct exercises and training with the Australian Defence Force. The first deployment was a small liaison element and a company of 250 Marines. In coming years, this will build to a rotational presence of up to a 2,500 person Marine Air Ground Task Force.

The Labor government and the opposition coalition, the Liberal and National Parties, were equally effusive in embracing the Obama initiatives. The only competition between the two sides was to see which could be more enthusiastic in welcoming the US decision to make Australia an important element of its Asia “pivot.” Prime Minister Gillard said the increased US presence in northern Australia “will see our alliance remain a substantial influence in a new century of regional change.” Opposition leader Tony Abbott said the coalition parties would be happy to see a new joint facility in Darwin, giving the US permanent basing rights in Darwin.

The commitment of US forces to Darwin was described by *The New York Times* as “the first long-term expansion of the American military’s presence in the Pacific since the end of the Vietnam War,” and by China’s state-controlled press as raising the risk to Australia of being “caught in the crossfire.”

The initial reaction from Indonesia to the Darwin announcement was negative. Foreign Minister Marty Natalegawa said he would hate to see a cycle of reaction and counter-reaction, producing a “vicious circle or tensions and mistrusts.” But Indonesian President Susilo Bambang Yudhoyono has been warmer. In July 2012, Yudhoyono flew to Darwin for a three-day visit and talks with Prime Minister Gillard. In travel time saved, this made sense as you can fly from Jakarta to Darwin in half the time it takes to fly to Sydney or Canberra. The symbolism, however, was that in going to Darwin, Yudhoyono was following Obama. And, Indonesia may soon be joining in those exercises with the US and Australia.

Australian Defense Minister Stephen Smith said during Yudhoyono’s visit that planning is under way for an Australia-US-Indonesia joint exercise in northern Australia in 2013. Smith said China would be invited to send observers and eventually to take part in exercises. “Australia, the US and Indonesia are indicating to China that as we start to see trilateral and multilateral exercises emerge out of the presence of US Marines in Darwin, we will want China involved in those,” Smith told *Financial Review*. “In a very short space of time, either through the ASEAN-plus Defence Ministers or through the East Asia Summit, or through each of us agreeing to do multilateral exercises, we’re going to see either Chinese observers or, ultimately, Chinese military participation. In the long term I can see Chinese troops involved.”

Australia, the US, and China

The US reboot, or pivot, or rebalance is being made with a firm focus on China. The logic line in much of the commentary on the Obama announcement ran from Darwin to Southeast Asia and the South China Sea, directly on to Beijing. One of the wittier expressions of this was from former US National Security Adviser Zbigniew Brzezinski, who told the *Financial Times*, “I was not aware that Australia was about to be invaded by Papua New Guinea, or by Indonesia.” Brzezinski then followed the logic line saying, “I assume most people think Obama was thinking of China. What’s worse is that the Chinese will think he’s thinking of China and to define our engagements in the East in terms of China is a mistake. We have to focus on Asia but not in a manner that plays on everyone’s anxieties ... It becomes very easy to demonize China and they will then demonize us in return. Is that what we want?”

Much Australian commentary revolved around this logic and this question. The Australian debate has had two separate but intertwined elements. One element was seen as a great positive toward the further enhancement and deepening of the alliance with the US. As noted, the Labor government and the Liberal-National opposition are united in embracing Obama's use of Darwin as a pivot point. The tension comes with the second element: how the alliance impacts Australia's relations with its biggest economic partner, China, and the emerging power relativities in Asia. The chief of the Australian Defence Force, Gen. David Hurley, caught those two elements with one comment: "When I am asked by my US counterparts what's my major concern about the relationship between Australia and the US, I say, the relationship between your military and the Chinese."

Reflecting on trips to Washington and Beijing, opposition leader Abbott said that Australia would have to work much harder on the relationship with China because there was none of the "cultural interoperability" that Australia has with the US:

There's no doubt that the Americans are taking the Chinese seriously and that the Chinese are well and truly returning the compliment. In Washington, the issues were: Will China play by the rules in the South China Sea; has China 'bought' friends inside ASEAN; and what's the purpose of Chinese cyberattacks on Western institutions and businesses? In Beijing, they were: why is there a new US Marine posting to Darwin and why is Australia choosing its history over its geography (even though we're determined not to make such an invidious choice)?

