



Pacific Forum CSIS



Comparative Connections



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

edited by

Brad Glosserman
Sun Namkung

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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 Quarterly Electronic Journal on East Asian Bilateral Relations

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

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

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

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by Brad Glosserman, Pacific Forum CSIS

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by Robert Sutter, Georgetown University and Chin-Hao Huang, CSIS

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

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South Korea is fed up – and is not disguising this behind honeyed words, as so often, for fear of offending Northern sensibilities. Two factors have prompted this new mood. Seoul was furious when in late May the North, at a day’s notice, cancelled a long-delayed train test run on the two reconnected crossborder rail tracks, which have been physically ready to roll since last year. Coming just a week before key local elections, in which the ruling Uri Party was duly hammered by the opposition Grand National Party, this was hardly a friendly gesture toward a government whose critics accuse it of being too generous toward Kim Jong-il. The result is an overdue outbreak of conditionality. In June, the mood in Seoul hardened further, as fears grew that Dear Leader was preparing to test-fire a *Taepodong* long-range missile for the first time since 1998.

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by Scott Snyder, The Asia Foundation/Pacific Forum CSIS

False starts characterized Chinese efforts to reinvigorate diplomacy to address North Korea’s nuclear weapons program this quarter. Chinese negotiator Wu Dawei failed in his efforts to jump-start six-party contacts through a nonofficial meeting in Tokyo. Then attention shifted to whether the Bush-Hu summit might catalyze a resumption of Six-Party Talks, but the summit produced no apparent agreement. The quarter ended with another widely anticipated, but (as of the end of this quarter) nonevent: North Korea’s widely anticipated and widely publicized launching of *Taepodong 2*, a multi-stage rocket. Meanwhile, South Korea has suffered strategic anxiety and political frustration as it observes China’s growing economic and political influence on the Korean Peninsula while it is stiff-armed by the North in inter-Korean relations.

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

For the first time in over a year, the foreign ministers of Japan and China met May 23. Both ministers retreated to well-worn talking points on Yasukuni but agreed to move ahead in expanding exchange programs. Afterward, Foreign Minister Aso announced that Japan’s relations with China were moving toward normalcy and in early June, to further warm the atmosphere, the Koizumi government removed the freeze on loans to China. In turn, China’s President Hu suggested that under the proper conditions and at an appropriate time, he would like to visit Japan. In Japan, political leaders jockeyed for position in the post-Koizumi prime ministerial sweepstakes. Increasingly, foreign policy, Japan’s relations with its Asian neighbors, and Yasukuni-related matters assume growing importance in the political debate. In meetings with Japanese political figures, China’s political leaders and diplomats worked to shape the post-Koizumi environment in Japan.

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by David C. Kang, Dartmouth College and Ji-Young Lee Georgetown University

Japan-Korea relations continued to be tense. North Korea and Japan faced off over abductees, history, and the North's presumed preparations for a missile launch. South Korea and Japan came close to a skirmish over the Dokdo/Takeshima islands, and only intensive negotiations avoided a crisis. With Japan and both Koreas seemingly locked into their foreign policy approaches, it is no surprise that there was little progress and much squabbling. The increasingly integrated economies of Japan and South Korea continued to cooperate and compete. South Korean Samsung Electronics and Japanese Sony Corp. agreed to invest \$234.1 million for the production of liquid crystal display panels and to invest about 2 billion won to jointly build an eighth-generation LCD production line. With a new Japanese prime minister expected in September, it remains to be seen how Japan's foreign policy will evolve.

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SCO Five Years On: Progress and Growing Pains

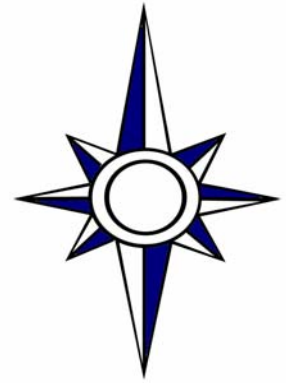
by Yu Bin, Wittenberg University

Five years after its inception, the Shanghai Cooperation Organization (SCO) held its sixth summit meeting in Shanghai in mid-June to celebrate its steady growth as a "mature" regional security body. In many respects, the SCO is at a crossroads at both operational and philosophical levels: it must achieve internal cohesion without interfering in member states' internal affairs, and increase its international profile without appearing intrusive, at least in the eyes of the U.S. The key to SCO sustainability is a stable Sino-Russian "strategic" partnership. Moscow and Beijing in the second quarter also worked hard to coordinate their approaches to the Iranian nuclear issue, both inside and outside the SCO framework. The next few months will be crucial for Moscow, Beijing, and the SCO, as the Bush administration could tighten the screws for geostrategic and political considerations for U.S. mid-term elections in November.

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A Quarterly E-Journal on East Asian Bilateral Relations



Regional Overview:

New Insights into U.S. East Asia Strategy

Ralph Cossa
Pacific Forum CSIS

Several senior administration officials provided insights into the Bush administration's East Asia and global strategic thinking this quarter. National Security Advisor Stephen Hadley explained "three basic insights" that guide East Asia policy, reinforcing the centrality of U.S. alliances (a common theme in Asia policy pronouncements in the past but one that had been strangely absent in major Asia addresses by President George W. Bush and Secretary of State Condoleezza Rice); Assistant Secretary of State Christopher Hill provided the most comprehensive statement to date regarding administration views of East Asia community building, pointing out Washington's concern about the "Pan-Asianism vs. Pan-Pacificism" debate; and Defense Secretary Donald Rumsfeld made it clear that Washington prefers global, more inclusive, task-oriented multilateralism ("the mission defines the coalition") over Cold War institutions that will become increasingly irrelevant if and when they fail to adjust to new strategic realities.

One such "coalition of the willing," the Proliferation Security Initiative (PSI), celebrated its third anniversary, with Under Secretary of State Robert Joseph calling for more nations to come on board and for those already participating to "think innovatively, enforce aggressively, and engage regularly." A major PSI air interdiction exercise off Australia drew participants from six countries, with observers from 26 more. Another "PSI-like" exercise would have represented a historic first until China and South Korea became last-minute no-shows. The Chinese did, however, send observers to a major U.S. military exercise held near Guam. Meanwhile, the Six-Party Talks remained a coalition of the unwilling as North Korea continued to boycott the talks amid preparations for a missile test which, on the Fourth of July, may have sounded a death knell for the talks . . . or maybe not!

In Southeast Asia, the nations of ASEAN took a small step closer to multilateral defense cooperation with the convening of the inaugural ASEAN Defense Ministers Meeting in early May. Many reconvened in Singapore during the Shangri-La Dialogue, which involved defense officials from 22 Asia-Pacific nations (including Secretary Rumsfeld). Malaysia, Singapore, and Indonesia took major steps toward greater actual defense cooperation in patrolling the Malacca Strait, while Malaysia Defense Minister Najib proposed the establishment of a regional relief center to coordinate regional responses to humanitarian disasters. When it came to responding to a neighbor's call for help, however, ASEAN was conspicuously quiet, with only Malaysia sending assistance to

help restore order in Timor-Leste, where the democratic process is struggling to take hold. Meanwhile, the democratic process is nowhere to be found in Myanmar (Burma), where the ruling junta disappointed its ASEAN colleagues by once again extending Aung San Suu Kyi's house arrest for another year.

Three “basic insights” into U.S. Asia strategy

In early April, President Bush's national security advisor, Steve Hadley, gave a speech at a Strategic Asia Forum in Washington, D.C. sponsored by the National Bureau for Asia Research (NBR) which focused on U.S. security strategy in both South and East Asia. He noted that between them there are 1.7 billion people who now choose their own leaders, even while lamenting that a few nations, like North Korea and Myanmar, “have not even begun the journey along freedom's path.”

His South Asia comments focused on Washington's “more strategic relationship” with India, arguing in support of the U.S.-India civil nuclear cooperation initiative, which will “enhance America's security.” (By quarter's end, many in Congress seemed to agree with this assertion, as legislation to approve the nuclear cooperation agreement with India cleared the House Foreign Relations Committee by an overwhelming 37-5 majority.)

Hadley also noted that the Bush administration's strategy in East Asia is based on “three basic insights.” First, “our most important relations in the region are with our traditional allies, nations that share the values of democracy and freedom.” These nations, Hadley argued are “the cornerstone of our approach to the region,” adding that this approach could be called “working East Asia from the outside in.”

The centrality of U.S. East Asia alliances should not come as a revelation since they have for decades been referred to as the “foundation” of U.S. strategy in the region. The reference was refreshing nonetheless, since comments about the vital role that Washington's East Asia alliances play in regional security thinking had been largely absent from major Asia policy addresses given in the past year by both President Bush and Secretary Rice, and Secretary Rumsfeld, while charged with revitalizing and reinforcing these security arrangements, has made clear his preference for “coalitions of the willing” (more on this later).

In addition to America's four allies in East Asia – Japan, the Republic of Korea, the Philippines, and Thailand (Australia is usually included in the list but technically is an Asia-Pacific rather than East Asia ally and hence was omitted here) – several other “key friends” were singled out: Mongolia, Indonesia, Malaysia, and Singapore. Southeast Asia watchers will find the inclusion of Malaysia particularly interesting; this would never have been the case during the Mahathir years.

The second basic insight is “working with our partners in East Asia to develop cooperative and creative approaches to regional and global challenges.” Here he specifically noted how Washington, working with its Asian partners in responding to the December 2004 tsunami, was able to respond “more quickly than international relief

agencies.” Later in the speech, he also cited the importance of regional exchanges, such as the ASEAN Regional Forum (ARF), the Asia Pacific Economic Cooperation (APEC) forum, the U.S.-ASEAN Enhanced Partnership, and the Six-Party Talks.

Third, he noted that the Bush administration “welcomed the rise of a China that is a responsible stakeholder in the international system; a China that cooperates with us to address common challenges and mutual interests.” But he also noted that Washington had “made it clear” to Beijing that it “must change policies that exacerbate tensions,” singling out China’s “non-transparent military expansion” (a theme reemphasized by Rumsfeld in June); its “quest to lock up energy supplies, rather than participate in energy markets”; and Beijing’s support of “resource-rich countries with poor records of democracy and human rights.”

He did attempt to put Beijing’s (and New Delhi’s) mind at ease on one point, however, insisting that “we have resisted the temptation of crude balance-of-power politics, seeking to play India off against China,” arguing that both need to be “constructive players” and that the U.S. “can and should have constructive relations with each.” Reinforcing the Bush administration’s central international theme, he noted that while many say the 21st century will be the “Asian century,” President Bush believes it will be “freedom’s century.”

Evolving U.S. attitudes: “Pan-Asianism vs. Pan-Pacificism”

While Hadley only paid lip service in his remarks to Washington’s support for regional integration, Assistant Secretary of State for East Asian and Pacific Affairs Christopher Hill provided the Bush administration’s most definitive remarks on this topic, and on Washington’s response to East Asia community building, during remarks on “The U.S. and Southeast Asia” at the Lee Kuan Yew School of Public Policy in Singapore May 22.

Previously, the Bush administration had been circumspect regarding East Asia community-building in general and the December 2005 inaugural East Asia Summit (EAS) in particular, stating that it reserved judgement on the EAS until its mission and objectives become clear but that, in principle, it supports more “inclusive” multilateral approaches (read: those involving the U.S.). However, during his Singapore speech, Hill finally approached the subject head on. He noted that U.S. engagement with Southeast Asia “continues to broaden and deepen,” further observing that “the dynamism of the region means that our relationship is in a constant state of evolution, which has given rise to renewed debate and discussion about regional fora, and whether they should be inclusive or exclusive.” As a result, Hill noted, the debate over “pan-Asianism vs. pan-Pacificism has also re-emerged.”

The U.S. has no objection to East Asia regionalism *per se*, Hill argued, noting that “it is entirely understandable that Asia is looking to strengthen its own regional institutions, just as other regional groupings in other parts of the world have done the same. This drive is a reflection of the remarkable and still growing pattern of intra-Asian economic and financial integration, and is not surprising – and we welcome it.”

Hill then repeated concerns about the proliferation of multilateral initiatives and the danger of “meeting fatigue”: “But we need to think hard and clearly about the question of how we can integrate pan-Asian and trans-Pacific fora. We have heard much debate about the East Asia Summit. Before coming to any conclusions, we need to look at the whole landscape – and indeed the seascape – of proliferating regional fora – ASEAN Plus Three, APEC, ARF, and the EAS – to determine how the pieces can fit better together. The goal should be to achieve synergy and avoid redundancy and duplication.”

Hill also reaffirmed Washington’s concern about how the EAS would relate to broader-based multilateral efforts involving the U.S.: “With respect to the East Asia Summit, the U.S. continues to watch with interest how this forum will develop. As I mentioned earlier, APEC and the ARF are vital components of our relationship with Asia and Southeast Asia. We want to continue to work with you to ensure we don’t dilute the effectiveness of these institutions and the important cooperation they foster. The United States is and will remain deeply involved in the transformation of Southeast Asia.”

In short, the jury remains out. Washington is likely to continue to reserve judgement about the EAS and closely watch ASEAN Plus Three (A+3) and other regional community-building efforts to determine how they ultimately will interact with broader regional organizations, both institutionalized (like the ARF and APEC) and ad hoc (like the Six-Party Talks and the Proliferation Security Initiative). To the extent that “Pan-Asian” efforts signal their willingness to coexist with Washington, and are not seen as threatening or attempting to undermine Washington’s bilateral alliances, its own central role in East Asian security affairs, or the broader Asia-Pacific regional institutions in which it participates, there is little reason to expect objections from Washington or a serious effort to discourage or derail regional community-building efforts.

‘The coalition defines the mission’

Washington’s generally benign view of East Asia regionalism notwithstanding, both Hadley and Hill made it clear that the Bush administration prefers broader-based efforts that included Washington. This message was further reinforced by Defense Secretary Rumsfeld during his address in early June at the annual International Institute for Strategic Studies (IISS) Shangri-La Dialogue in Singapore, the Asia-Pacific region’s largest unofficial gathering of defense officials and security specialists.

While noting that “countries could join together as they wish,” Rumsfeld stressed that most problems were global and thus lent themselves to multinational rather than single country or small group solutions. He also unapologetically stood by his “mission defines the coalition, not vice-versa” mantra, citing the success of the Bush administration’s Proliferation Security Initiative, a “coalition of the willing” involving some 70 nations who share a commitment to prevent weapons of mass destruction (WMD) from being transported to or from terrorists or rogue regimes.

In response to a specific follow-up about the invitation to Iran to join the Shanghai Cooperation Organization (SCO, involving China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan), Rumsfeld commented that he found it “passing strange” that an organization whose charter proclaims a commitment to combat terrorism would invite a known supporter of terrorism to join its ranks.

(While Tehran has not officially joined the SCO, its president, Mahmoud Ahmadinejad, did attend the June 15 SCO Summit as an observer. Iran, India, Pakistan, and Mongolia are SCO observers; Afghan President Hamid Karzai and ASEAN’s secretary general were also invited to attend as “special guests.” Ahmadinejad’s presence at a time when Iran was facing increased Western criticism over its suspected nuclear weapons aspirations and his thinly veiled criticism of the U.S. when addressing the gathering garnered more international attention than the summit itself did. The 2006 SCO Declaration did not repeat last year’s demand that the U.S. set a date for departure from Central Asian antiterrorism bases.)

During the Shangri-La Q&A session, Rumsfeld also questioned whether institutions established at the onset of the Cold War – the United Nations, the World Bank, and the International Monetary Fund were three cited examples – were still relevant in the post-Cold War environment. As Truman did back then, Rumsfeld argued, today’s leaders should think about initiating or fashioning new institutions, rather than thinking that those that existed 50-plus years ago “are necessarily properly arranged for today,” adding, “I don’t think they are.”

Rumsfeld also noted that, “in the security area, we need more peacekeepers in this world.” He called for more countries to participate in peacekeeping efforts and for more effort to help train and equip those willing to do so, noting that “it’s a painfully slow process when the United Nations gets involved in peacekeeping. . . I think we can do an awful lot better job in a number of these areas than we’re doing.”

Demystifying China. Unlike his presentation at the 2005 Shangri-La Dialogue, when comments on China (and the war on terrorism) dominated his formal remarks, only one short paragraph in a four-page prepared text referenced the PRC. Rumsfeld first praised China’s “great potential” and its “strong economic growth” and “industrious workforce.” But, he cautioned, “there are aspects of China’s actions that can complicate their [sic] relationships with other nations. The lack of transparency with respect to their military investments understandably causes concerns for some of its neighbors.”

That was it! Beyond this, Rumsfeld largely stressed the positive: “in the past five years, in terms of defense and security cooperation, the United States has done more things, with more nations, in more constructive ways, than at any other time in our history.” While some in the U.S. and overseas have questioned U.S. involvement in and commitment toward Asia, “the United States is and always will be a Pacific nation,” Rumsfeld reminded the audience, “we must, and we will, lean forward and stay fully engaged in this part of the world.”

If China was not a central theme in his prepared remarks, it remained the subject of over half the questions posed to Rumsfeld during the on-the-record Q&A session that followed his prepared remarks. While several questioners tried to draw him into a discussion of the Chinese threat, he was not about to go there, perhaps remembering the challenges he received last year when he questioned China's growing defense expenditures and expanding power projection forces.