Chinese questioning of the Darwin rotations often comes with a reference to another Australian action that was explicitly aimed at China. Australia has banned the world's largest telecoms equipment maker, the Chinese firm Huawei, from tendering for contracts for the nation's largest infrastructure project, the A\$36 billion national broadband network (NBN) project to build a new high-speed broadband network across the continent. News of the ban became public in March. Huawei said it was told just before the end of 2011 by a government official that the company should not tender for NBN contracts, linking the decision to Chinese cyberattacks on Australia. Prime Minister Gillard said Australia had barred Huawei from involvement in the broadband network because of "national security." A spokesman for the Chinese Foreign Ministry said Australia was guilty of "wearing coloured glasses and obstructing Chinese companies' normal operations in Australia in the name of security." Describing the relationship with China as robust, Gillard said Australia had not broken any international trade rules or agreements with China in acting against Huawei: "It is a decision open to the Australian Government. We've taken it for the right reasons through the right process, based on the right advice about a piece of critical infrastructure for our nation's future."

The unanimity of the government and opposition embrace of the alliance in the Darwin announcement contrasts with the diverse opinions on both sides about what this means for Australia's relations with China. The leader of the Labor Party from 2003 to 2005, Mark Latham, said the present Labor leader, Prime Minister Gillard, had made a "horrific mistake" in signing up to a US policy to contain China, wedging Australia in the middle of the great geopolitical tensions of the 21st century:

After 20 years of telling the Australian people we do not need to make a choice between our long-standing security alliance with the US and our flourishing trade relationship with China, Labor has sided with the Americans. This is the significance of President Barack Obama's recent visit and his announcement of a build-up of US forces in Darwin. For the first time, ANZUS is being aimed at the containment of China. For the first time, Australia's major trading partner is also our major defence and security concern.

On the other side of politics, the previous opposition Leader, Malcolm Turnbull – deposed in a party-room vote by Abbott in 2009 – struck a similar note. Turnbull is still on the opposition front bench, so his criticism was worded as being directed against government: “An Australian government needs to be careful not to allow a doe-eyed fascination with the leader of the free world to distract from the reality that our national interest is truly – and not just rhetorically – to maintain both an ally in Washington and a good friend in Beijing, which is after all our most important trading partner.” Turnbull said Australia should not join any futile attempt to contain Asia's rising power.

Former Labor Prime Minister Paul Keating weighed into this argument in August when launching a book by Hugh White, a professor of strategic studies at the Australian National University and a former deputy secretary at the Defence Department. White's book is entitled *The China Choice – Why America should share power*, building on the argument made in his influential *Quarterly Essay*, published in 2010, “Power Shift: Australia's future between Washington and Beijing.”

White argues that the US has only three choices:

- to withdraw from Asia;
- to push back against China to maintain US supremacy, producing “a new and dangerous era of rivalry”;
- to seek agreement on a new order in Asia, conceding China a bigger role that would mean “America and China would share power in Asia as equal partners in a joint regional leadership.”

Endorsing White's analysis, Keating argued that “the future of Asian stability cannot be cast by a non-Asian power – especially by the application of US military force.” He said Australia had to abandon the presumption that its foreign policy could be synonymous with that of the US:

The relatively rapid rise of China will demand clarity in the points of differentiation. Yet the debate around China has carried with it the assumption that Australia has no choice but to support American primacy in Asia against the threat of Chinese hegemony. This assumption, Hugh White says, now needs to be challenged. And I agree with him; it does. All of us in the debate in Australia believe Asia will be a safer and better place with the continued engagement of the United States in the region. Strategically, it is likely to be more peaceful and more settled. And with our trade preponderantly in North Asia and the greater part of that with China, there is every reason to support the development of a cooperative structure between the United States and China in the Pacific. And this must mean recognising China's legitimacy,

its prerogatives as a great power and the legitimacy of its government. If we are pressed into the notion that only democratic governments are legitimate, our future is limited to action within some confederation of democracies.

A week after Keating's comments about White's book, the top Asia policy official in the US State Department, Kurt Campbell, said it was "foolhardy" to think Australia needed to make a choice between America and China, telling Australian reporters that Washington wanted to correct "false assessments" in Australia's strategic debate which he described as "inaccurate and overwrought." He said the US had explained to China the deployment of Marines to Darwin and Beijing's "concerns have subsided substantially, and in none of our recent interactions with China has it come up." Campbell said it was unnecessary for Australia to think it had to make a choice between its strong alliance with the US and its relationship with China. He said it was patently false that the US was trying to exclude China from sharing power, arguing that "No country has taken more trouble to engage with China." He said that if anything, the US had been giving China more responsibility in global affairs than it was comfortable with. "Look at the role they play in international relations in the global economy, look at the role they play across the spectrum," he said, citing Iran, Syria, North Korea and issues of nuclear non-proliferation. "You name it, there are ample opportunities for China to play a larger role in politics ... not just the US but every country in Asia is seeking to have more space for China."

One of the last big policy speeches Kevin Rudd gave before leaving the post of foreign minister was to the Asia Society in January on the need for a "Pax Pacifica" to calm the rivalry between Beijing and Washington. In the New York speech, Australia's Mandarin-speaking former prime minister said the Asia-Pacific had to evolve a "rules-based order." He quoted the view that in less than five years China's economy, in purchasing power parity, will be bigger than the US, marking a profound turning point of "truly historic proportions." Within those five years, he said, Asia will constitute nearly a third of global GDP and the US less than a fifth.

Rudd said the "brittleness in the security policy realities" of Asia runs counter to the ever-deeper economic engagement of recent decades, raising the threat of "strategic drift, ideological conflict and irreconcilable interests." The foreign minister said the region had to move beyond the existing Pax Americana: "The task today is whether together we can craft something which the history books of the future might call Pax Pacifica – a peace that will ultimately be anchored in the principles of common security, recognising the realities of US and Chinese power as well as the continuation of US alliances into the future."

The Labor government will set out a whole-of-government approach to these issues in a White Paper on the Asian Century, expected to be released in October. Kevin Rudd will speak on that paper from the backbench. In February, Prime Minister Gillard accused Rudd of trying to destabilize her leadership and he resigned as foreign minister. In the Labor caucus leadership vote, Gillard defeated Rudd 71 votes to 31.

Australian Defense cuts and force structure

Australia is cutting the growth of its defense budget, reviewing force structure, and bringing forward a new Defense White Paper, to be published next year before the federal election. The

Labor government, determined to return the federal budget to surplus, has started taking cash from defense, cutting away the financial lines set out in the previous 2009 Defense White Paper. The national budget announced in May cuts a total of A\$5.5 billion from the defense budget over four years. This was rated an historic cut by Canberra's leading guru on defense spending, Mark Thomson, program director for budget and management at the Australian Strategic Policy Institute. He said, "The numbers tell the story. Next year the defence budget will fall in real terms by 10.5 percent, the largest year-on-year reductions since the end of the Korean conflict in 1953. As a result, defence spending as a share of GDP will fall to 1.56 percent the smallest figure recorded by Australia since the eve of WWII in 1938."

America has started to voice unease about those budget cuts, especially the fall in the percentage of GDP devoted to defense. After talks in Canberra in July, the commander of US forces in the Pacific, Adm. Samuel Locklear, said defense spending "is not something you can turn on and off with a switch from year to year based on how bad the economies are."

Locklear contrasted the Australian trend with NATO, where he said the standard was about 2.5 percent of GDP. He said, "There are many nations that don't meet that, from time to time, and so it's not for me to comment on how the Australian people decide to do it, but I would hope that in the security environment that we are in that there is a long-term view of defence planning that has the proper levels of resources behind it. This is the same thing that I say to our own leadership in my own country, because we are faced with similar decisions."

Former US Deputy Secretary of State Richard Armitage used the annual Australia-America dialogue to argue that Australia cannot take "a free ride" by cutting its defense spending below the "basic standard." Armitage told *The Australian* newspaper, "I am a bit concerned about the decline of the Australian defence vote. NATO has an entry price of 2 percent of gross national product on defence. It's not always honoured but it's a basic standard."

In May, the government released the final report of Australia's Defence Force Posture Review, conducted in parallel with the US's own posture review. The report by two former secretaries of the Defence Department found some weaknesses and risks associated with the capacity of bases in northern Australia. Allan Hawke and Ric Smith questioned the capacity of Australian forces to sustain high-tempo operations in northern Australia and the neighboring region.