Instead, he merely called for China to be more transparent about its military capabilities and doctrine. In a clear reference to China, he noted that "any country clearly has the right to make decisions as to how it wants to invest its resources. That's fair." But, he noted, "the rest of the world has the right, indeed on occasion the need, to try to develop a good understanding of exactly why they're doing that." It would be in Beijing's interest, Rumsfeld argued, if Beijing "demystified" what it was doing militarily. He predicted that China would eventually see the wisdom in doing just that.

Even on the contentious issue of Taiwan, Rumsfeld merely observed that we should "take China at its word" when it says it seeks peaceful reunification as its first choice, noting that the U.S. and the people on Taiwan also want a peaceful resolution to the problem.

Rumsfeld also stressed that the term "responsible stakeholder," while coined by Deputy Secretary of State Robert Zoellick, represented a "coordinated U.S. perspective" regarding China that would remain a central tenet of China-U.S. relations even if Zoellick were to leave office (which he subsequently announced that he planned to do this fall). The U.S. had no "grand design" in Asia, other than to "contribute to peace and stability," stressing again that the goal of U.S.-China military-to-military relations was "to demystify one another."

Unfortunately, the Chinese Defense Ministry and Peoples' Liberation Army chose once again to boycott the gathering – China was represented by a relatively low-level foreign ministry official and the heads of several Chinese think tanks – thus missing an important opportunity to demonstrate China's professed commitment to greater defense cooperation in the Asia-Pacific region.

It's all about freedom! Reinforcing the central theme of the Bush administration's 2006 *National Security Strategy*, Rumsfeld also stressed the importance of promoting and preserving freedom and democracy, noting "paradoxically, more nations are freer than ever before, yet freedom is increasingly under assault." As expected, he warned against "violent extremism" in the region, while challenging North Korea to "choose a path which leads back to membership in the community of nations"; a relatively gentle (for the Defense Department) admonition. He also gave Russia a mixed review, stating on the one hand that "on the whole, our relationship is better than it has been for decades," while cautioning that "in other ways, Russia has been less helpful, as when they [sic] seek to constrain the independence and freedom of action of some neighboring countries."

Finally, Rumsfeld acknowledged that the U.S. had to be more sensitive to world public opinion and admitted that he was concerned about Washington's image, noting that "every country would prefer to be loved and to be respected." But he also argued that the facts showed that Washington had provided great support to Muslim people from Bosnia to Kosovo and that the Afghan people are now "using their soccer stadiums today for soccer instead of cutting peoples' heads off and that's an improvement."

Nonetheless, a Pew Research Center survey released a week after Rumsfeld's remarks showed that the U.S. global image has again slipped and that support for the war on terrorism has declined, even among close U.S. allies like Japan. Of note, of 15 countries surveyed (including the U.S.), only two – Japan and Pakistan – saw North Korea as a greater danger to world peace than Iran or the Israeli-Palestinian conflict . . . but that was before Kim Jong-il's late June attention-getting tactics!

The talks are dead; long live the talks!

The quarter began with hopes that the informal gathering of senior representatives from all six parties – North and South Korea, China, Japan, Russia, and the U.S. – at the track two Northeast Asia Cooperation Dialogue (NEACD) meeting in Tokyo in early April would somehow help kick-start the six-party process. This was not meant to be. Instead, it appeared to confirm suspicions that the official Six-Party Talks had stalemated as Washington held firm in its refusal to enter into separate bilateral negotiations with the DRPK outside of the six-party process and Pyongyang continued to demand the lifting of U.S. "economic sanctions" as a precondition to its returning to the talks despite admonitions by the other five that it should "promptly" return to the negotiating table.

This would turn out to not be the only admonition Pyongyang was to ignore. In early June, U.S. intelligence sources revealed what appeared to be preparations by Pyongyang for a long-range missile launch. The five parties were unanimous in warning Pyongyang (albeit with varying levels of intensity) not to go ahead with the launch, with Seoul joining Washington and Tokyo in warning of severe consequences if a *Taepodong 2* missile were fired. While it appeared at quarter's end that Pyongyang may have only been bluffing or that the warnings were being taken seriously, this changed on the Fourth of July with the launch of a *Taepodong 2* and six other missiles into the Sea of Japan.

The response to this act of defiance will be discussed next quarter. Here I'll merely speculate on its impact on the six-party process, which many had pronounced dead, even before the (failed) *Taepodong* launch. But, as my Pacific Forum colleagues Scott Snyder, Brad Glosserman, and I argued in a U.S. Institute of Peace (USIP) *PeaceBrief* in early May (available on the USIP website [www.usip.org] or as *PacNet 22* on the Pacific Forum website [www.pacforum.org]), despite its limitations and despite the Bush administration's judgment that North Korea was highly unlikely to negotiate away its nuclear weapons program even before the missile activity, the six-party framework may still have an important role to play as a mechanism for crisis management. Indeed, it looks like next quarter will begin much like this one, amid hopes that an "informal" six-party meeting may be convened, this time by Beijing, to deal with the current DPRK-

induced crisis, allowing the six-party process to demonstrate its crisis management capabilities.

Proliferation Security Initiative flies/sails on!

Washington's favorite "coalition of the willing," the Proliferation Security Initiative, celebrated its third anniversary in late June. Under Secretary of State for Arms Control and International Security Robert Joseph, while attending a June 23 meeting in Warsaw, Poland of 66 supporting nations, called this U.S.-instigated initiative "a standard of good nonproliferation behavior" and a "vital component" in the fight against WMD proliferation.

While others in the administration have been careful not to link the PSI to specific target nations, Joseph was not, telling his audience that "we are here because we understand the need to defeat the WMD threats posed by states like Iran and North Korea, terrorist groups like al-Qaeda, and the facilitators willing to buy and sell sensitive technology for these states and groups." He stressed that the PSI is not a membership organization but rather "a series of ongoing, voluntary activities," and that "governments have participated in PSI in various ways and have undertaken varying levels of constructive engagement."

He also claimed a number of operational successes, pointing to "around two dozen instances" when the United States and PSI partners in Europe, Asia, and the Middle East have prevented "transfers of equipment and materials to WMD and missile programs in countries of concern." He called on more nations to join this effort, citing the Malacca Strait as an area of primary concern, while calling on all PSI participants to "think innovatively, enforce aggressively and engage regularly."

One method of engagement is through periodic PSI exercises. According to Joseph, 23 air, land, or maritime PSI training exercises have been conducted to date. One major PSI exercise, *Pacific Protector 06*, the first air interdiction PSI exercise to be held in the Asia-Pacific region, took place off Darwin in early April, involving military forces from six nations: host nation Australia, plus Japan, New Zealand, Singapore, the U.K., and the U.S.; another 26 countries sent delegates or observers. South Korea and China were invited to participate but declined. Even the DPRK was encouraged to send observers (during a joint CSCAP/ARF WMD Study Group meeting in Singapore in late March) but elected to protest the exercise instead.

China and South Korea were supposed to participate in a "PSI-like" multilateral naval exercise in late May involving the U.S., Japan, Canada, and Russia but both dropped out of the maritime chase portion of the exercise out of fears of offending the North Koreans. This segment involved the mock pursuit of a suspicious ship (suspected of smuggling goods and people – changed from its original suspected WMD cargo to make it more politically acceptable) transiting from Shanghai to Vladivostok. South Korea did participate in the second phase, a mock boarding and inspection of the ship at the port of Busan, ROK.

China did send observers to a major U.S. exercise, *Valiant Shield*, near Guam in mid-June. A total of 10 PLA officials attended the exercise, aimed at enhancing joint combat skills and interoperability. Adm. William J. Fallon, the top U.S. commander in the Pacific, said before the exercises began that implicit in the invitation was the expectation that China would reciprocate. Representatives from Japan, Australia, South Korea, Russia and Singapore were also invited to attend this major integrated joint training involving approximately 22,000 U.S. military personnel, 30 ships (including three aircraft carrier battle groups), and 280 aircraft (including Guam-based fighters and *B-2* stealth bombers).

Southeast Asia defense cooperation growing

In Southeast Asia, the nations of ASEAN took a small step closer to multilateral defense cooperation with the convening of the inaugural ASEAN Defense Ministers Meeting in Kuala Lumpur in early May. The ministers agreed on four main points: to promote regional peace and stability through dialogue and cooperation; to give guidance in the field of defense and security within ASEAN and with dialogue partners; to promote mutual trust and confidence through greater understanding of defense policies and threat perceptions, as well as enhanced of transparency and openness; and to contribute to the establishment of the ASEAN Security Community. The meeting itself was mainly focussed on the issues of human security and transnational crimes, plus cooperation for disaster relief. The ministers agreed that “security challenges remained in the region and that continued efforts should be undertaken to address them,” although they did not identify these challenges. Of note, Myanmar did not send a representative, due to “pressing domestic concerns and domestic engagements.”

Many reconvened in Singapore during the Shangri-La Dialogue, which involved defense officials from 22 Asia-Pacific nations (including Secretary Rumsfeld). Defense officials from Malaysia, Singapore, and Indonesia in particular pointed with great pride to some major steps toward greater actual defense cooperation in patrolling the Malacca Strait, including an “eye in the sky” program of increased surveillance and information sharing. The U.S. (among others) offered to provide assistance, particularly in the area of capacity building, while respecting the fact that primary responsibility rests with the sovereign states that sit astride the Malacca Strait.

During his speech at the Shangri-La Dialogue, Malaysia Deputy Prime Minister and Defense Minister Najib Razak proposed the establishment of a regional relief center to coordinate regional responses to humanitarian disasters, an idea that seemed to be well-received even though it was not clear that it had been vetted with his ASEAN colleagues prior to his announcement. Najib called it a “preliminary” proposal advanced to “test reactions,” noting that it was up to ASEAN to “show the way,” perhaps by establishing standard operating procedures and identifying available units and “who is to do what” in future emergencies.

While all the talk about defense cooperation was encouraging, there has been little real defense cooperation or even coordination within ASEAN when it comes to responding to a neighbor’s call for help. ASEAN was conspicuously quiet, with only Malaysia sending

assistance to help restore order in Timor-Leste, where the democratic process is still struggling to take hold.

Freedom's path: the road not traveled

Finally, those anticipating some forward movement down “freedom’s path” in Myanmar were profoundly disappointed when the ruling junta, on May 27, extended Aung San Suu Kyi’s house arrest for another year. Many of Myanmar’s ASEAN colleagues, and especially Malaysia, had been outspoken in urging junta leaders to release Suu Kyi and the leadership’s willingness to allow UN special envoy Ibrahim Gambari to meet with her a week prior to the decision being made had raised hopes that Senior General Than Shwe would honor UN Secretary General Kofi Annan’s direct plea to “do the right thing” and release the Nobel Laureate.

It will be interesting to see if Myanmar’s decision will be directly criticized at the upcoming ARF ministerial meeting in Kuala Lumpur. Washington will also be looking for additional insights into the future direction of East Asia community building in general and the EAS in particular when the region’s foreign ministers meet. While all members of the Six-Party Talks are scheduled to participate at the July ARF meeting, the odds of separate side meetings appear low. Whether Secretary of State Rice will take advantage of the opportunity to speak separately with her DPRK counterpart remains to be seen.

Regional Chronology April-June 2006

April 2, 2006: Thai snap elections called by Prime Minister Thaksin Shinawatra are held.

April 3, 2006: PM Thaksin’s Thai Rak Thai party wins majority of votes cast but boycotts and public demonstrations raise questions about the election’s validity.

April 3, 2006: High-level Myanmar delegation visits Russia.

April 4, 2006: PM Thaksin announces resignation but will remain caretaker prime minister until one is elected.

April 4-19, 2006: Chinese Defense Minister Cao Gangchuan visits North Korea on the first stop on a five Asian nation tour – Vietnam, Malaysia, Singapore, and South Korea.

April 5, 2006: National Security Advisor Steve Hadley at a Strategic Asia Forum in Washington lays out “three basic insights” into the Bush administration’s strategy in East Asia.

April 5, 2006: State Department releases annual *Supporting Human Rights and Democracy* report.

April 5, 2006: Premier Wen Jiabao announces \$12 billion aid for South Pacific islands.

April 6, 2006: Sixth Proliferation Security Initiative (PSI) exercise *Pacific Protector 06* takes place in northern Australia simulating air interception of WMD.

April 10-11, 2006: North East Asia Cooperation Dialogue held in Tokyo; senior Six-Party Talks negotiators participate in their private capacities, but senior U.S. and DPRK delegates do not meet and no progress toward resumption of formal talks occurs.

April 11, 2006: Japan's Foreign Ministry announces that DNA tests show that South Korean Kim Young-nam is likely to be the husband of abductee Yokota Megumi.

April 12, 2006: In rare public criticism, Russian Foreign Ministry pointedly tells Iran that it is on the wrong path, in response to the public statement by President Ahmadinejad that Iran has successfully enriched uranium for the first time.

April 14, 2006: Japanese Foreign Ministry releases 2006 *Diplomatic Blue Book*; cites China for lack of transparency about military buildup.

April 14, 2006: DPRK Vice Foreign Minister Kim Gye-gwan says North Korea could use the standoff in the Six-Party Talks to bolster its military "deterrent force" and demands return of funds at Banco Delta Asia as a precondition for resumption of talks.

April 18, 2006: Department of State releases fact sheets calling for increased religious freedom, as well as greater political and civil rights in China.

April 18-21, 2006: PRC President Hu Jintao visits U.S.

April 19, 2006: Kyrgyz President Kurmanbek Bakiyev threatens to close the U.S. airbase at Manas by June 1 unless Washington agrees to new terms demanded by the Kyrgyz government; a new agreement is subsequently reached.

April 20, 2006: Singapore, Malaysia, and Indonesia signed a formal agreement to coordinate anti-piracy patrols along the Strait of Malacca.

April 21, 2006: Taipei requests transit stops in New York and Los Angeles during President Chen's trip to Latin America in early May.

April 23, 2006: China hosts sixth annual Boao Forum on Hainan Island.

April 21-24, 2006: The 18th inter-Korean ministerial meeting is held in Pyongyang.

April 23, 2006: Japan and U.S. strike a deal over cost sharing on relocating 8,000 U.S. Marines from Okinawa to Guam, with Tokyo paying 59 percent, or \$6.09 billion, of the estimated \$10.27 billion total.

April 23-30, 2006: The Fourth Indonesia-U.S. Security Dialogue takes place in Washington, D.C. U.S. technical assistance for Malacca Strait patrols is discussed.

April 24, 2006: Taiwan holds *Hanguang 22* exercise; retired U.S. Adm. Blair observes.

April 24-25, 2006: China and U.S. co-sponsor APEC Anti-Corruption Workshop in Shanghai.

April 24-27, 2006: Russian Vice Premier and Defense Minister Sergei Ivanov visits Beijing, co-chairs Russian-Chinese Commission on Military-Technical Cooperation, and joins annual meeting of Shanghai Cooperation Organization (SCO) defense ministers.

April 26, 2006: *Yomiuri Shimbun* reports the U.S. will return four military facilities in Okinawa to Japan. Marine Corps' Futenma Air Station, Naha Military Port, Makiminato Service Area in Urasoe, and Camp Kuwae will be returned by the end of fiscal 2013.

April 27, 2006: Chinese and Vietnamese navies start joint patrol in Beibu Gulf in the South China Sea, the first time the Chinese navy patrols jointly with a foreign counterpart.

April 27-28, 2006: PRC State Councilor Tang Jiaxuan makes a secret trip to Pyongyang and briefs Chairman Kim Jong-il on the results of Hu Jintao's summit with George Bush.

April 28, 2006: USTR releases *2006 Special 301 Report*, which emphasizes China's IPR violations and moves U.S. policy toward using WTO dispute settlement mechanisms in regards to China.

April 28, 2006: President George Bush meets with Yokota Sakie, mother of Yokota Megumi who was abducted by the North Koreans.

May 1, 2006: U.S. and Japan release joint statement confirming deal to realign U.S. Forces in Japan by 2014 after U.S.-Japan Security Consultative Meeting in Washington.

May 2, 2006: Taiwan President Chen summons AIT's Young to complain about transit arrangements after the U.S. reportedly offers only brief stop in Hawaii or Alaska.

May 3, 2006: U.S. Commission on International Religious Freedom (USCIRF) releases annual report in which China is listed as a "country of particular concern" due to restrictions, state control, and repression of religious communities.

May 4, 2006: President Chen opts not to transit the U.S. en route to Paraguay.

May 4, 2006: Finance ministers of Japan, South Korea, China, and ASEAN release a joint statement that they will double the liquidity support for countries within the group facing a foreign exchange crisis and promote research on a single Asian currency.

May 4, 2006: Vice President Cheney lambastes the Russian government in a widely publicized speech in the Lithuanian capital, Vilnius, accusing the Russian government – among other things – of using energy to blackmail its neighbors.

May 5, 2006: Indonesian President Yudhoyono offers to mediate between the U.S. and Iran regarding Iran’s nuclear program during President Ahmadinejad’s Jakarta visit.

May 7-9, 2006: Fifth Japan-China Vice Ministers’ Comprehensive Policy Dialogue takes place in Beijing.

May 7-10, 2006: President Roh visits Mongolia.

May 8, 2006: South Korea begins withdrawal of its troops from Iraq. Ban on U.S. citizens having any business relationship with North Korea-flagged vessels takes effect.

May 8, 2006: Thai constitutional court nullifies Thailand’s April parliamentary elections.

May 9, 2006: First ASEAN Defense Ministers’ Meeting is held in Kuala Lumpur.

May 9-16, 2006: Pacific Commander Adm. Fallon meets with top Chinese Defense and Foreign Ministry officials and tours military installations in China; extends invitation to observe U.S. military exercise near Guam.