The force posture review considered Australia's stance against a range of emerging factors:

- the rise of the Asia-Pacific as a region of global strategic significance;
- the rise of the Indian Ocean rim as a region of global strategic significance;
- the growth of military power projection capabilities of countries in the Asia Pacific;
- the growing need for the provision of humanitarian assistance and disaster relief following extreme events in the Asia Pacific region; and
- energy security and security issues associated with expanding offshore resource exploitation in Australia's North West and Northern approaches.

In their report, Hawke and Smith said: "Australia and the United States are seeking to align their respective force postures in ways that serve shared security interests. The United States is

looking to develop a more flexible and resilient military posture in the Asia-Pacific, and access to facilities and training areas in Australia has become more important to its regional posture.”

The two former defense secretaries said that Australia should apply its existing policy of “Full Knowledge and Concurrence” to any increased US presence on Australian soil. The approach should cover US activities in, through, or from Australian territory. This would follow the policy applied to the Joint Defence Facility at Pine Gap, near Alice Springs, a signals intelligence base that has a US commander with an Australian deputy. The “joint facility” terminology means that Canberra can deny that there will be any permanent US military bases established in Australia.

Part of the Obama announcement in Canberra was of more regular visits to Australia by US bombers, tanker aircraft, and surveillance aircraft, including *Global Hawk* UAVs, as well as deployment of equipment in Northern Australia. Beyond the continent, the Hawke-Smith report said Australia’s Cocos (Keeling) Islands in the Indian Ocean have significant military strategic value as a staging location for maritime air patrol and surveillance activities, given their Indian Ocean position, close to Southeast Asia. They reported that the Cocos Islands airfield is in poor condition and needs to be lengthened and strengthened to support the larger aircraft: “At present, *Global Hawk* UAVs could operate from Cocos Islands, but the condition of the airfield and its limited infrastructure impose constraints.”

The Defence Force Posture Review report will form part of the security and strategic considerations feeding into the 2013 Defence White Paper, which was scheduled for 2014, but the government has brought it forward so the new policy can be announced before the federal election, scheduled for the end of 2013. Defence Minister Smith said the new white paper will respond to significant international and domestic developments since the previous 2009 paper:

- The ongoing strategic shift to our region, the Indo-Pacific and Asia Pacific, particularly the shift of economic weight to our region;
- The ADF’s operational drawdown from Afghanistan, East Timor, and Solomon Islands;
- The US re-balance to the Asia-Pacific and Australia’s enhanced practical cooperation with the US;
- Australia’s own force posture review – the first in a quarter of a century;
- The 2009 white paper judged that the global financial crisis was the most fundamental economic challenge facing Australia, and the ongoing adverse effects of this crisis has had “a significant deleterious impact.”

Afghanistan

Over 24 hours on Aug. 29-30, the Australian Army in Afghanistan suffered its worst day when five Australian soldiers were killed in two separate incidents. Three Australian soldiers were killed and two wounded following an “insider attack” by an Afghan Army sergeant at a patrol base in the Baluchi Valley region of Uruzgan. In the second case, two Australian Special Forces commandos were killed when a US helicopter crashed in Helmand. The deaths brought the number of Australian soldiers killed in Afghanistan since February 2002 to 38.

On news of the deaths, Prime Minister Gillard, in the Cook Islands for the Pacific Islands Forum, cancelled her commitments and returned to Australia. She told reporters: “I believe this is the most losses in combat since the days of the Vietnam War and the battle of Long Tan. This is news so truly shocking that it’s going to feel for many Australians like a physical blow.”

The prime minister’s response and abrupt return to Canberra, however, did not signal any change in policy. As with the US alliance, Afghanistan is an area where the Labor Party and the Liberal-National coalition are in agreement. Following the script used on the previous deaths of troops in Afghanistan, the government and opposition repeated that Australia must stick with the US timeline to exit from Afghanistan by 2014. Gillard said: “It is important Australians understand this is a war with a purpose and a war with an end.” Opposition leader Abbott said Australia is not a country that “cuts and runs.”

However, the number of “green on blue” deaths – attacks by members of the Afghan Army on coalition troops training and supporting them – again raised agonizing questions about the nature of the handover and what sort of end to the war is in view. The Australian Greens Party and one independent MP called for an immediate withdrawal from Afghanistan. The independent, Andrew Wilkie, a former military officer and intelligence analyst, said Gillard and former Prime Ministers Kevin Rudd and John Howard have “blood on their hands.” Wilkie said troop deaths were unnecessary because Australia’s leaders had ample opportunities over the years to end the mission: “Being in Afghanistan now is not in Australia’s national interest and was avoidable.” The Labor Party does not have a majority in the House of Representatives, so to stay in power the Gillard government relies on support from Wilkie, two other independents and a Greens MP. Afghanistan is not an issue likely to cause the fall of the minority government because of the common policy adopted by Labor and the opposition.

As the present military mission in Afghanistan heads to a close in 2014, Australia has finally agreed to take command in its main area of action, Uruzgan province. In May, Defense Minister Smith announced that Australia will assume the leadership of Combined Team-Uruzgan in late 2012, taking over from the United States. The Australian commander will have responsibility for several hundred US troops and contingents from Singapore and Slovakia. Until 2010, Uruzgan was under Dutch command. When the Dutch withdrew, Australia refused to accept command, instead providing the deputy to a US commander. In announcing the decision to take the command position, Smith said circumstances in Uruzgan are very different from what they were back in June 2010 and “taking on the leadership now in Uruzgan puts us in a better position to manage the transition process.”

At the NATO-ISAF Summit in Chicago in May, Gillard and President Karazi signed what was called a “Comprehensive Long-Term Partnership” setting out the terms of Australian support beyond 2014. Australia will contribute US\$100 million annually for three years from 2015 to support Afghan National Security Forces beyond the transition process. This doubles the annual amount Australia has been giving to the Afghan Force since 2010.

Asia's trade future

Question: What is the difference between the Trans-Pacific Partnership (TPP) and the Regional Comprehensive Economic Partnership (RCEP)?

Answers: The TPP includes the US but not China, Japan, India and South Korea. The RCEP includes all those Asian states but not the US. The TPP, after 14 rounds, is straining toward the finish line, the RCEP has just been born; the two are all about trade but also, implicitly, say something of the emerging order in Asia. The TPP is a US recipe while the RCEP is an ASEAN-sponsored noodle dish strongly favored by China. The RCEP is an attempt to untangle the complex Asian noodle bowl of bilateral free trade agreements, but most of the noodles have one end in China.

Australia joined negotiations on the TPP in 2008 and says its highest regional trade negotiation priority is the conclusion of the TPP Agreement. The proposed trade pact will build on the Trans-Pacific Strategic Economic Partnership Agreement (P4) between Brunei, Chile, New Zealand and Singapore, which entered into force in 2006. The TPP includes these four as well as Australia, Malaysia, Peru, the US, and Vietnam. In June, Mexico and Canada joined the negotiations, so that the other members of the North American Free Trade Agreement have joined the US in the TPP negotiations. If achieved, the TPP will express much of what US says it wants in its trade relations with Asia. As well as cutting barriers to trade and investment, it will deal with behind-the-border impediments. If the TPP is to be a building block for Asia-Pacific regional economic integration, it will be a block with US characteristics.

Part of the significance of the TPP negotiations is the countries that are not at the table. China is the great absence. Japan has expressed formal interest in participating but Tokyo, too, will have difficulty embracing some of the US vision that the TPP seeks to realize. Having finally clinched a bilateral free trade agreement with the US, South Korea has shown little appetite for repeating the experience in a regional setting. The TPP process deals with such important absences by proclaiming that future members are welcome to join. But the invitation comes with caveats. As Australia describes the open door, those seeking membership “would need to demonstrate commitment to early and comprehensive liberalisation” so as to maintain the TPP momentum.

The new Asian trade vision is expressed by the RCEP, the comprehensive partnership endorsed by ASEAN leaders at their summit in November 2011. On Sept. 1, six other countries – Australia, China, Japan, India, South Korea, and New Zealand – joined with the ASEAN 10 in Siem Reap in Cambodia to lay the foundations for a RCEP agreement.

In Siem Reap, Australia's Trade Minister Craig Emerson said the “agreement would be the perfect vehicle for advancing Australia's interests in the Asian Century.” The RCEP would cover eight of Australia's top 10 trading partners, involving almost 60 percent of Australia's each-way trade. He said the ASEAN-designed agreement would provide Australian businesses with a “genuinely regional platform for trade and investment decisions.”