May 10, 2006: Treasury Department releases semi-annual *Report on International Economic and Exchange Rate Policies* saying that China has been too slow to revalue the RMB, but doesn’t label China a “currency manipulator.”

May 10, 2006: President Chen transits Libya en route home: meets Gadhafi’s son.

May 10, 2006: During Congressional testimony, Deputy Secretary Zoellick warns that Taiwan independence means war.

May 10-12, 2006: In Seoul, Korea and India hold second round of Joint Task Force talks to conclude the Korea-India Comprehensive Economic Partnership Agreement.

May 11, 2006: President Chen overnights in Batam, Indonesia en route home.

May 11, 2006: President Bush meets with three prominent Chinese Christian activists and pledges to discuss religious freedom with Chinese leaders.

May 14, 2006: In Washington, Vietnam and the United States reach an agreement on the conditions for Hanoi’s accession to the WTO, which will occur later this year.

May 14-27, 2006: UN Secretary General Kofi Annan travels to South Korea, Japan, China, Vietnam, and Thailand.

May 15, 2006: Foreign ministers meet in Shanghai to prepare for the SCO summit scheduled for mid-June.

May 15-25, 2006: U.S., Thai, Singaporean, Indonesian, and Japanese military forces participate in exercise *Cobra Gold 2006* for Combined Command Post Exercise and multiple Combined Field Training Exercises.

May 16, 2006: Korea-ASEAN FTA is concluded and is to come into effect in July. Thailand opts out over concerns over agricultural issues.

May 17-20, 2006: ARF Senior Officials Meeting held in Karambunai, Malaysia.

May 18, 2006: President Bush renews sanctions against Myanmar for failing to take steps toward the restoration of democracy.

May 18, 2006: Japan, China, India, and the U.S. pledge capability development assistance to the littoral states for maritime security enhancements in the Malacca Strait at ARF Security Policy Conference.

May 18-19, 2006: Fourth meeting of the Inter-Korean Economic Cooperation Promotion Committee at the Office of Inter-Korean Economic Cooperation is held in Gaeseong.

May 20, 2006: Taiwan's first *National Security Report* released.

May 20, 2006: Vietnam, China, and the Philippines are to strengthen security cooperation in the Spratly Islands after an apparent pirate attack left four Chinese dead.

May 20, 2006: UN special envoy Ibrahim Gambari is allowed to meet Aung San Suu Kyi, raising hopes that she would soon be released from house arrest.

May 22, 2006: U.S. naval hospital ship *Mercy* docks in Manila to begin a four-week medical mission primarily in the southern Philippines, part of a five-month deployment to the Asia-Pacific.

May 22-25, 2006: Assistant Secretary of State Christopher Hill discusses U.S. views on East Asia at the Lee Kuan Yew School of Public Policy in Singapore.

May 23, 2006: Department of Defense releases *Military Power of the People's Republic of China 2006*.

May 23-24, 2006: The fifth Asian Cooperative Dialogue is held in Doha, Qatar. China, South Korea, and Japan meet on the sidelines to discuss bilateral issues.

May 24, 2006: North Korea notifies South Korea that it will cancel the planned May 25 test runs of the crossborder rail link.

May 24, 2006: U.S. and Malaysia inaugurate senior officials dialogue on economic and security issues. Asst. Secretary of State Chris Hill attends the meeting in Putrajaya.

May 24-26, 2006: Asst. Secretary Hill travels to China and South Korea over pending bilateral and Six-Party Talks issues.

May 25, 2006: U.S. and ROK conduct Security Policy Initiative meeting in Hawaii.

May 27, 2006: Aung San Suu Kyi's house arrest extended another year by Myanmar ruling junta.

May 27-June 1, 2006: U.S., Japan, Canada, and Russia proceed with anti-smuggling exercise starting in Shanghai after China and South Korea drop out for fear of offending North Korea. South Korea participates in the second half of the exercise, where a mock search of a "suspect" ship is conducted for smuggled people and drugs in Busan.

May 28-June 2, 2006: Indian Defense Minister Mukherjee visits China and meets with FM Li Zhaoxing and DM Cao.

May 29, 2006: Chinese government offers \$2 million in aid to Indonesia to help victims of the Yogyakarta earthquake.

May 29, 2006: The 12th China-ASEAN Senior Officials' Consultation opens in Siem Reap, Cambodia, with an aim to deepen cooperation.

May 30, 2006: Japanese Cabinet approves plans for realignment of 8,000 U.S. Marines to Guam.

May 30, 2006: U.S. and Singapore navies launch the 12th annual *Cooperation Afloat and Readiness and Training (CARAT)* exercise with 11 ships, a submarine, and two aircraft.

May 30-June 6, 2006: DPRK FM Paek Nam-sun meets Chinese counterpart Li Zhaoxing in Beijing to discuss Six-Party Talks and also visits Guangzhou.

May 31, 2006: South Korea holds by-elections. The conservative Grand National Party (GNP) wins in most contests. The ruling Uri Party fails to claim a single seat and wins only one of 16 ballots for mayors and provincial governors.

May 31, 2006: Taiwan opposition parties KMT and People First Party initiate a recall motion against President Chen Shui-bian in the Legislative Yuan.

May 31, 2006: The U.S. and Vietnam sign a bilateral market access agreement required for Vietnam's bid to join the WTO.

June 1, 2006: Presidents Bush and Hu speak by phone. They discuss U.S.-China relations, North Korea, and the Iran nuclear issue.

June 1-3, 2006: Timor-Leste President Xanana Gusmao makes state visit to China, and meets President Hu.

June 2-4, 2006: Fifth IISS Shangri-La Dialogue held in Singapore.

June 4, 2006: U.S. move to have Myanmar (Burma) formally discussed at the UN Security Council for the first time is opposed by Russia, China, and Japan.

June 4, 2006: World Health Organization says Taiwan will be able to participate in all WHO-sponsored Asia Pacific technical meetings.

June 4-9, 2006: Vice President of the Philippines Noli de Castro visits China.

June 5, 2006: U.S. Pacific Commander Adm. William Fallon visits U.S. forces engaged in civic action programs in Mindanao. A few days earlier the U.S. hospital ship *Mercy* provided free medical services to local villagers in the area.

June 5, 2006: State Department's annual *Report on Human Trafficking* is released.

June 5-9, 2006: First round of Korea-U.S. FTA negotiations held in Washington, D.C.

June 7, 2006: FM Ban says that South Korea and the U.S. are "deeply concerned" about reports that North Korea may test fire a *Taepodong 2* missile.

June 8, 2006: U.S. and China hold the eighth annual round of Defense Consultative Talks (DCTs) in Beijing.

June 8, 2006: Taiwan President Chen receives AIT's Burghardt; reiterates remaining "four noes;" State Dept. welcomes Chen's statement as profoundly important.

June 9, 2006: The 10th ROK-ASEAN Dialogue held in Seoul.

June 11, 2006: U.S. Coast Guard cutter *Rush* becomes the first major Coast Guard vessel to visit China since World War II when it arrives at Qingdao. The visit helps further law enforcement cooperation between the U.S. and China.

June 12, 2006: U.S. Ambassador Alexander Vershbow is among 76 Seoul-based envoys who visit the Gaeseong Industrial Zone, with ROK FM Ban.

June 12-13, 2006: South Korea and Japan hold 5th round of talks on the demarcation of the exclusive economic zone (EEZ) in Tokyo.

June 13, 2006: Jemaah Islamiyah spiritual leader Abu Bakar Bashir is released from a Jakarta jail after serving 26 months for criminal conspiracy relating to the 2002 Bali and 2003 Marriott bombings.

June 14, 2006: Taipei and Beijing announce expansion of direct cross-Strait flights to include special charter cargo flights, the regularization of charter passenger flights during designated holidays, medical emergencies, and for humanitarian purposes.

June 14, 2006: Kabaya Ryoichi, mayor of Yokosuka, says his city would accept the first U.S. nuclear-powered aircraft carrier stationed in Japan, saying he has no choice because there is no possibility that a conventional aircraft carrier will be sent.

June 15, 2006: Fifth annual summit of SCO Heads of State held in Shanghai. Iranian President Ahmadinejad attends as observer.

June 16, 2006: ASEAN Secretary General Ong Keng Yong says the emerging East Asian community will not exclude the U.S. even as China seeks a larger role in Southeast Asia.

June 16, 2006: U.S. and Russian officials agree on a seven-year extension of the Nunn-Lugar initiative. The program provides U.S. money and expertise to secure and destroy Soviet-era caches of nuclear, chemical, and biological weapons.

June 16, 2006: Tokyo makes a request to Pyongyang to stop preparations to launch a *Taepodong 2* missile through the North Korean embassy in Beijing.

June 16-17, 2006: The second summit of Conference on Interaction and Confidence-Building Measures in Asia (CICA) is held in Kazakhstan; Presidents Putin and Hu hold informal meeting during the CICA summit.

June 18, 2006: FM Aso says Tokyo will seek an immediate meeting of the United National Security Council if North Korea fires a missile and that consideration of sanctions is “inevitable.”

June 19-23, 2006: China sends a 10-member delegation to observe *Valiant Shield*, U.S. military exercises off the coast of Guam.

June 19-30, 2006: Fourteenth round of family reunions held at Mt. Geumgang, allowing two groups of 100 elderly persons each from North and South to spend three days meeting long-lost relatives.

June 20, 2006: Prime Minister Koizumi announces that Japan will withdraw ground troops from Iraq. The withdrawal will be coordinated with Britain and Australia. Japan’s ASDF will remain to transport goods and personnel to Baghdad for the U.S.-led coalition.

June 21, 2006: *Kyodo News* reports that the U.S. calls Japan’s decision to withdraw ground troops from Iraq and increase airlift support a “positive” example of progress in transferring the security role to the Iraqi people. National Security Advisor Hadley says Japan is staying in the mission and actually expanding its air role.

June 21, 2006: Japan agrees to resume buying U.S. beef after sending inspectors to the U.S. to monitor meat-packing facilities.

June 21, 2006: Former ROK President Kim Dae-jung postpones planned visit to North Korea.

June 22, 2006: For the first time, the Japanese *Aegis*-equipped destroyer *Kirishima* takes part in a U.S. missile defense test, performing long-range surveillance and tracking exercises with the U.S. destroyer *Shiloh*.

June 22, 2006: In a *Washington Post* editorial, former Clinton defense officials William Perry and Ashton Carter argue for a preemptive strike against North Korea's *Taepodong* missile while it is still on the launch pad; the White House quickly rules out this option.

June 23, 2006: FM Aso and Ambassador Schieffer sign documents to strengthen cooperation on ballistic missile defense development.

June 23, 2006: PSI meeting is held in Warsaw, Poland to review the past three years, look at emerging problems and their solutions, and discuss PSI's future.

June 27, 2006: Recall of President Chen does not pass the Taiwan Legislative Yuan.

June 27-28, 2006: ROK FM Ban visits Beijing to meet with counterpart FM Li. They agree on a "concrete and persuasive proposal" to get North Korea to return to the Six-Party Talks as a precursor to bilateral talks between North Korea and the U.S.

June 27-29, 2006: Australian PM John Howard meets Chinese PM Wen in Shenzhen to deepen cooperation between the two countries in the energy sector.

June 28, 2006: House Foreign Relations Committee, by 37-5 majority, approves United States and India Cooperation Promotion Act of 2006 that authorizes the president to exempt the U.S.-India nuclear cooperative agreement from statutory prohibitions, clearing the way for the transfer of civilian nuclear technology, including nuclear reactors and fuel, to India.

June 28, 2006: The amphibious command and control ship *USS Blue Ridge* docks in Shanghai for exchanges with the PLA Navy.

June 28, 2006: PRC Premier Wen states that "China is paying close attention to news that North Korea is possibly planning a missile-launch . . . I hope all parties will continue their efforts to maintain the stability of the Korean Peninsula."

June 28, 2006: MSDF destroyer *Kirishima* returns to Japan, cutting short participation in U.S.-led naval exercises off Hawaii. Some attribute the return to the need to monitor a possible North Korean missile launch.

June 28-30, 2006: Prime Minister Koizumi makes final visit to the U.S. as prime minister. A White House dinner, Oval Office visit, and Graceland tour are planned.

June 29, 2006: PM Koizumi and President Bush issue joint statement declaring a new alliance for the 21st century based on “common values and interests.” Bush agrees to step up cooperation on reforming the UN to realize Japan’s bid for a permanent UNSC seat.

June 29, 2006: ROK Vice Finance Minister Bahk Byong-won tells a forum in Seoul that the South will intensify technical assistance and training, especially in market economics and management, so as to expedite sustainable economic growth in the North.

Comparative Connections

A Quarterly E-Journal on East Asian Bilateral Relations



U.S.-Japan Relations: A Dream of a Quarter

Brad Glosserman
Pacific Forum CSIS

The second quarter of 2006 went about as well for U.S.-Japan relations as could be imagined. The two governments agreed on a plan to restructure their military alliance; the ban on U.S. beef exports to Japan was lifted (again); the two countries' diplomacy appears to be well coordinated as they deal with vexing issues (Iran and North Korea); and the "Sayonara Summit" was a PR success (as anticipated). From all appearances, the foundation has been laid for a successful U.S.-Japan partnership that outlives the George Bush-Koizumi Junichiro "special relationship."

A roadmap emerges

The quarter began with the two governments still arguing over the particulars of the realignment of U.S. forces in Japan. As noted in last quarter's analysis, Washington and Tokyo failed to meet their self-imposed March deadline for finalizing the redeployments of U.S. (and some Japanese) forces. While applauding the draw down of U.S. Marines on Okinawa (despite some howls over the cost), communities elsewhere on the Japanese archipelago were reluctant to accept relocated forces. On April 23, Defense Secretary Donald Rumsfeld and Japan Defense Agency Director General Nukaga Fukushima agreed that Japan would pay \$6.09 billion, or 59 percent, of the estimated \$10.27 billion total costs to move 8,000 marines from Okinawa.

Celebration over the deal was short-lived. Three days later, Deputy Defense Undersecretary for Asia and Pacific Affairs Richard Lawless announced that Japan would be expected to pay at least \$26 billion (about ¥3 trillion) as its share of the cost of realigning all U.S. forces in Japan (a bill that would be paid over 6-7 years). His "rough estimate" stunned the Japanese public and many politicians; a public opinion poll a few days later showed 81 percent of respondents saying Japan should not pay the full amount. Even if the final bill isn't exactly that size, it is unclear how Japan will foot a bill of that magnitude.

Lawless' speculation about a price tag signaled that a deal on the overall package was imminent. And, sure enough, on May 1 the Security Consultative Committee (the SCC, sometimes referred to as the "2+2 meeting" because it is composed of the two countries' highest-ranking diplomatic and defense officials), released the "United States-Japan Roadmap for Realignment Implementation." The four-page document (available at www.state.gov/r/pa/prs/ps/2006/65517.html) contains details of the realignment.

Let's start with several guiding principles. First, "the individual realignment initiatives form a coherent package." In other words, there will be no *à la carte* itemizing of moves. This was a problem throughout the negotiations as the U.S. insisted that bases could be closed only when alternative facilities/locations were identified and made available. There could be no putting off tough decisions – where to relocate forces – until later. Second, Japan will pay construction and other costs of facilities development, while the U.S. will pay operational costs arising from implementation of the deal.

Key features of the roadmap regarding Okinawa include:

- The Futenma Replacement Facility (FRF) will consist of two 1,600 meter runways aligned in a V-shape, in the Camp Schwab area. The project's scheduled completion date is 2014.
- Some 8,000 III Marine Expeditionary Force (MEF) personnel and their approximately 9,000 dependents will relocate from Okinawa to Guam by 2014.
- A detailed plan for consolidation of remaining U.S. facilities will be completed by March 2007.
- All relocations will occur before facilities are returned, and all Okinawa-related realignment initiatives are interconnected.
- Consolidation and land returns south of Kadena depend on completing the relocation of III MEF personnel and dependents from Okinawa to Guam. That, in turn, is dependent on: (1) tangible progress toward completion of the FRF, and (2) Japan's financial contributions to fund development of required facilities and infrastructure on Guam.

Other key provisions include:

- The U.S. Army command and control structure at Camp Zama will be transformed by 2008. Headquarters of the Ground SDF Central Readiness Force will arrive at Camp Zama by 2012. A battle command training center and other support facilities will be constructed within Sagami General Depot using U.S. funding.
- Air Self-Defense Forces (ASDF) Air Defense Command and relevant units will relocate to Yokota Air Base in 2010. Both countries will develop a master plan for base use to accommodate facility and infrastructure requirements. A bilateral, joint operations coordination center will be established at Yokota, and will include a collocated air and missile defense coordination function. The two governments will study civilian-military dual use of the base.
- Carrier Air Wing Five squadrons from Atsugi Air Facility, consisting of *F/A-18*, *EA-6B*, *E-2C*, and *C-2* aircraft, will be relocated to Marine Corps Air Station Iwakuni by 2014.
- Both governments will step up ballistic missile defense capabilities. *PAC-3* capabilities will be deployed within existing U.S. facilities and areas within Japan as soon as possible.

The roadmap was approved by the Japanese Cabinet at the end of May. A month later, the two governments established a U.S. Force Realignment Council, a consultative panel that will map out plans for specific features of the roadmap and confirm progress as it is implemented.