As with the TPP, Emerson said Australia would seek to include labor and environment issues in the RCEP negotiations. Without the US driving the agenda, however, it is clear that issues such

as intellectual property rights, plus labor and environment standards will not be as central to RCEP as they are in the TPP. One vision of Asia's trade future has the US at its center. The other is an ASEAN construct that will clearly be driven by China. In trade, as with defense and diplomacy, Australia faces uneasy choices.

Chronology of Australia-East Asia/US Relations September 2011 – August 2012

Sept. 15, 2011: US defense secretary and secretary of state meet Australia's foreign minister and defense minister for the annual Australia-US Ministerial (AUSMIN) Talks. The meeting is in San Francisco to mark the 60th anniversary of the signing of the ANZUS treaty.

Oct. 12, 2011: Australian House of Representatives passes law to impose carbon tax from July 2012. The tax is to be paid by the 500 biggest polluters. Opposition pledges to repeal the law.

Oct. 13, 2011: Unable to get a majority in the House of Representatives, Labor abandons its "Malaysia solution" and drops legislation to allow processing of asylum seekers offshore.

Oct. 29, 2011: Three Australian soldiers are killed in action when a member of the Afghan National Army opens fire with an automatic weapon during a weekly parade at a forward base in southern Afghanistan. Seven Australian soldiers are also wounded.

Nov. 1, 2011: Defense ministers of Australia, Britain, Malaysia, New Zealand, and Singapore convene to mark the 40th anniversary of the Five Power Defence Arrangements, designed to protect Singapore and Malaysia.

Nov. 8, 2011: An attack by a rogue Afghan army soldier, firing from a guard tower, wounds three Australian soldiers and two Afghan soldiers.

Nov. 14, 2011: 14th Annual Australia-China Defence Strategic Dialogue is held in Canberra.

Nov. 16, 2011: President Barack Obama arrives in Canberra for a visit.

Nov. 17, 2011: President Obama addresses a joint sitting of the Australian Parliament, then flies to Darwin, becoming the first US president to visit the Northern Territory.

Nov. 28, 2011: China allows the Australian dollar to be directly traded for Yuan, bypassing the need for an intermediate transaction in US dollars.

Dec. 4, 2011: Australian Labor Party national convention votes to allow the sale of Australian uranium to India. Previously, uranium sales were banned because India is not a signatory to the Nuclear Non-Proliferation Treaty.

Dec. 12, 2011: Papua New Guinea Supreme Court causes a political crisis by ruling that the PNG Parliament's election of Peter O'Neill as prime minister in August was unconstitutional. Court orders that the previous PM, Sir Michael Somare, be reinstated. Parliament refuses.

Jan. 13, 2012: In a speech to the Asia Society in New York, Foreign Minister (FM) Kevin Rudd calls for a Pax Pacifica in Asia to replace the Pax Americana.

Jan. 18, 2012: Chief of the ADF Gen. David Hurley attends the NATO session on Afghanistan in Brussels.

Jan. 23, 2012: FM Rudd and Defense Minister (DM) Stephen Smith attend the annual Australia-United Kingdom Ministerial consultations with Foreign Secretary William Hague and Defence Secretary Philip Hammond.

Jan. 26, 2012: In Papua New Guinea, a colonel and 30 troops stage a mutiny in Port Moresby in support of the leadership claims of ousted Prime Minister Sir Michael Somare. Within three days, the colonel is under arrest while the troops are granted amnesty.

Jan 29, 2012: Australia and New Zealand launch a new Defence Relationship Framework.

Feb. 21, 2012: First Vietnam-Australia Strategic Dialogue takes place in Canberra.

Feb. 22, 2012: Kevin Rudd announces he is resigning as foreign minister because he no longer has the confidence of the prime minister, setting the scene for a Labor leadership challenge.

Feb. 27, 2012: Prime Minister (PM) Julia Gillard wins a Labor caucus leadership vote, defeating Kevin Rudd 71 votes to 31.

March 13, 2012: Former Premier of New South Wales Bob Carr is sworn in as a senator and as Australia's new foreign minister.

March 15, 2012: The foreign and defense ministers of Australia and Indonesia meet for their inaugural "2+2" dialogue in Canberra.

April 3, 2012: First rotation of 200 United States Marines arrives in Darwin.

April 10, 2012: DM Smith visits Afghanistan.

April 17, 2012: In a speech on Afghanistan, PM Gillard identifies mid-2013 as a milestone, when international forces will move to a supporting role across all of Afghanistan and the drawdown of Australian forces will be underway.