U.S. beef back on the menu

The other big issue hanging over the bilateral relationship this quarter was the continuing ban on Japanese imports of U.S. beef. Rhetoric had been escalating as Tokyo refused to bow to U.S. pressure and readmit U.S. beef. On April 13, U.S. Agriculture Secretary Mike Johanns warned of rising impatience among U.S. legislators and the very real possibility of retaliation. Yet, at a series of Japanese-government sponsored panels to explain progress in the bilateral beef talks to Japanese consumers and hear their views on the matter, members of the public had expressed concern about the safety of U.S. beef. Opposition politicians called for maintenance of the ban, charging that the government was acting for political reasons and playing with the safety of Japanese consumers as a result.

The protests were for naught as Tokyo announced June 20 that it was lifting the ban. Japan pledged to send inspectors to 35 meatpacking plants in 16 states to ensure that no diseased beef would be imported. Those inspectors would prepare a report upon their return and that would be used to guide thinking on how the ban would be lifted. President Bush played up the decision in his June 29 summit with Koizumi, explaining that his guest had eaten beef the night before and predicted that “the Japanese people are going to like the taste of U.S. beef.” Public opinion polls show that it will be an uphill battle for U.S. producers to regain the confidence of Japanese consumers.

Kudos in Iraq and goodbye

Conspiracy-minded types noted that the announcement of the resumption of beef imports was virtually simultaneous with Koizumi’s announcement that Ground Self-Defense Forces (GSDF) would be withdrawing from Iraq after a two and a half year deployment. The move had been debated in the press for months, with the general tenor suggesting that it was only a matter of time.

During their stay, a grand total of 5,500 GSDF members participated in three-month rotations, making it the largest overseas deployment of the GSDF in history. None have been killed, nor a single bullet fired. The withdrawal, which should be completed later in the summer, will be coordinated with the redeployment of Australian and British forces, which have been providing protection for the SDF. Koizumi also announced that while ground forces will be removed, ASDF units will increase activities in support of multinational forces and the United Nations. Currently, three ASDF *C-130* air transports are based in Kuwait, mainly transporting goods to an airport near Samawah; new airlift support will be provided to Baghdad and the north of Iraq.

U.S. National Security Advisor Stephen Hadley put a positive spin on the withdrawal. After applauding Japanese support for the reconstruction of Iraq, he noted that Tokyo was continuing to aid Iraq and was actually expanding its role. At his June 29 summit with Koizumi, President Bush noted that “Japanese defense forces did a really good job when they were in Iraq. And they’re able to leave because they did such a good job.”

One voice on Iran

Iraq wasn’t the only Middle East country that figured in the U.S.-Japan relationship. The continuing failure to resolve the uncertainties surrounding Iran’s nuclear program absorbed time and attention from the two countries’ leaders. In June, Foreign Minister Aso Taro had a 25-minute phone conversation with his Iranian counterpart Manouchehr Mottaki during which Aso urged him to take up the offers by the U.S. and the EU to deal with the situation. Meanwhile, U.S. officials pressed Japan to consider financial sanctions on Iran in the event of a failure of diplomacy. By the end of the quarter, the *Financial Times* was reporting that Japan was prepared to sign on to financial sanctions. The topic was on the agenda at the June summit between Bush and Koizumi. Meeting the press after their session, Koizumi reported that “Japan certainly supports that U.S. stance of seeking resolution through a dialogue regarding the nuclear proliferation issue. The Iranian issue remains a grave issue for the entire world economy, and Japan wishes to cooperate with the United States and other countries concerned on this matter, as well.”

One voice on North Korea

If dealing with Tehran proved frustrating, then relations with Pyongyang are best described as maddening. The Six-Party Talks to resolve that nuclear crisis remained in suspension while North Korea ratcheted up tension at quarter’s end with signals that it was prepared to test-fire missiles, including a long-range *Taepodong 2*. (The launch occurred early in July; the two countries’ response will be taken up in the next issue of *Comparative Connections*.) Throughout the quarter, Washington and Tokyo remained in close contact, coordinating policy and presenting a united front to Pyongyang. Tokyo’s position is closest to that of Washington among the six parties in the multilateral talks.

The U.S., alone among the other parties to the Six-Party Talks, has backed Japan’s demand that Pyongyang resolve the cases of the abductees – Japanese citizens that North Korea has admitted to kidnapping. This quarter, President Bush met Mrs. Yokota Sakie, mother of Yokota Megumi, abducted in 1977 when she was 13. (This meeting followed a March visit by U.S. Ambassador to Japan Thomas Schieffer to the beach where Yokota was kidnapped; he pledged to raise the issue with Bush.) Bush called his April 28 meeting with Yokota “one of the most moving meetings” he has had since being president and promised to push North Korea to return abductees and respect human rights. In addition to meeting the president, Yokota and other members of a Japanese delegation testified in a House of Representatives subcommittee hearing about the abduction issue, met high-ranking government officials and lawmakers, and held a press conference.

As the quarter drew to a close, the world focused on signs the North was preparing to test launch a long-range missile. Following a mid-June meeting with Foreign Minister Aso, Schieffer said the two countries were considering economic sanctions in the event of a launch. The UN ambassadors of both countries were also coordinating a response in the event of a test. Both governments issued public warnings; the topic was one of the highest on the June 29 summit agenda.

One voice on missile defense

The prospect of a North Korean test vindicated those on both sides of the Pacific who had been calling for closer cooperation on ballistic missile defense (BMD). The U.S. and Japan are working together on various aspects of missile defense. They are jointly developing a new version of the interceptor that a BMD would use to shoot down long-range missiles. Early in the quarter, *Kyodo* reported that the two governments had agreed on the initiation of a two-year joint research project to develop advanced technologies for a sea-based radar system and a combat command system. Subsequent reports that the Pentagon had approved the sale to Japan of new interceptors (the deal still requires Congressional approval) triggered a typically belligerent response from Pyongyang, which cautioned that “overseas aggression is the invariable ambition.”

On June 22, the Japanese *Aegis*-equipped destroyer *Kirishima* took part in a U.S. missile defense test, the first time that a U.S. ally joined such an exercise. The *Kirishima* contributed long-range surveillance and tracking with the *USS Shiloh*, another *Aegis*-equipped vessel that will be stationed in Japan from August. They succeeded in intercepting a mock warhead with a standard interceptor fired from an *Aegis*-equipped ship.

A day after the test, Ambassador Schieffer and Foreign Minister Aso signed documents agreeing to strengthen BMD cooperation. The Japan Defense Agency announced the same day that a high-resolution radar to detect missiles had been deployed within Japan and the two governments confirmed that they would deploy Patriot missiles on U.S. bases. The prospect of a North Korean test firing prompted the *Kirishima* to return home ahead of schedule and has prodded Washington and Tokyo to speed up deployment of the various elements of a BMD system in Japan.

A sensational ‘Sayonara Summit’

On June 29, President Bush and Prime Minister Koizumi met in Washington for their 13th summit. The visit was a fitting cap to the extraordinary personal relationship the two men have forged during their five years in office together. The “summit-cum-road trip,” with a 19-gun salute, a White House dinner, and visit to Graceland, set a new standard for intimacy on the diplomatic circuit.

The speeches hit all the right notes, with the two men celebrating a bilateral alliance that sets the foundation for cooperation on global issues. They applauded their two countries’ shared values – “democracy, free enterprise, and a deep and abiding respect for human

rights” – and their cooperative efforts to deal with such problems as Iraq, North Korea, and the war on terror. The comments highlighted the personal nature of the relationship: Bush explained that the visit was to “honor the leadership of Japan’s Prime Minister Koizumi, a man of vision, a man of integrity, and I’m proud to call him my friend.” The prime minister responded by noting that, “over the past five years, there has been no world leader, alongside Mr. Bush . . . with whom I have felt so much heart-to-heart, felt so deep a friendship.”

The official agenda of their meeting covered all the topics identified in this assessment. In their comments after the meeting, both men called on North Korea to abandon plans to conduct a missile test, and said it vindicated their strategy to pursue missile defense. Another item that received considerable attention in their comments after the summit was energy. President Bush noted that the two countries “can help provide technologies that will improve the climate, as well as reduce our dependence on hydrocarbons.” He identified nuclear energy as one option. In his comments, Prime Minister Koizumi highlighted Japan’s interest in UN reform, especially the Security Council.

During the press availability, Koizumi was asked about his foreign policy priorities. The prime minister used the question to respond to charges that he has given too much attention to relations with the U.S. and should pay more attention to Asia. He explained some in the mass media “misinterpreted my position. . . . that I was saying to the extent Japan-U.S. relations remain good, I couldn’t care less what Japan’s relations would be with other countries. That is not at all what I said.” Rather, he believes that Japan-U.S. relations are the most important for Japan. But that does not mean that better relations with the United States are at the expense of relations with other countries.

More than just friendship

Much of the press coverage of the meeting focused on the personal: the road trip to Graceland, where Koizumi got a guided tour of his idol Elvis Presley’s mansion and where he crooned “Love me tender” to Priscilla and Lisa Marie Presley and President and Mrs. Bush. But as Chief Cabinet Secretary Abe Shinzo was quick to note after the summit, “The importance of the Japan-U.S. alliance is not just between the top leaders of the two countries but is a shared understanding of the two countries.” Anticipating the concern over the scheduled departure of Koizumi in September, he continued “It is important to firmly recognize that the two countries’ maintenance of their strong bond will contribute to the national interests of the two countries as well as to world peace and stability, and we believe there will be no change in this basic understanding even when there are changes in government.”

Charting a future

To keep the relationship on its current course, Bush and Koizumi released after their summit a document heralding a new U.S.-Japan Alliance of Global Cooperation for the 21st Century. The alliance identifies the “universal values and common interests” that provide the foundation of the alliance. The values include freedom, human dignity and

human rights, democracy, market economy, and rule of law. The two countries share interests in: “winning the war on terrorism; maintaining regional stability and prosperity; promoting free market ideals and institutions; upholding human rights; securing freedom of navigation and commerce, including sea lanes; and enhancing global energy security.”

Their statement applauded the remarkable progress in bilateral security cooperation achieved since the two men took office. These changes “constitute historic steps forward that make the U.S. military presence more enduring and effective, and ensure the capabilities necessary for the alliance to cope with diverse challenges in the evolving security environments. ... full and prompt implementation of these agreements is necessary, not only for Japan and the United States, but also for peace and stability of the Asia-Pacific region.”

The declaration mentions all the usual topics, including those examined above. It also highlights capacity building for natural disaster response and prevention and response to pandemic diseases, pushing for a successful conclusion to the Doha Round of world trade talks, and strengthening the Asia Pacific Economic Cooperation (APEC) forum.

The declaration also notes “the two leaders agreed to explore ways to further deepen the mutually-beneficial bilateral economic relationship. ... Such an expanded partnership would include: promoting growth and economic reform; promoting and maintaining open markets; ensuring efficient movement of legitimate goods, services, people, and investments, while tackling threats from terrorism; strengthening intellectual property rights protection and enforcement; enhancing global energy security; and fostering transparent and favorable business climates in both countries.”

The call for strengthening the economic relationship is worthy of note. There is some unease (or perhaps more accurately, jealousy) in Japan about the decision of the U.S. and South Korea to move forward with a free trade agreement. Off the record, U.S. officials admit they are not unhappy with that response. While Japan continues to reform its economy, there is frustration in the U.S. (and in the U.S. business community in Japan) about its pace and about Japanese contributions to global trade talks. The noisy public debate about growing inequality in Japanese society and the readiness of financial police to go after fund manager Murakami Yoshiaki and Horie Takafumi, president of Livedoor Co., suggest that the reform process will continue to be contested and unsteady. The nail that sticks up will continue to be hammered down – especially if it resembles the fin of a U.S.-style corporate shark. The language of the declaration suggests, at least, that alliance managers have recognized an imbalance in the U.S.-Japan relationship: after devoting considerable attention to the security dimension, it is time to spend more time on economic issues.

A relationship on hold?

While there is clearly a need for the two countries to look at their economic relationship, it is unclear how that re-examination will finish. There won't be an answer next quarter; in fact, it is unlikely that there will be progress on any issue in the bilateral relationship,

perhaps for the rest of the year. Japan's focus is turning inward as the country prepares for the post-Koizumi era. Important political decisions regarding the alliance – security and economic – are not likely to be made. That is unfortunate: the June 29 summit demonstrated that Prime Minister Koizumi has put the pieces in place as the two countries contemplate taking their alliance to the next level. No one knows how long they will remain there.

Chronology of U.S.-Japan Relations **April–June 2006***

April 5, 2006: *Kyodo* reports that Japan and the U.S. agree to begin two-year joint research projects in developing advance technologies for a sea-based radar system and combat command system as part of bilateral cooperation in ballistic missile defense.

April 7, 2006: Japanese Defense Agency (JDA) chief Nukaga Fukushima and Nago Mayor Shimabukuro Yoshikazu agree to build two runways at the site of a U.S. military airfield to be constructed in Nago, Okinawa Prefecture.

April 10, 2006: Okinawa Gov. Inamine Keiji voices opposition to a government plan to relocate a U.S. Marine Corp Air Station, including provisions to build two large runways.

April 13, 2006: U.S. Agriculture Secretary Mike Johanns repeats request that the Japanese ban on U.S. beef be lifted early, warning that Congress will likely reach the limit of its patience with Japan by the end of the month.

April 14, 2006: *Yomiuri Shimbun* reports that Japanese and U.S. defense and foreign ministry officials agree to move KC-130 midair refueling planes to Iwakuni Air Base in Yamaguchi Prefecture, and to use a U.S. base in Guam or the Maritime Self-Defense Force's Kanoya Naval Base in Kagoshima Prefecture during prolonged training maneuvers involving the planes.

April 23, 2006: Japan and the U.S. strike a deal on sharing the cost of relocating 8,000 U.S. Marines from Okinawa to Guam, with Tokyo paying 59 percent, or \$6.09 billion, of the estimated \$10.27 billion total cost through grants, investment and loans. JDA Director Gen. Nukaga and Defense Secretary Rumsfeld announce the agreement, paving the way for implementation of the package to realign the U.S. military presence in Japan.

April 26, 2006: Deputy Defense Undersecretary for Asia and Pacific Affairs Richard Lawless reports that Japan will pay an estimated \$26 billion or more to help implement the U.S. military realignment in Japan over six to seven years.

* Compiled by Claire Bai, 2005 Vasey Fellow and Corrine Thompson, Visiting Fellow Pacific Forum CSIS.

April 26, 2006: *Yomiuri Shimbun* reports that the U.S. will return four military facilities in Okinawa to Japan. Marine Corps' Futenma Air Station, Naha Military Port, Makiminato Service Area in Urasoe, and Camp Kuwae in Chatancho will all be returned by the end of fiscal 2013.

April 27, 2006: *Japan Times* reports that the Japanese government plans to slash defense spending to come up with the ¥2.71 trillion needed to shoulder the cost of realigning the U.S. military presence. It also plans to ask the U.S. for an overhaul of Japan's payments hosting U.S. forces, including abolishing the practice of Tokyo paying utility bills for bases.

May 1, 2006: The U.S. and Japan release a joint statement confirming a bilateral deal to realign U.S. Forces in Japan by 2014. Major features include the integration of USFJ command structures with the headquarters of several branches on the U.S. mainland. Under the deal, Japan will pay for infrastructure costs and the U.S. for operational moves.

May 3, 2006: *Yomiuri Shimbun* reports that JDA head Nukaga proposed a new framework for security cooperation to replace the 1997 Guidelines for Japan-U.S. Defense Cooperation during "2+2" meeting in Washington.

May 4, 2006: Okinawa Gov. Inamine officially announces opposition to a plan to relocate the U.S. Marine Corps' Futenma Air Station within Okinawa.

May 11, 2006: Gov. Inamine agrees to continue discussions on the Japan-U.S. accord to transfer the airfield of Futenma Air Station to the coastal area of Camp Schwab in Nago, Okinawa.

May 11, 2006: Kadena Municipal Assembly in Okinawa adopts a resolution and a statement of opinion on a recent mishap involving a U.S. *F-15* fighter jet at Kadena Air Base. The assembly demands that the U.S. military take measures to prevent accidents and that they remove the *F-15* squadron from Kadena.

May 30, 2006: Japanese Cabinet approves plans for the realignment of U.S. troops. 8,000 Marines will move from Okinawa to Guam. Japan will cover 60 percent of the \$10.3 billion cost of relocation. Okinawa Prefecture has yet to consent to the plan.

Jun 2, 2006: Yokohama District Court convicts and sentences U.S. sailor William Reese to life in prison for fatally beating a Japanese woman during a robbery near Tokyo.

June 2, 2006: Japanese officials say the LDP will seek to end a decades-old ban on military involvement in space development. The proposed bill relaxes regulations and allows for non-aggressive military use of space. The bill is expected to be submitted to the Diet later this year.

June 4, 2006: U.S. move to have Myanmar (Burma) formally discussed at the UN Security Council for the first time is opposed by Russia, China, and Japan. Japan states that Myanmar's political crisis did not pose a threat to international peace and security. State Department spokesman announces that the U.S. will discuss the issue with Japan.

June 5, 2006: Treasury Department official announces that a U.S. foreign investment review panel cleared a bid for Toshiba to take control of Westinghouse, the U.S. power plant arm of British Nuclear Fuels. The merger will create the world's largest nuclear reactor maker.

June 6, 2006: Department of Defense approves sale of nine interceptor missiles with BMD upgrades to Japan in a potential \$458 million deal. The deal still has to be approved by Congress.

June 6, 2006: During a 25-minute phone call, Japanese Foreign Minister Aso Taro urges Iranian Foreign Minister Manouchehr Mottaki to hold talks with the United States and to seriously consider European proposals to resolve the nuclear standoff.

June 5, 2006: U.S.-Japan Investment Initiative in Tokyo meets. U.S. ambassador to APEC Michael Michalak urges Japan to facilitate foreign mergers and acquisitions.

June 9, 2006: Japanese Cabinet endorses and submits a bill to the Diet that would elevate the Defense Agency to a full government ministry and would make SDF overseas activities one of its main functions. The bill aims to upgrade the SDF's role to include participation in international relief efforts, UNPKO and to assist U.S. forces during emergencies in areas surrounding Japan.

June 9, 2006: Treasury Secretary John Snow asks Japan to consider joining Washington's plan to impose financial sanctions on Iran. Japanese Finance Minister Sadakazu Tanigaki replies that Japan and the U.S. would need to consider the plan further while talking with European countries. Tanigaki and Snow also discussed foreign exchange rates, efforts to reform the International Monetary Fund's voting-share system, and Japan's efforts to overhaul revenues and expenditures to address its debt.

June 12, 2006: *Kyodo News* reports that FM Aso and Secretary of State Condoleezza Rice agree to continue cooperation to resolve the nuclear crisis in Iran. Aso says Japan will continue to play an active role and the U.S. pledged to keep in close contact with Japan on the issue.

June 13, 2006: *Kyodo News* reports that the heads and high-ranking officials of the Democratic Party of Japan, the Social Democratic Party, the Japanese Communist Party, and the People's New Party are firmly against lifting the ban on U.S. beef imports, saying the move is politically motivated and compromises food safety.

June 14, 2006: *Kyodo News* reports that at Japanese government-sponsored meetings, many Japanese consumers express concerns about the safety of U.S. beef.

Jun 14, 2006: Kabaya Ryoichi, mayor of Yokosuka, says his city would accept the first U.S. nuclear-powered aircraft carrier to be stationed in Japan. Kabaya says he has no choice because there is no possibility that a conventional aircraft carrier will be sent.

June 14, 2006: Danny Valerie, a Navy petty officer second class, is arrested in Yokosuka on suspicion of molesting a 15-year-old girl.

June 17, 2006: U.S. Ambassador Thomas Schieffer meets FM Aso and says the U.S. and Japan will consider economic sanctions if North Korea launches a ballistic missile.

June 19, 2006: U.S. UN Ambassador John Bolton and his Japanese counterpart Oshima Kenzo meet to discuss North Korean preparations for test firing a ballistic missile, agreeing to seek an immediate convening of the UNSC should North Korea test a missile.

June 20, 2006: In Tokyo nearly 100 demonstrators and opposition lawmakers gather to oppose lifting the ban on U.S. beef imports.

June 20, 2006: Prime Minister Koizumi announces Japan will withdraw ground troops from Iraq. The ASDF will remain to transport goods and personnel for the coalition.

June 21, 2006: Japan and the U.S. exchange ratification documents for a mutual legal assistance treaty that will expedite criminal investigations and trial proceedings on cross-border crimes. The treaty scheduled to take effect July 21, is the first mutual legal assistance treaty for Japan.

June 21, 2006: *Kyodo News* reports that the U.S. calls Japan's decision to withdraw ground troops from Iraq and increase airlift support as a "positive" example of progress in transferring the security role to the Iraqi people. U.S. National Security Advisor Hadley states that Japan is staying in the mission and actually expanding its air role.

June 21, 2006: Japan agrees to resume buying U.S. beef after Japan sends inspectors to the U.S. to monitor meat-packing facilities. Imports will be restricted to cattle younger than 20-months old with risky parts of the body removed.

June 22, 2006: Japanese *Aegis*-equipped destroyer *Kirishima* takes part in a U.S. missile defense test, performing long-range surveillance and tracking drills with the *USS Shiloh*.

June 23, 2006: FM Aso and Ambassador Schieffer sign agreements to strengthen cooperation on ballistic missile defense development. JDA announces that a high-resolution radar that can detect a ballistic missile has been deployed in northern Japan. The two countries confirm plans for the U.S. to deploy *Patriot* missiles on U.S. bases in Japan. Pentagon spokesman says the *PAC-3* missiles have not been sent to Japan and the locations and timetable for deployment have not been announced.

June 24, 2006: *Financial Times* reports Japanese officials tell the U.S. that Japan is prepared to freeze Iranian bank accounts if Iran does not suspend uranium enrichment and accept a package of incentives from the international community.

June 24, 2006: Japanese government team visits designated U.S. meatpacking facilities. Inspectors will inspect 35 plants in 16 states to ensure that Japan-bound beef is free of mad cow disease. Upon returning, the ministries will analyze their findings and authorize beef shipments.

June 26, 2006: Financial Services Agency of Japan and the U.S. Securities and Exchange Commission hold second dialogue in Washington. Issues include accounting and auditing standards, corporate governance and internal controls, facilitating technological advances in securities markets, and crossborder enforcement cooperation.

June 27, 2006: A joint survey shows 60 percent of respondents say they do not want to eat U.S. beef when imports resume, and 61 percent say they will not, or try not to eat U.S. beef. 60 percent have doubts about the safety of U.S. meat processing, and 52 percent are concerned about the U.S. meat inspection system. 71 percent of respondents say they are either “opposed” or “fairly opposed” to lifting the ban.

June 28, 2006: *Kyodo News* reports that Japanese destroyer *Kirishima* returns home, cutting short participation in naval exercises off Hawaii. Some attribute the return to the need to monitor and track a possible North Korean missile launch.

June 28-30, 2006: Prime Minister Koizumi makes final visit to the U.S. as prime minister. A White House Dinner, Oval Office summit, and Graceland visit are planned.

June 29, 2006: PM Koizumi and President Bush issue joint statement declaring a new alliance for the 21st century based on “common values and interests.” Bush agrees to step up cooperation on reforming the UN to realize Japan’s bid for a permanent UNSC seat.

June 30, 2006: *Kyodo News* reports that Chief Cabinet Secretary Abe says that the U.S. has no worries over the relationship between Japan and China and that the U.S. finds it odd for China to refuse holding summit talks with Japan over the Yasukuni Shrine issue.

June 30, 2006: *Kyodo News* reports that Japan urged the U.S. to implement border security measures that minimize the negative impact on Japanese visa applicants by asking Washington to resume visa revalidation within the U.S. and expand the number of locations within Japan that accept visa applications. Japan also expresses concern over the U.S. Defense Production Act of 1950, which contains a provision for the president to suspend or prohibit any foreign acquisition, merger, or takeover of a U.S. corporation that is determined to threaten national security, saying it lacks transparency and predictability. The U.S. requests Japan to secure equal treatment for foreign and Japanese stocks and for Japan to prepare fair taxation measures for the “triangle merger” scheme scheduled to start next May.

Comparative Connections

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U.S.-China Relations:

Pomp, Blunders, and Substance: Hu's Visit to the U.S.

Bonnie S. Glaser
CSIS/Pacific Forum CSIS

Despite the bungled welcoming ceremony on the South Lawn and the absence of concrete deliverables, the Hu-Bush summit was a modest success, given the complex nature of China-U.S. ties and the thorny issues that plague the relationship. Progress was made on market access and intellectual property rights at the Joint Commission on Commerce and Trade meeting that preceded the summit. In the wake of the summit, Beijing and Washington stepped up cooperation on both the Iranian and DPRK nuclear issues. Military exchanges were active this quarter, with a visit to China by Commander of U.S. Forces in the Pacific, Adm. William J. Fallon, the convening of the annual Defense Consultative Talks, ship visits by the U.S. Coast Guard Cutter *Rush* and the *USS Blue Ridge*, and a 10-member PLA delegation visited Guam to observe the *Valiant Shield-06* military exercises. In its semi-annual report to Congress, the Department of the Treasury noted that it was “extremely dissatisfied with the slow and disappointing pace of reform for the Chinese exchange rate regime,” but refrained from citing China as intentionally manipulating its currency regime.

Assessing the summit: a modest success amid gaffes

The South Lawn

Hu Jintao's first visit to the White House since he became China's top leader in 2002 was plagued by gaffes that upset months of painstaking diplomacy over protocol. U.S. media coverage of the summit focused on the welcoming ceremony on the South Lawn, which was interrupted by a female protester with press credentials from a pro-Falun Gong newspaper who screamed accusations at China's president and unfurled a banner. The disruption went on for a full three minutes as the Secret Service looked on, waiting for the D.C. police to remove the protester. President George W. Bush urged Hu to continue his speech with the reassurance “You're okay,” but Hu, with little experience dealing with public protests, was flustered and never regained his composure. The event was further marred when China's national anthem was announced as the anthem of the Republic of China – the formal name for Taiwan – instead of the anthem of the People's Republic of China. Officials accompanying Hu described their superiors as “outraged.”

Months after the visit, the Chinese government continued to press for the protester, Dr. Wang Wenyi, to be brought to justice, and her news organization, *The Epoch Times*, to be denied access to future official press functions. Beijing's entreaties were not met, however. U.S. officials apparently deemed credible a statement issued by *The Epoch Times* within hours of the South Lawn ceremony denying any knowledge or involvement by the news organization in Wang Wenyi's protest. Then, on June 21, prosecutors reached a deal with Dr. Wang to postpone the charge of willfully intimidating, coercing, threatening, and harassing a foreign official until April 2007. If she does not commit any crimes during that period, the charges will be dropped.

Private discussions, public commitments

As for the private discussions between Presidents Hu and Bush, although no agreements were signed and there was no substantial narrowing of the differences in any of the knotty issues addressed, the summit was nevertheless a modest success. U.S.-China relations are complex and problems such as the bilateral trade deficit and North Korea's nuclear weapons don't lend themselves to quick solutions. Moreover, the two leaders meet quite often – Bush was in Beijing last November and the two presidents met on the margins of the United Nations General Assembly meeting two months before. U.S.-China relations have matured and advanced considerably since the 1980s and even the 1990s and it is no longer realistic to expect presidential summits to produce major deliverables.

So, what was accomplished? Hu for the first time endorsed the concept introduced last year by Deputy Secretary of State Robert Zoellick that both China and the U.S. are stakeholders in the international system. He added that the two countries “must become partners in constructive cooperation.” If Beijing truly embraces the notion that it has a responsibility to contribute to strengthening the international system, then opportunities for security cooperation will likely increase. The two presidents agreed to step up cooperation to combat the spread of avian influenza; open a dialogue on potential cooperation on lunar space exploration; and expand military-to-military exchanges, including a discussion of strategic nuclear strategy and doctrine.

Small gains were made on freedom and human rights. The Chinese agreed to move forward on actions proposed by the U.S. side, including prisoner releases. Bush raised concerns about the tightening of Chinese controls on internet access. He also voiced U.S. objection to the return of a North Korean asylum seeker and pressed China to adhere to its commitments under the Refugee Convention. A glimmer of hope for greater tolerance and political liberalization was raised in President Hu's remark that “if there is no democracy, there will be no modernization.” Recognition that economic development and political reform must go hand-in-hand was unprecedented and hopefully indicates that Hu plans to accelerate political reform in the not too distant future.

In a clear message to China about the importance of human rights to the Bush administration, President Bush met with three prominent Chinese Christian activists in the Oval Office in May to discuss the severe limitations on freedom of expression and

religious freedom in China. Before the meeting ended, the Chinese Christians reportedly prayed with Bush, Vice President Dick Cheney, and Secretary of State Condoleezza Rice.

Even more important than the one-off \$16.2 billion in U.S. products that the Chinese pledged to purchase in the run-up to the summit was Hu's commitment to move China from an export-based economy to a consumer-based economy. Reducing China's high savings rate and boosting domestic demand are among the keys to addressing the \$202 billion U.S.-China trade imbalance.

On reform of China's currency there was no forward movement. President Hu merely reiterated that he would keep the exchange rate "basically stable," while continuing to "make efforts to improve the RMB exchange rate regime." Last July, Beijing revalued its currency by a paltry 2.1 percent, but replaced its pegged currency system to the U.S. dollar with a basket of currencies that provides the ability to gradually adjust the exchange rate. President Bush called upon Hu to step up the pace of currency reform. If the Chinese don't comply, Congress may take action later this year.

At Bush's initiative, the two presidents sat together at lunch so they could continue their substantive discussions. Their conversation, which included only their interpreters, focused primarily on North Korea and the future of the Korean Peninsula. National Security Council Acting Senior Director for Asia Dennis Wilder indicated in the post-summit briefing that President Bush had asked the Chinese "to continue to work on the North Koreans, to have the North Koreans come to that strategic decision that they really need to make, that they need to give up their nuclear ambitions. . ." Although no breakthroughs were achieved at the summit, upon his departure, Hu dispatched Vice Premier Tang Jiaxuan to Pyongyang for consultations.

In June, amid concern that North Korea might test a *Taepodong 2* missile, China's Premier Wen Jiabao expressed concern about a possible launch and called on the "various parties" to "proceed from the greater interest of maintaining stability on the Korean Peninsula and refrain from taking measures that will worsen the situation." Beijing also summoned the North Korean ambassador to Beijing to convey its concerns over the North's possible test. Chinese Foreign Minister Li Zhaoxing met with South Korean Minister of Foreign Affairs and Trade Ban Ki-moon June 27 and, according to a Chinese foreign ministry spokeswoman, agreed that all "relevant parties should stick to solving this issue through dialogue and peaceful means, and try to defuse the confrontational atmosphere." A week earlier, President Bush publicly praised Beijing for its ongoing efforts to resolve the Korean Peninsula nuclear issue.

In a discussion of Iran at the summit, Bush urged Hu to use China's relationship with Tehran to convince the Iranians to give up their nuclear ambitions and come back into compliance with their international obligations. China's president noted that his assistant foreign minister, Cui Tiankai, had been seeking to do just that during his visit to Tehran the previous week and that Beijing shared the same long-term strategic goal, while emphasizing the need for a diplomatic solution. On June 1, the two presidents held a telephone conversation on the Iranian nuclear challenge in which the Chinese leader told

Bush that Beijing was ready to play a constructive role in resuming negotiations. The next day an agreement was reached in Vienna by the five permanent members of the UN Security Council plus Germany to offer Tehran incentives, including U.S. assistance for an Iranian civilian nuclear energy program and a possible limited uranium enrichment program in Iran, in return for immediate suspension of its current nuclear work until the International Atomic Energy Agency determines with confidence that the program is peaceful.

In a meeting with Iranian President Mahmoud Ahmadinejad in mid-June on the margins of the Shanghai Cooperation Summit in Shanghai, Hu urged Teheran to “respond positively” to the international offer, calling it a new opportunity for solution to the Iranian nuclear issue. According to *Xinhua*, Hu also told Iran’s president that while China “understands” Iran’s “concerns” about its “right” to the “peaceful use of nuclear energy,” China also supports “maintaining the international nuclear nonproliferation regime.”

The JCCT’s accomplishments

Nine days prior to the summit, the U.S. and China held the 17th annual session of the Joint Commission on Commerce and Trade (JCCT). The U.S. delegation was led by Secretary of Commerce Carlos Gutierrez, Secretary of Agriculture Mike Johanns, and United States Trade Representative Rob Portman. Vice Premier Wu Yi headed the Chinese delegation. The two sides released a joint statement highlighting agreements to address bilateral trade issues in four major areas.

First, specific agreements were reached that will expand market access for U.S. companies. Beijing agreed to resume imports of U.S. beef and remove entry barriers in the telecommunication service and medical device sectors. Second, China reaffirmed its determination to greater enforcement of intellectual property rights (IPR), particularly focusing on the optical disk and software industries and undertook new commitments to protect IPR. The Chinese government promised to require the pre-loading of legal software on all computers produced or imported into China. In addition, action was taken to shut down 14 factories producing pirated CDs and DVDs and improve IPR enforcement. These steps likely met with domestic resistance in China, but were pushed through by Vice Premier Wu with the partial objective of setting a positive tone for Hu’s U.S. visit.

Third, the Chinese side also agreed to a number of structural and regulatory initiatives, including beginning negotiations to accede to the World Trade Organization’s Government Procurement Agreement (GPA), engaging in discussions on bulk chemicals (active pharmaceutical ingredients), and continuing the bilateral steel dialogue begun in May 2005. In addition, the two sides announced plans to establish the U.S.-China High Technology and Strategic Trade Working Group to review export control cooperation and facilitate high technology trade. Fourth, in an important transparency step, China committed to publish all trade-related measures in a single official journal put out by the Ministry of Commerce, the *China Foreign Trade and Economic Cooperation Gazette*.

These achievements were praised by business associations that promote trade and economic cooperation between U.S. and Chinese firms. Officials from both countries were pleased with the JCCT results as well, but Secretary Gutierrez cautioned that implementation and enforcement are essential: “The real outcome of this meeting, of course, will be known when we see the results. We will both be looking for the results before the next annual meeting to bring additional equity and balance to the U.S.-China trade relationship.”

Successes in Seattle and Yale University

From Beijing’s perspective, the most successful portions of President Hu’s U.S. visit were the bookends – the visits to Seattle, Washington and to Yale University in New Haven, Connecticut. In Seattle, Hu toured the Boeing aircraft factory in Everett in a golf cart, met privately with company executives, and delivered an address to 600 local officials and business leaders. He also visited Microsoft and dined with local dignitaries at the home of Bill and Melinda Gates. In addition, Hu met with a group of Chinese and U.S. former officials and scholars who convened in Seattle to discuss China’s peaceful development and China-U.S. relations. Chinese analysts hailed the two-day stop in Seattle as a great success, noting the vital importance of promoting close ties between China and U.S. business leaders, since economic ties – not security or ideology – are the glue of the bilateral relationship.