April 19, 2012: FM Carr and DM Smith participate in ISAF Ministerial discussions in Brussels.

April 30, 2012: FM Carr goes to Fiji as a member of the Pacific Islands Forum Ministerial Contact Group for talks on the restoration of democracy and the rule of law in Fiji.

May 3, 2012: Final report of the Defence Force Posture Review is released. A new Defence White Paper is to be delivered in the first half of 2013, instead of 2014. Government announces it will provide A\$214 million for further detailed studies and analysis to shape the decision on the design of Australia's next submarine.

May 4, 2012: Australia and the US sign joint statements to increase intelligence sharing to combat transnational crime, including terrorism, and to make travel between Australia and the United States easier.

May 17, 2012: An Australia-Japan Information Security Agreement is signed.

May 20, 2012: At the NATO-ISAF Summit in Chicago, PM Gillard and Afghanistan's President Karzai sign a partnership agreement on Australian support beyond the troop withdrawal in 2014.

May 22, 2012: Australia and Malaysia sign a free trade agreement.

May 31, 2012: Australia will assume the leadership of Combined Team-Uruzgan in Afghanistan in late 2012, taking over from the US commander.

June 5, 2012: DM Smith visits China for the inaugural Australia-China Defense Ministers' Dialogue.

June 7, 2012: Australia lifts its travel and financial sanctions on Burma, to encourage further democratic reform. As Burma's second largest bilateral aid donor, Australian aid to Myanmar will more than double to A\$100 million a year by 2015. FM Carr makes the announcements after talks with Burma's Government and Aung San Suu Kyi.

July 2, 2012: Indonesian President Susilo Bambang Yudhoyono arrives in Darwin for talks with PM Gillard.

Jul. 2, 2012: In Afghanistan, SAS Sergeant Blaine Flower Diddams is killed during an engagement with insurgents.

July 2, 2012: Australia says it will take a leading role in negotiating a global Arms Trade Treaty – imposing new controls on illicit cross-border dealings in weapons including automatic rifles, hand guns, rocket-propelled grenades, and ammunition.

July 10, 2012: The new four-year Defence Capability Plan is released, with a total cost estimate of A\$153 billion.

July 19, 2012: Director General of the Australian Secret Intelligence Service Nick Warner gives a speech on the 60-year history and current roles of the overseas spy service, the first ever public presentation by Australia's spy master.

July 26, 2012: DM Smith completes a visit to Honolulu for talks with senior United States military officials at United States Pacific Command and to observe Australia's participation in *Rim of the Pacific (RIMPAC) 2012* Exercise.

July 30, 2012: Foreign ministers of Australia, New Zealand, and Fiji meet in Sydney and agree to upgrade diplomatic relations by the exchange of ambassadors. Australia and New Zealand are to ease travel restrictions on civilians working for Fiji's military regime.

Aug. 13, 2012: An inquiry headed by the previous chief of the ADF, Angus Houston, recommends the Labor government restore the "Pacific solution" to stem the wave of asylum seekers arriving in Australian waters by boat. The report calls for the re-opening of offshore processing centers in Nauru and Papua New Guinea and for further work on a people-swap deal with Malaysia. PM Gillard accepts all 22 recommendations and introduces legislation in Parliament the next day.

Aug. 22, 2012: Australia announces implementation of sanctions on Iran, including trade in oil, petroleum, gas, financial services and precious metals, following the failure of the Iranian Government to engage constructively with the international community on its nuclear program.

Aug. 23, 2012: Australia is to spend A\$1.5 billion to acquire the *Growler* electronic warfare system for its 24 *Super Hornet* aircraft, making Australia the only country other than the United States to operating *Growler*, which jams aircraft and land-based radars and communications.

Aug. 28, 2012: DM Smith visits Vietnam to discuss Australia's growing defense relationship with Vietnam, together with regional security issues.

Aug. 28, 2012: Pacific Islands Forum is held in the Cook Islands.

Aug. 29, 2012: Three Australian soldiers are killed and two others wounded following an insider attack by an Afghan Army sergeant in the Baluchi Valley region of Uruzgan.

Aug. 30, 2012: Lance Corporal Mervyn McDonald and Private Nathanael Galagher from the Special Operations Task Group die when a US helicopter crashes in Helmand Province.

About The Contributors

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