Hu Jintao’s final stop on April 21 was at Yale University, where he gave an address to students and faculty. In his speech, Hu presented the Chinese view of a harmonious world based on the concepts of Chinese civilization. He also emphasized the critical importance of the U.S.-China relationship saying that the closer China-U.S. relations are, the better off the world will be. China is committed to becoming more democratic, Hu averred, but will chart its own course on its path to development and democracy, rather than copying the examples of foreign countries.

An active quarter for military exchanges

Commander of U.S. Forces in the Pacific, Adm. William J. Fallon made a week-long tour of Chinese military installations and met with senior Chinese officers, including Defense Minister Cao Gangchuan in mid-May. He visited China’s 28th Air Division, based near the eastern city of Hangzhou, where he inspected a twin-engine *FB-7* fighter-bomber (China’s most advanced domestically produced warplane), toured the 39th Infantry Regiment of Shenyang, and visited an air force training academy near Xian. The trip marked a step forward in Adm. Fallon’s push to increase contacts between the U.S. and Chinese militaries as a way to ease suspicions, promote transparency, and reduce chances that the two Pacific powers will engage in military conflict resulting from miscalculation. In a subsequent interview, Fallon held out the possibility that he would press Congress to loosen restrictions on bilateral military contacts that were codified in the 2000 National Defense Authorization Act if Beijing would further increase transparency and reciprocity in the military sphere.

During his May discussions in China, Fallon invited the PLA to observe the *Valiant Shield-06* military exercises in Guam the following month. The Chinese accepted and sent a 10-member delegation, joining delegations from six other countries, to observe the June war game. Following the conclusion of the large-scale U.S. military exercise that involved 280 aircraft, 22,000 personnel, and 30 warships – including three of America’s 12 aircraft carriers – members of the Chinese delegation said that the event had “deeply impressed” them and “helped the Chinese side to obtain a better understanding of U.S. weapons, training skills, and exercise arrangements.” Fallon also reportedly invited Chief of the General Staff Liang Guanglie to join a November 2006 meeting in Kuala Lumpur, Malaysia, of Asian regional commanders.

On June 8, the Defense Consultative Talks (DCT) were held in Beijing, the eighth such meeting of annual discussions on defense issues between senior U.S. and Chinese officials. The U.S. delegation was led by Peter Rodman, the U.S. assistant secretary of defense for international security affairs, which was a notch down from last year’s DCT that were headed by Douglas Feith, undersecretary of defense for policy. The U.S. side also included representatives from the Joint Staff, the Pacific Command and the State Department. The Chinese side was headed this year by Maj. Gen. Zhang Qinsheng, assistant chief of the General Staff of the PLA, who recently succeeded Lt. Gen. Xiong Guangkai. Officers from the Chinese Navy, Air Force, and Second Artillery also participated. Rodman commented positively on the talks, saying that many things came out of the meeting that would be followed up on. “Both sides had a number of specific ideas of new areas of cooperation or new activities,” he told reporters. In addition to discussing the bilateral military relationship, the two sides talked about China’s defense budget, military transparency, and their respective strategic nuclear forces and doctrines.

In other developments in the U.S.-China military/security relationship this quarter, exchanges between military academies received a boost with the April visit to China by president of the U.S. National Defense University Michael Dunn. In early June, the Honolulu-based Coast Guard cutter *Rush* docked in Qingdao, the first major cutter to visit China since World War II. During the visit, law enforcement teams from the U.S. and China demonstrated techniques for boarding and searching vessels. The port call took place as part of the North Pacific Coast Guard Forum, which was established in 1999 to foster multilateral cooperative efforts in maritime safety and security. It comprises coast guards and equivalent agencies from China, Japan, the Republic of Korea, Russia, Canada, and the United States.

As the quarter drew to a close, the amphibious command and control ship *USS Blue Ridge* carrying more than 1,000 sailors and Marines arrived in Shanghai for a three-day port call. Capt. Jeffrey Bartkoski expressed hope that his ship would be permitted to visit ports other than Shanghai on future trips to China.

The Pentagon released its annual report on China’s military power in May, which noted that aspects of China’s military development have surprised U.S. analysts, including the pace and scope of its strategic forces modernization. The 45-page report contended that China’s military buildup is extending the reach of Chinese forces and poses a growing

danger to neighbors such as Japan and India and to the U.S. military in the Pacific. Planning for Taiwan Strait contingencies remains the PLA's immediate focus, along with the possibility of U.S. intervention. The report cited China's military budget as between \$70 billion and \$105 billion, but failed to provide information on the methodology used to devise those figures. In a sharply worded statement, Chinese Vice Foreign Minister Yang Jiechi denounced the report, claiming it "rudely interferes in China's internal affairs." Yang defended China's "normal national defense building and military deployments" and accused the Defense Department of "scheming to use this as an excuse to sell advanced weapons to Taiwan."

Beijing was irked when it was excluded from a meeting hosted by the U.S. in early May that was aimed at boosting cooperation in the global war on terrorism. More than 230 participants from 91 countries convened in Washington, D.C. to compare notes on counterterrorism on April 25, only five days after President Bush had hosted President Hu. The meeting was the fourth in a series held since May 2004 to bring together security planners from around the world. According to a spokeswoman for the U.S. Joint Chiefs of Staff, China was not invited because the U.S. "interagency coordination requirement and timeline didn't allow sufficient time to extend an invitation." The Chinese government was silent on the matter, but Chinese researchers complained bitterly that as a partner in the war on terrorism, China's exclusion was unwarranted and provided further evidence of the Pentagon's unfriendly posture toward China.

China is not a currency manipulator

In its semi-annual Report on International Economic and Exchange Rate Policies released May 10, the Department of the Treasury noted it was "extremely dissatisfied with the slow and disappointing pace of reform for the Chinese exchange rate regime," but refrained from citing China as intentionally manipulating its currency regime. Treasury Secretary John Snow maintained that the administration was unable to charge China with keeping the value of its currency artificially low because the record showed that Beijing had allowed its currency to appreciate. He noted that China's leadership has made a public commitment to implement reforms and pointed to statements by China's President Hu and Premier Wen as evidence that "China does not want a large current account surplus and will act to reduce it." Snow nonetheless called on Beijing to act immediately to increase the flexibility of its exchange rate regime "before real harm is done to its own economy, to its Asian neighbors, and to the global financial system."

Critics on both sides of the aisle, the AFL-CIO, and various manufacturing trade associations insisted that China deliberately holds down the yuan's rate, making its exports more competitive on global markets and driving up the trade imbalance with the U.S. While Snow argued that China's exchange rate practices do not meet the test of intent as defined by the Omnibus Trade and Competitiveness Act of 1988, critics maintain that China's progress in currency flexibility has been negligible and fails to match the rhetorical promises delivered by Chinese leaders. Authors of a bill to impose tariffs on Chinese exports in the absence of a substantial currency revaluation, Sen. Charles Schumer (D-NY) and Lindsey Graham (R-SC) denounced Snow's decision. Sen.

Charles Grassley (R-IA), chairman of the Finance Committee, called for scrapping the 1988 law under which Snow issued his report and creating a new law that would overhaul supervision of currency issues.

Chinese economists reacted positively to the U.S. decision and suggested that it would give Beijing greater flexibility to accelerate the introduction of a genuine forex trading market for the *renminbi*. On May 15, less than a week after the Treasury report was released, China's currency fell below 8.00 to the dollar for the first time, passing what the market had designated a psychological barrier. The next U.S. Treasury report on global currencies is due to be issued Oct. 15, about three weeks before the congressional mid-term elections.

In confirmation hearings at the end of June, Hank Paulson, the nominee to succeed Snow at Treasury, signaled a possible shift in policy away from currency issues toward putting greater weight on financial sector reform. Although he reiterated the need for Beijing to permit greater currency flexibility in the near term, Paulson put greater emphasis on pressing China to reform and open up its domestic financial system. In the absence of a modern financial system, Paulson told senators, China is "not going to be able to have a currency that trades in a competitive marketplace."

Looking forward

As the quarter closed, Iran and the DPRK were coming into focus as litmus tests of the China-U.S. relationship. Tehran has yet to respond to the package proposal presented by the permanent five members of the U.N. Security Council plus Germany. If Iran rejects the offer, will the U.S. and China be able to sustain their cooperation? Will the DPRK launch of seven ballistic missiles, including a long-range *Taepodong 2* (on July 4), produce similar or diverging responses from the U.S. and China? From Washington's perspective, both issues are important trials of China's willingness to act as a responsible stakeholder in the international system.

With the pending departure of Robert Zoellick and his successor not yet named, it remains to be seen whether the "Senior Dialogue" that has centered on what it means to be a responsible stakeholder in the international system will continue. The concept has taken hold both in Beijing and Washington; it has been included in key Bush administration documents including the *Quadrennial Defense Review* and the *National Security Strategy of the United States of America*; and both U.S. and Chinese presidents have publicly uttered the term "stakeholder." Officials from the two countries are likely to continue to discuss at various levels their respective understandings of "responsible" behavior and policies and their expectations of the other side.

In the third quarter, Guo Boxiong, vice chairman of the Central Military Commission and Politburo member of the 16th CCP Central Committee, will visit Washington, D.C. and visit several military installations in the United States. The visit by Second Artillery Commander Jing Zhiyuan to the U.S. Strategic Command may take place this coming quarter, or may be scheduled in the final months of 2006.

Chronology of U.S.-China Relations

April-June 2006*

April 4, 2006: Secretary of Homeland Security Michael Chertoff visits Beijing and meets Chinese Minister of Public Security Zhou Yongkang. They discuss joint efforts in the campaign against illegal immigration and furthering mutual trust and coordination.

April 5, 2006: State Department releases its annual *Supporting Human Rights and Democracy* report, which highlights the programs the U.S. is pursuing with foreign countries to promote human rights. In China, these measures include bilateral diplomatic efforts, and multilateral action and support through Chinese government and nongovernmental channels for rule of law and civil society programs.

April 7, 2006: Sen. Max Baucus (D-MT), joined by 16 fellow members of the Senate Finance Committee, writes an open letter to Chinese Vice Premier Wu Yi calling on China to address Washington's concerns about the currency exchange rate, IPR violations, and meeting World Trade Organization (WTO) commitments.

April 7-14, 2006: U.S. Environmental Protection Agency (EPA) Administrator Stephen Johnson travels to China and meets with Minister Zhou Shengxian of China's State Environmental Protection Administration and Deputy Director Pei Chenghu of the Beijing Environmental Protection Bureau to discuss opportunities for increased cooperation and to observe progress on existing collaborative initiatives.

April 10, 2006: During a news conference in Beijing, Chinese Commerce Minister Bo Xilai vows to crack down on IPR violations and goes on to say that the trade imbalance between China and the U.S. is not generated by IPR violations, but rather U.S. export controls on high technology and the competitiveness of Chinese companies.

April 11, 2006: Seventeenth annual meeting of the U.S.-China Joint Commission on Commerce and Trade (JCCT) is held in the U.S. Commerce Secretary Carlos Gutierrez and Trade Representative Rob Portman head the U.S. delegation, joined by Secretary of Agriculture Mike Johanns, while Vice Premier Wu Yi leads the Chinese delegation.

April 12-15, 2006: Assistant Secretary for Western Hemisphere Affairs Thomas Shannon travels to Beijing and meets MFA officials to discuss China's Latin America policy and to promote U.S.-China cooperation in the region.

April 17, 2006: In a speech at the Institute for International Economics, U.S. Deputy Secretary of State Robert Zoellick says that Chinese currency reforms are moving in the right direction. Zoellick also has positive comments regarding China's efforts (especially in the reconstruction of Iraq and Afghanistan) to enhance international security.

* Compiled by David Adam Fisher, CSIS intern

April 18, 2006: The U.S. and China sign a five-year extension of their bilateral Science and Technology Cooperation Agreement, which covers infectious diseases, energy research, and atmospheric sciences.

April 18, 2006: Department of State releases fact sheets calling for increased religious freedom, as well as greater political and civil rights, in China.

April 18-21, 2006: President Hu travels to Seattle, Washington, Washington, D.C., and New Haven, Connecticut. In Washington, he meets with President Bush.

April 19, 2006: Speaking at the Trade Policy Review of the People's Republic of China in Geneva, Ambassador Peter Allgeier, the U.S. trade representative to the WTO says, "it is apparent that China has not yet fully embraced the key WTO principles of non-discrimination and national treatment, nor has China fully institutionalized market mechanisms and made its trade regime predictable and transparent."

April 20, 2006: U.S. and China renew the United States-China Education Agreement for Cooperation in Educational Exchanges.

April 24-25, 2006: China and the U.S. co-sponsor the APEC Anti-corruption Workshop in Shanghai.

April 27, 2006: Rep. Christopher Smith (R-NJ), chairman of the House International Relations Subcommittee on Africa, Global Human Rights, and International Operations chastises China for repatriating North Korean refugees, in violation of China's obligations under the 1951 UN Convention Relating to the Status of Refugees and the 1967 Protocol Relating to the Status of Refugees.

April 28, 2006: USTR releases its *2006 Special 301 Report*, which emphasizes China's IPR violations and moves U.S. policy toward using WTO dispute settlement mechanisms in regards to China.

May 3, 2006: U.S. Commission on International Religious Freedom (USCIRF) releases its annual report in which China is listed as one of the "countries of particular concern" due to restrictions, state control, and repression to which all religious communities are subjected.

May 4, 2006: Sens. Sam Brownback (R-KS), Kay Bailey Hutchison (R-TX), and Jon Kyl (R-AZ) introduce the Silk Road Strategy Act of 2006, which "expresses the sense of Congress with respect to U.S. political, diplomatic, and economic interests in and the democratic and stable development of Central Asia and the South Caucasus." The legislation calls for the U.S. to attain observer status in the Shanghai Cooperation Organization (SCO) "for the purpose of promoting stability and security in the region."

May 5, 2006: Department of Defense releases five ethnic Uighurs from Guantanamo Bay, Cuba to Albania.

May 9-16, 2006: Adm. William J. Fallon, commander of U.S. Forces in the Pacific, travels to China, where he meets with Chinese Defense Minister Cao Gangchuan and Chinese Foreign Minister Li Zhaoxing. Fallon invites senior Chinese officers to observe U.S.-led joint military exercises in June, promising them the opportunity to review U.S. bases and board U.S. warships during air-sea drills, which China later accepts.

May 10, 2006: Treasury Department releases its semi-annual *Report on International Economic and Exchange Rate Policies* saying that China has been too slow to revalue the RMB, but doesn't label China as a "currency manipulator." Chinese Foreign Ministry Spokesman Liu Jianchao expresses his country's appreciation at not being listed as a "currency manipulator."

May 10, 2006: House International Relations Committee holds hearing on China's resurgence. Deputy Secretary Zoellick testifies, "how we deal with China's growing influence is one of the central questions of 21st century U.S. diplomacy." He calls on Beijing to be a "responsible stakeholder" if it wants other countries to feel secure as China rises.

May 11, 2006: President Bush meets with three prominent Chinese Christian activists and pledges to discuss the issue of religious freedom with Chinese leaders.

May 15, 2006: China's currency creeps past 8.00 to the dollar for the first time, passing a psychological barrier for the renminbi.

May 16, 2006: The American Chamber of Commerce in Beijing releases its annual white paper calling on Washington to loosen export controls and Beijing to better protect IPR.

May 17, 2006: Treasury Secretary John Snow, testifying before the House Financial Services Committee, says that China needs to adopt more flexible exchange-rate policies and implement other economic overhauls to address growing global imbalances for the health of both the U.S. and Chinese economies.

May 18, 2006: State Department announces that it will not use computers purchased from Chinese manufacturer Lenovo for classified work due to fears that the machines would pose a security risk.

May 22-25, 2006: Speaking at the Lee Kuan Yew School of Public Policy in Singapore, Assistant Secretary of State Christopher Hill says that China-U.S. cooperation on global affairs is possible and that Beijing should hold direct talks with Taipei. Hill travels to Beijing where he meets Chinese Vice Foreign Minister Wu Dawei.

May 22-25, 2006: Under Secretary of Commerce David H. McCormick visits China and meets Chinese Commerce Minister Bo Xilai and other officials in China's Ministry of Commerce (MOC). Mr. McCormick announces that the U.S. is poised to loosen restraints on civilian-use high-technology exports to China.

May 23, 2006: The U.S. Department of Defense releases *Military Power of the People's Republic of China 2006*.

May 24-27, 2006: Deputy U.S. Trade Representative Karan Bhatia visits Taiwan. Speaking at the American Chamber of Commerce in Taipei, he calls for the liberalization of cross-Strait trade. Bhatia also indicates that a free trade agreement (FTA) between the U.S. and Taiwan would be “unlikely” in the short term.

May 25, 2006: U.S. and China reach an agreement for four North Korean defectors seeking asylum at the U.S. Consulate in Shenyang to travel to the United States.

May 27, 2006: FM Li holds a phone conversation with Secretary Rice.

May 30, 2006: The American Chamber of Commerce in Taiwan releases its annual white paper, which calls on the Taiwanese government to institute direct cross-Strait links.

June 1, 2006: Presidents Bush and Hu speak by phone. They discuss U.S.-China relations, North Korea, and the Iran nuclear issue.

June 3, 2006: Speaking at the Shangri-La Dialogue in Singapore, Secretary of Defense Rumsfeld only briefly mentions China’s lack of military transparency, toning down the rhetoric from his speech at the same forum one year earlier.

June 4, 2006: State Department calls on China to account for victims of the Tiananmen Square massacre, as well as ongoing human rights violations. Chinese Foreign Ministry Spokesman Liu Jianchao characterizes the demand as “groundless criticism.”

June 5, 2006: President Bush meets visiting Chinese delegation of senior public servants headed by Zhou Qiang, first secretary of Central Secretariat of Communist Youth League at the White House.

June 7, 2006: Assistant USTR Timothy Stratford and Commerce Department’s International IPR Enforcement Coordinator Chris Israel testify before the U.S.-China Economic and Security Review Commission. Stratford states the U.S. could bring an IPR case against China at the WTO.

June 8, 2006: At the eighth annual round of Defense Consultative Talks (DCTs), Assistant Secretary of Defense Peter Rodman meets Mj. Gen. Zhang Qinsheng, assistant chief of the General Staff of the Chinese People’s Liberation Army in Beijing.

June 9, 2006: Meeting on the side of the Group of Eight (G-8) dialogue between finance ministers, Treasury Secretary Snow and Chinese Finance Minister Jin Renqing discuss bilateral financial and economic cooperation and agree to boost dialogue in this field.

June 9, 2006: Speaking at CSIS in Washington, D.C., Under Secretary of Commerce McCormick announces that the U.S. will allow more civilian-use high-technology exports to Chinese companies that have been approved under a new licensing program.

June 11, 2006: U.S. Coast Guard cutter *Rush* becomes the first major Coast Guard vessel to visit China since World War II when it arrives at Qingdao. The visit helps further law enforcement cooperation between the U.S. and China.

June 12, 2006: House of Representatives passes three resolutions condemning escalating religious persecution in China, condemning Beijing's interference in the internal affairs of the Catholic Church and persecution of Catholics loyal to the Pope, and remembering the victims of the 1989 Tiananmen Square massacre.

June 13, 2006: FM Li has a phone conversation with Secretary Rice.

June 13, 2006: Department of the Treasury designates four Chinese companies and one U.S. company as having supplied Iran with missile-related and dual-use components. The designations prohibit all transactions between the designees and any U.S. person, and freeze any assets the designees might have under U.S. jurisdiction.

June 15, 2006: State Department spokesman responds positively to the agreement signed between China and Taiwan on direct cross-Strait flights, but also urges the governments in Beijing and Taipei to engage in "direct discussions."

June 19-23, 2006: A 10-member Chinese delegation observes *Valiant Shield-06*, a large-scale U.S. military exercise near Guam, at the invitation of Adm. Fallon, commander of the U.S. Pacific Command.

June 21, 2006: At the closing press conference after the EU-U.S. summit in Vienna, George Bush praises China for its efforts to resolve the Korean Peninsula nuclear issue.

June 22, 2006: Chinese State Councilor Tang Jiaxuan, while meeting with a delegation of the American Foreign Policy Council led by Richard Myers, former chairman of the Joint Chiefs of Staff, says that China is "open" to military exchanges with the U.S.

June 22, 2006: Assistant Secretary of Defense Peter Rodman testifies before the House Armed Services Committee about the Defense Department's annual report on Chinese military power. Rodman reports on a lack of transparency regarding Chinese military spending and intentions, but also states that China-U.S. relations are improving.

June 23, 2006: USTR Susan C. Schwab appoints Claire E. Reade chief counsel for China trade enforcement, a position created to ensure that China meets its international trade commitments as it approaches the end of its transition period as a WTO member.

June 27, 2006: During his confirmation hearing, Treasury Secretary nominee Hank Paulson indicates a shift in U.S. policy to emphasize opening the financial sector rather than currency reform.

June 27, 2006: Sens. George Allen (R-VA) and Tim Johnson (D-SD) introduce resolution calling on the U.S. to strengthen links with Taiwan, allow unrestricted visits by high-level Taiwanese elected officials, and allow Cabinet-level exchanges with Taiwan.

June 28, 2006: The amphibious command and control ship USS *Blue Ridge* docks in Shanghai for exchanges with the PLA Navy.

July 4, 2006: North Korea launches seven short- to long-range ballistic missiles. All fall into the Sea of Japan.



U.S.-Korea Relations:
To Test or Not to Test: Missile Politics

Donald G. Gross
The Atlantic Council of the United States

After the impasse in the Six-Party Talks deepened this quarter, North Korea shocked its neighbors as well as the United States by launching seven missiles July 4 into the Sea of Japan. One of these missiles was a long-range *Taepodong 2* that theoretically might have reached the U.S., but failed, 40 seconds into its flight.

The missile tests fed a widespread perception in the U.S. that North Korea's action represented a political failure for the Bush administration. U.S. financial and diplomatic pressures over the previous 10 months had neither contained Pyongyang nor caused it to submit to U.S. political demands. Together with the U.S. refusal to offer any positive gesture toward North Korea, these pressures merely formed the backdrop to North Korea's all too familiar defiance of the outside world.

The U.S. and South Korea held their opening round of negotiations on a Korea-U.S. free trade agreement (FTA) during early June. Among the most contentious issues were the U.S. demand to open the South Korean rice market to U.S. exports, and South Korea's demand that the U.S. extend favorable tariff treatment, under the FTA, to all products produced in the Gaeseong Industrial Zone in North Korea. On the rice issue, South Korean negotiators gave no ground and are under considerable pressure from farmers not to allow U.S. rice into the country. On the Gaeseong issue, U.S. negotiators rejected the Korean request, claiming that North Korean workers at the site are subject to harsh, exploitative treatment by the Pyongyang regime.

Finally, at a meeting in Singapore, South Korea's defense minister and the U.S. secretary of defense appeared to reach general agreement that operational control of South Korea's armed forces during wartime would be transferred back to South Korea after five or six years. The final agreement will be announced at the ROK-U.S. Security Consultative Meeting in October.

Avoiding a diplomatic encounter in Tokyo

The quarter opened on a contentious note as U.S. Ambassador Christopher Hill rebuffed North Korea's desire for a bilateral meeting on the sidelines of an international security policy conference in Tokyo during mid-April. The U.S. would only meet separately with senior officials of North Korea at the Six-Party Talks, Hill said, and urged Pyongyang to

rejoin those negotiations as soon as possible. North Korea's Ambassador Kim Gye-gwan insisted that the U.S. had to end its financial sanctions before North Korea would again participate in the nuclear negotiations. Kim said, provocatively, that North Korea would use the period of delay in re-starting the Six-Party Talks to build up "more deterrent force" through its nuclear weapons program.

Hill reportedly told South Korea's Vice Foreign Minister Yu Myung-hwan that the tough U.S. position was "intended to send a strong message to North Korea" that it had to return to the Six-Party Talks. The ensuing North Korean reaction revealed that Pyongyang would not accept the mid-March suggestion of U.S. Ambassador to South Korea Alexander Vershbow to take up the financial sanctions bilaterally at the multilateral nuclear negotiation.

More broadly, the exchange of strong words in Tokyo revealed how U.S. sanctions against alleged counterfeiting by North Korea had undermined the central U.S. policy objective of negotiating an end to Pyongyang's nuclear program in the Six-Party Talks. While Washington imposed these "law enforcement" measures independently of the nuclear talks, their practical effect has been to create a major obstacle to the nuclear negotiations. To U.S. hardliners who hope that diplomatic failure will lead to harsh U.S. military measures and "regime change" in North Korea, this impasse is of little concern and even a welcome development. For professional U.S. diplomats seeking a peaceful resolution of the nuclear issue, the delay is deeply troubling, though their tools for ending it are quite limited.

The Hu-Bush summit and beyond

President George W. Bush tried to put additional pressure on North Korea later in April when he urged China's President Hu Jintao, during their Washington summit, to influence North Korea to rejoin the Six-Party Talks. Hu agreed with Bush that North Korea needed to give up its nuclear ambitions, but Hu was noncommittal about any specific steps China would take to pressure Pyongyang. Although the Chinese president told Bush that U.S. financial sanctions against North Korea were an impediment to the resumption of the nuclear negotiations, the U.S. downplayed his warning. U.S. National Security Council staff member Dennis Wilder observed "But [Hu] didn't say 'you need to end those measures' in any way, shape or form."

At the summit meeting, Bush also protested China's harsh tactic of returning North Korean refugees who attempt to flee North Korea through China. He asked Hu to establish a process in keeping with UN standards for resettling refugees in South Korea, which has a policy of welcoming the refugees. According to news reports, Hu listened politely to Bush's suggestion but did not respond.

In late May and early June, the U.S.-North Korea diplomatic standoff continued, reflecting the basic positions the two sides enunciated six weeks earlier. In retrospect, the diplomatic exchanges at this time prefigure the subsequent crisis over the North Korean test of its *Taepodong 2* missile.

After consultations in Seoul on May 25, Ambassador Hill stressed the importance of North Korea returning to the Six-Party Talks, but made clear that the U.S. would not offer any “sweetener.” A few days later, an official statement of North Korea’s news agency invited Hill to visit Pyongyang for a bilateral meeting, just as Ambassador Kim Gye-gwan sought a bilateral meeting to discuss outstanding issues in Tokyo during April. White House Spokesman Tony Snow rejected the North Korean request: “the United States is not going to engage in bilateral negotiations with the government of North Korea...We are going to do it through the appropriate forum.”

Following this new refusal in late May to discuss U.S. financial sanctions prior to resumption of the Six-Party Talks, North Korea upped the ante by preparing to test-launch a long-range *Taepodong 2*. Two and a half months earlier, to express its displeasure with U.S. unwillingness to negotiate financial sanctions, North Korea tested short-range missiles near North Korea’s border with China. The U.S. mildly criticized the tests but the event received little media coverage.

This time, North Korea’s threat to test a long-range missile that appeared capable of hitting the United States with a nuclear payload ignited public fears in the U.S., South Korea, and Japan. Public tension was elevated June 19, when *The New York Times* reported that North Korea had fueled the missile.

Prudently assessing North Korea’s intentions, National Security Advisor Hadley responded to news reports by noting that Pyongyang was likely trying “to create a sense of crisis... They seem to think that’s something that works for them.” Hadley pointed out “the intelligence is not conclusive at this point” and that North Korea might be seeking to orbit a satellite for peaceful purposes.

The sense of crisis in the U.S., Japan, and South Korea amplified June 22 when two former Clinton administration defense officials, William J. Perry and Ashton Carter, called for the U.S. to destroy the North Korean missile on its launching pad before a test occurred. They wrote in the *Washington Post*: “...[I]f North Korea persists in its launch preparations, the United States should immediately make clear its intention to strike and destroy the North Korean *Taepodong* missile before it can be launched. This could be accomplished, for example, by a cruise missile launched from a submarine carrying a high-explosive warhead... [T]he effect on the *Taepodong* would be devastating....[T]he U.S. air strike would puncture the missile and cause it to explode...North Korea could respond to U.S. resolve by taking the drastic step of threatening all-out war on the Korean Peninsula. But it is unlikely to act on that threat.”

Rejecting the advice from these former Clinton officials, the Bush administration concentrated in the following days on coordinating diplomatic efforts to persuade North Korea not to launch a missile, in violation of its agreed 1999 moratorium on missile tests.

Bush asked China to “send a focused message to the North Koreans” that a missile test would be “provocative.” Meeting June 29 with Japanese Prime Minister Koizumi Junichiro, Bush said “launching the missile is unacceptable,” while noting that “there

have been no briefings as to what's on top of the missile." Koizumi added that "should [North Korea] ever launch the missile..., we would apply various pressures" that he would not specify. Among the "pressures" that Japan has considered are restricting trade and ferry service with North Korea as well as cutting off remissions of cash to North Korea by ethnic Koreans living in Japan.

North Korea made good on its threat on July 4 by launching seven missiles into the Sea of Japan: six short- and medium-range *Nodong* and *Scuds*, and one long-range *Taepodong 2* which failed 40 seconds into its flight. Pyongyang's action delivered a psychological shock to the U.S. public and the Bush administration, which had assumed that diplomatic pressure from China, in particular, would lead to Pyongyang's restraint.

In ensuing days, President Bush emphasized that diplomacy "takes time" while an administration spokesman downplayed the threat that North Korea poses to the United States. But the headlines about a new North Korean menace underscored that diplomacy was not working nearly as well as the administration had hoped.

Tough going in the FTA negotiations

During early June, trade delegations from South Korea and the U.S. met in Washington for the first round of negotiations on a bilateral free trade agreement. The complexity of their efforts was underscored by the large number of negotiating committees – 17 – that the two sides organized to handle key issues.

Major differences reportedly remained on various sectoral issues at the end of this first negotiating round. Among the most contentious issues is the U.S. demand for a full opening of the Korean rice market to U.S. exports – which has aroused considerable opposition from Korean farmers. South Korea insists that any market opening should be implemented on a long-term, phased-in basis, to allow for trade adjustment assistance to farmers adversely affected by this measure. The rice issue is expected to be a subject for discussion at the second round of FTA negotiations scheduled July 10-14 in Seoul.

A second issue is the question of how to treat exports by South Korean companies that operate in the Gaeseong industrial zone in North Korea. South Korea firmly believes that a free trade agreement should treat Gaeseong exports like any other South Korean product. Under political pressure from the Congress and White House, U.S. trade negotiators insist on excluding Gaeseong-made products entirely from any FTA. The U.S. argues that the North Korean workers who produce goods in Gaeseong are subject to exploitative practices by North Korea's regime. At the end of the quarter, many U.S. observers believed that unless South Korea gave ground on this largely "political" issue, it could put the entire FTA negotiation at risk.

Operational control of South Korea's armed forces

The U.S. and South Korea continued to conduct a joint study on detailed measures for the transfer of operational command over South Korea's armed forces during wartime. At present, control of South Korean armed forces remains with the commander of U.S. forces in Korea.

In early June, South Korea's Defense Minister Kwang-ung Yoon met with Secretary of Defense Donald Rumsfeld in Singapore and they discussed this issue. South Korean newspapers reported that South Korea would likely take back control of its own armed forces in five to six years. Minister Yoon commented that it would take this long for South Korea to build the country's self-reliance and defense capabilities to the point where it could exercise operational control during wartime. The final decision on the command transfer issue will be announced at the next session of the annual ROK-U.S. Security Consultative Meeting (SCM) which will be held in Washington, D.C. in October.

On another defense matter, South Korea moved ahead with the relocation of U.S. forces in South Korea to a new base in Pyongtaek, south of Seoul. In early May, thousands of police ejected farmers and activists from the Pyongtaek site, where their protest had blocked construction for months. Military engineering units erected a 29-km barbed wire fence around the base area while establishing checkpoints and other restrictions on public access. A master plan for construction of the base is expected to be approved during September and the actual construction work is scheduled to begin in October.

Prospects

Prospects for a diplomatic resolution of the nuclear issue with North Korea in the Six-Party Talks have never looked so dim as they do at the end of this quarter. The dug-in positions of both North Korea and the U.S. have prevented their diplomats from meeting, let alone exploring the elements of an agreement to address the nuclear issue.

The gridlock in the Six-Party Talks and unyielding U.S. pressure on North Korea through financial sanctions were factors in Pyongyang's decision to frighten the U.S. and Japanese publics by launching missiles on Independence Day in the United States. The tests underscore why a Bush administration policy favoring diplomacy – and the continuation of the Six-Party Talks – needs more than sticks and coercion on the part of the United States to succeed. U.S. firmness needs to be combined with a greater U.S. willingness to meet North Korean concerns *in the short- and medium-term* if the U.S. expects diplomacy to work.

For the U.S., the impasse means it cannot move forward on its most important policy objective of eliminating North Korea's nuclear weapons program by diplomatic means. For North Korea, the impasse means it will continue to experience strong U.S. pressures, including financial sanctions, and be unable to move toward a diplomatic settlement,

which would allow North Korea to rebuild its weak economy and improve its standing in the international community.

At the end of the quarter, as North Korea ratcheted-up its brinkmanship over missile tests, the least pessimistic of U.S. observers could only harken back 12 years earlier to June of 1994, when a near U.S. decision to strike North Korea militarily, and the subsequent intervention of former President Jimmy Carter, led to a diplomatic resolution in the 1994 Agreed Framework. Though discredited in some quarters, the agreement kept North Korea from reprocessing spent nuclear fuel rods for a number of years, and could have resolved the nuclear issue altogether under different historical circumstances.

Chronology of U.S.-Korea Relations

April-June 2006

April 10-11, 2006: Ambassador Hill refuses to meet with North Korean Ambassador Kim Gye-gwan at NEACD talks in Tokyo.

April 13, 2006: Ambassador Kim Gye-gwan says North Korea will build up “more deterrent force” while the Six-Party Talks are in impasse.

April 19, 2006: U.S. trade official Wendy Cutler says the U.S.-Korea FTA will have to address nontariff barriers in addition to normal tariff reduction issues.

April 20, 2006: At a summit meeting in Washington, President Bush asks Chinese President Hu Jintao to urge North Korea to attend the Six-Party Talks.

April 30, 2006: South Korea’s Ministry of Unification accuses U.S. Human Rights Envoy Jay Lefkowitz of “unthinkable intervention” for criticizing humanitarian aid to North Korea; President Bush meets with defectors from North Korea at the White House.

May 1, 2006: ROK President Roh meets USFK Commander Gen. B.B. Bell at the Blue House in Seoul. Also present are DM Yoon Kwang-ung and U.S. Ambassador to Seoul Alexander Vershbow.

May 4, 2006: ROK police eject protesters from site of planned U.S. base in Pyongtaek.

May 5, 2006: Six North Korean refugees arrive in the United States.

May 8, 2006: South Korea begins withdrawal of troops from Iraq; ban on U.S. citizens maintaining any business relationship with North Korean-flagged vessels takes effect.

May 25, 2006: Ambassador Hill begins two days of discussions in Seoul on the Six-Party Talks; U.S. and South Korea conduct Security Policy Initiative meeting in Hawaii.

May 25, 2006: U.S. and China reach agreement for four North Korean defectors seeking asylum at the U.S. Consulate in Shenyang to travel to the United States.

May 31, 2006: South Korea holds by-elections. The opposition Grand National Party wins a majority in National Assembly, regional, and local government contests. The ruling Uri Party does not win a single seat in the National Assembly.

May 31-June 2, 2006: ROK FM Ban travels to U.S. to attend meeting on HIV/AIDS at the UN and to consult with U.S. counterparts in Washington over Six-Party Talks.

June 1, 2006: White House spokesman implies rejection of North Korean invitation to Ambassador Hill to visit North Korea; KEDO announces its official termination.

June 3, 2006: After a U.S.-Korea defense ministers meeting in Singapore, DM Yoon says Korea will obtain full operational control of its military from the U.S. in five to six years.

June 5, 2006: First round of negotiations for a U.S.-Korea FTA opens in Washington.

June 7, 2006: FM Ban says that South Korea and the U.S. are “deeply concerned” about reports that North Korea may test fire a *Taepodong 2* missile.

June 19, 2006: FM Ban urges North Korea to engage in a human rights dialogue.

June 21, 2006: Bush administration says it does not have conclusive information about pending North Korean missile test; former President Kim Dae-jung postpones planned visit to North Korea.

June 22, 2006: In a *Washington Post* editorial, former Clinton defense officials William Perry and Ashton Carter argue for a preemptive strike against North Korea’s *Taepodong* missile while it is still on the launch pad; the White House quickly rules out this option.

June 25, 2006: Ambassador Vershbow says issue of Gaeseong goods could “poison” U.S.-Korea FTA negotiation.

July 4, 2006: North Korea launches seven missiles – six *Nodong* and *Scud* and one *Taepodong 2*. All fall into the Sea of Japan.



**U.S.-Russia Relations:
Awaiting the G-8**

**Joseph Ferguson
National Council for Eurasian and East European Studies**

U.S.-Russian relations continued on a tempestuous course during the spring. As noted last quarter, U.S.-Russian relations have been in a downward spiral since 2003. During the past quarter, elements of the leadership of both sides continued to spar verbally. Vice President Dick Cheney launched a broadside on the Russian government, during a public appearance in Lithuania. Vladimir Putin was happy to take up the challenge and obliquely referred to Cheney and/or the U.S. government as “comrade wolf” and a “bull in a china shop” shortly thereafter. The two nations appear to be circling one another in anticipation of the upcoming G-8 summit in July in Russia’s northern capital – and Putin’s hometown – St. Petersburg. Although it is unlikely President George W. Bush will take a confrontational stand as many in Washington are arguing he should, the summit could prove to be frosty because Washington’s partners in Europe have seemingly also become disillusioned with Moscow. In Asia, Moscow and China continue to strengthen and formalize the Shanghai Cooperation Organization (SCO), which many see as a bulwark against the United States, especially in Central Asia.

G-8 preparations

The list of grievances between Moscow and Washington has been catalogued *ad infinitum* in these pages and elsewhere. Without going into detail, the main points of contention for the United States continue to be the state of democracy and civil society in Russia, Russian intentions in the CIS (or former Soviet republics), Russian cooperation in addressing proliferation threats in Iran and the DPRK, and the perception that Russia is attempting to become an energy cartel in Eurasia, along the lines of OPEC in the 1970s, brandishing oil as a political weapon. Russian leaders see the U.S. attempting to expand NATO into the former Soviet republics (concern exists particularly about Georgia and Ukraine), establishing military bases in Central Asia, denying Russia World Trade Organization membership, and meddling in Russia’s internal affairs by telling the Kremlin how it should govern.

The agenda for the upcoming G-8 summit is the focus of diplomatic efforts in both countries. While the host government has a list of issues it wishes to address (including energy security, education, and the HIV/AIDS problem in Eurasia), many in Washington hope that President Bush will address more strategically pressing issues, such as the Iranian nuclear crisis. Washington also hopes to speak about Russia’s relations with

Georgia, Moldova, and Ukraine, as well as about the state of democracy in Russia. There appears to be no concerted effort to bring the terror threat to the agenda, a grave error considering this is the one issue on which Moscow and Washington appear to agree. Indeed, this is the one issue uniting the two in their now somewhat defunct “strategic partnership.” Whether the agenda will reflect the influence of Washington and its European allies or whether President Putin will stick to his own agenda remains to be seen. Nevertheless, officials and aides in both capitals are pushing various issues. Some in Washington who are outside the administration advocate a U.S. boycott of the meeting in response to what they perceive as the backsliding of democracy in Russia. Others call on President Bush to be pragmatic with Putin.

Cheney’s May speech in Vilnius – in which he accused the Russian government, among other things, of using energy to blackmail its neighbors – resonated with officials in both nations, though not necessarily in a positive fashion. The Russian response was measured, and President Putin never directly referred to the speech itself. Instead, he asked that U.S. leaders approach the bilateral relationship with a measure of respect and in the spirit of equality. But Putin and Kremlin officials have made it clear that they are wary of the U.S. penchant to criticize Russia’s democratic development. In a speech to Russian ambassadors in late June at the Russian Ministry of Foreign Affairs, Putin declared that “certain countries” are uncomfortable with the re-emergence of a strong and economically vibrant Russia.

In Washington, it was rumored that some in the administration were unhappy with Cheney’s blunt speech, and that they were working behind the scenes to repair the damage. President Bush has made it clear that he wants to work with Putin – not against him – and that any criticism of the Russian government is done above the table and is meant as constructive criticism. It would seem that Secretary of State Condoleezza Rice has the ear of the president, more than does the vice president – for now, anyway. In Moscow, the Russian press compared Cheney’s speech to Winston Churchill’s “Iron Curtain” speech in Fulton, Missouri, which some claim marked the beginning of the Cold War. Others in Russia were quick to criticize Cheney as a hypocrite, especially when Cheney flew to Kazakhstan and embraced Kazakh President Nursultan Nazerbayev the day after the Vilnius speech. Kazakh’s national elections have been termed fraudulent by just about every reputable international monitoring organization. Yet, Washington has been keen to enlist Kazakhstan as both an anti-terror ally and an energy ally. The United States has been actively seeking Kazakh participation in the BTC (the Baku-Tbilisi-Ceyhan) pipeline linking the Caspian to the Mediterranean.

It was clear long ago that – in the words of a recent editorial in the Russian daily *Nezavisimaya Gazeta* – Russia and the United States do not share the same vision of the future. Where the U.S. sees itself as a peaceful promoter of democracy across the globe, Russia sees in every U.S. action a hint of “democratic messianism.” Vladislav Surkov, the deputy chief of the presidential administration at the Kremlin – and a close Putin confidante – reiterated Russia’s decision to go about democracy building with its own brand of “sovereign democracy.” In a talk delivered to foreign reporters in Moscow in late June, Surkov managed to make subtle digs at the U.S. “People talk to us about

democracy, but they are really thinking about our energy resources,” he said. Surkov also questioned whether one could truly believe that Kazakhstan had progressed further democratically than Russia, an obvious reference to Cheney’s embrace of the Kazakh president one day after criticizing the Russian government for democratic backsliding.

Although Moscow and Washington will continue to agree to disagree, as the July G-8 summit neared, the two sides did agree that Iran needed to be near the top of the agenda.

Strategic issues

The Iranian nuclear issue reached crisis point this spring when the Iranian government announced that it had successfully enriched uranium. To the extent that both countries have conflicting interests in that country (Moscow has extensive commercial links and interests; Washington fears Iranian involvement in Iraq and Afghanistan), both sides have agreed that neither would like to see a nuclear Iran. The two governments have denounced Iranian efforts to produce a weapons program. But while the two agree on the end, they do not agree on the means. The United States favors sanctions, Russia favors diplomacy. This is why this issue will be big at the G-8 summit, and could set the tone for the relationship in the coming months.

In Central Asia, Moscow and Washington once saw eye-to-eye, but the two are now in open competition, and have been for at least two years. Across the region and its periphery, a number of political groupings have emerged that are reminiscent of the Cold War. Moscow has led the Collective Security Treaty Organization (CSTO) since its inception in 1992 and is looking to increase its political power and effectiveness, not only to counter U.S. presence in the region, but also that of the Shanghai Cooperation Organization, which many Russians fear will turn into a Chinese Trojan horse in Central Asia. The CSTO is a grouping of four of the five Central Asian states (minus Turkmenistan), plus Armenia and Belarus. Moscow has succeeded in getting the Uzbek government to take a higher profile. Through the 1990s, Uzbekistan – fearful of Russian domination – had shied away from an active role in the CSTO. But Uzbek President Islam Karimov attended the latest CSTO summit held in Minsk in late June.

The Commonwealth of Independent States (CIS), the original post-Soviet political grouping, seems to be declining. Although Moscow would like to see it continue to function as a political consultative organization, four nations are separating themselves from it and forming their own organization, GUAM (Georgia, Ukraine, Azerbaijan, and Moldova). Moscow sees Washington behind the formation of GUAM.

The SCO summit took place in Shanghai a week prior to the CSTO summit in mid-June. The biggest splash was made by Iranian President Mahmoud Ahmadinejad. Iran was invited to attend as an observer along with India, Pakistan, and Mongolia. Putin defended the decision by Uzbekistan to expel a U.S. air base from that country last year, saying that outside powers have no need to intervene and try to impose their morals. “I realize the indignation of the United States (over the base closure in Uzbekistan), but one should not behave like a bull in a china shop,” Putin said in a speech at the summit.

The United States, meanwhile, is looking to build a strategic partnership with India and hopes to bring Kazakhstan closer into its orbit by linking that nation to the grid of the BTC pipeline. Russia has been urging Kazakhstan to look east, and the two nations are cooperating in linking existing oil pipelines in Kazakhstan to those in China. Washington also might have its own Trojan horse in the SCO, with Mongolia participating as an observer. The U.S. and Mongolia have quietly been building a strategic partnership over the last decade. Japan also hopes to become an observer in the SCO, which would be a great benefit to Washington. The U.S. and Azerbaijan have continued military assistance and cooperation programs, much to the chagrin of the Armenian lobby in the U.S. Azeri President Ilham Aliyev visited Washington and met with President Bush in late April. Kyrgyzstan has also become a source of competition between the U.S. and Russia. The Kyrgyz government announced a June deadline for a new deal on the U.S. air base at Manas in that nation. Negotiators worked out an extension of the deadline, and it appears that Washington will be able to maintain the facility for now. Moscow is also looking to reopen several Soviet-era installations, and has plans to double the number of Russian troops at the nearby airbase in Kant.

Further to the west of the Eurasian periphery, Washington hopes that one day soon Ukraine can join NATO. The initial indications, however, are not particularly favorable. As much as President Yushchenko may wish for his nation to join NATO, his fellow countrymen are not convinced. Recent polls taken in Ukraine indicate that a strong majority of its citizens oppose NATO membership for Ukraine. Additionally, in May a group of U.S. Marines on a training mission on the Crimean Peninsula were greeted by locals with hisses and calls for the “Yankees to go home.”

At home, the Russian Ministry of Defense looks to dramatically increase its budget, centering primarily on strategic weapons systems. Since Russia is engaged in a local war in Chechnya and facing the same terrorist threats that the U.S. and others face, one can deduce that the upgrade in strategic weapons systems is aimed primarily at the U.S. (or perhaps China – neither would be exclusive), as was suggested in an article in the daily *Nezevisimaya Gazeta*. In order to find new systems, the Russian military-industrial complex will continue to seek out new arms markets, primarily in Asia and Latin America. A recent study by Stockholm International Peace Research Institute showed that in 2000-2004 Russia actually replaced the U.S. as the largest arms exporter in the world (although some experts have called into question SIPRI’s valuation methods).

Areas of cooperation

The good news is that in a number of core areas Moscow and Washington continue to cooperate, bolstered by the good faith that the two leaders, Bush and Putin, seem to have in each other. The two repeatedly emphasize that the two nations will continue to partner in vital areas of national security and elsewhere. And as long as Secretary Rice has the ear of the president, it is likely that guarded cooperation will continue.

One good sign was the announcement in mid-June that the Cooperative Threat Reduction programs (CTR, also known as the Nunn-Lugar initiative) will be extended another seven

years in spite of the legal and legislative problems that have dogged it the last few years. These programs are vital in assuring that nuclear materials do not reach the wrong hands. Leaders of both nations understand the importance and the intent of the programs, however badly they may be administered at times.

On the Korean Peninsula, Russia continues to be a passive participant in the Six-Party Talks, although it continues to urge the DPRK to return to the talks. Russia, perhaps in order to let the United States deal with the mess or because of its inability to influence the situation, largely remains silent.

U.S.-Russian business cooperation – not just energy cooperation – is increasing due to the growth of the Russian economy. The Kremlin wants a more effective lobbying organization in Washington, though not just for business purposes. Russia will need a more effective lobbying strategy, especially as the stories continue to filter back about prominent foreign businessmen being denied visas to Russia, the harassment of foreign journalists, and the age-old problem with bureaucratic corruption that continues to hinder healthy economic development. Partly due to such problems and partly, perhaps, due to politics (as many Russians claim), Russia is still being denied most favored nation status by the United States and has not been asked to join the WTO. This has become a particular sore spot on the eve of the G-8 summit, which ostensibly is a members-only club for the world's most advanced economies. This in fact shows that Russia was hardly asked to join because of its economic status. But as economic relations warm, an editorial in the respected daily *Kommersant* suggested that Russia may attain the status of a country like China in the eyes of the U.S. The two sides will have disagreements, but the strong business ties will create effective PR and lobbying voices in the U.S. But given the level of bilateral trade between the U.S. and Russia (hovering around \$10 billion a year) – compared to U.S.-China trade – this could be a very long time coming.

Asia strategies

In East Asia, it will be interesting to follow how Russian and U.S. strategies develop toward one another. For all practical purposes, Russia is a non-factor in the region. As the Six-Party Talks demonstrate, Russia carries little political or diplomatic weight. Russia has little military power in the region, and what is there is incapable of being projected beyond the littorals of the Russian Far East. Economically, the Sakhalin energy projects are producing (Japan received its first crude oil from Sakhalin in June), but the Far Eastern regions are literally at Third World levels of development. The one nation with which Russia could form a close relationship to bolster its political standing in East Asia – Japan – is uninterested in a *rapprochement* as long as the territorial dispute exists.

Moscow does, however, have the China card. Russia is careful to play this card, for China potentially poses a greater strategic threat to Russia than the United States. In Central Asia, through the SCO, Moscow has shown that it is not afraid to politically engage China, so long as China does not start to play Russia. Some voices in Russia frequently raise this concern, but the Kremlin under Putin has thus far maintained a warm relationship with China. It will be interesting to watch how Russia engages China

politically in East Asia. The speculation by some is that the SCO will form a counter-bloc to NATO in Central Asia and the Middle East. But could the SCO form a counter-bloc to the U.S.-Japan security partnership, perhaps even one day bringing the ROK into its fold? Seoul has developed good links in Central Asia where a large Korean diaspora once lived. Such a scenario is unlikely, but the SCO has developed into much more lively political organization than once thought possible in Washington.

Apart from Vice President Cheney's Vilnius speech, Moscow and Washington had a quiet quarter compared to recent months. But this could well just be the calm before the G-8 storm. Should the two sides quarrel over the political agenda at the meeting, relations could take a further blow. The recent private spat between Secretary Rice and Foreign Minister Lavrov at the G-8 preparatory meetings shows that there is tension at the highest levels, in spite of the public proclamations. On the other hand, Presidents Bush and Putin may decide to put aside differences and try to temper the storms that have wracked the relationship the past few years.

Chronology of U.S.-Russia Relations April-June 2006

April 1, 2006: U.S. journal *Foreign Affairs* publishes article that suggests the nuclear superiority of the U.S. is such that Washington could [theoretically] decide to launch massive preemptive strikes on Russia and China without serious risk of retaliation.

April 5, 2006: In its annual report on democracy and human rights, the Department of State notes the beleaguered status of Russian NGOs and increasing presidential control over the government in Russia.

April 12, 2006: Assistant Secretary of State for International Security and Nonproliferation Stephen Rademaker visits Moscow and tells his hosts that they have failed to fulfill commitments to reduce nonstrategic nuclear weapons in Europe, and that the two nations still have disagreements over dismantling and safeguarding Russian nuclear stockpiles.

April 12, 2006: In a rare public criticism, the Russian Foreign Ministry pointedly tells the Iranian government that it is on the wrong path, in response to the public statement by Iranian President Mahmoud Ahmadinejad that Iran has successfully enriched uranium for the first time.

April 17, 2006: The *Christian Science Monitor* publishes the results of a Russian poll in which almost 60 percent of Russian citizens interviewed called the U.S. a "threat to global security."

April 19, 2006: Kyrgyz President Kurmanbek Bakiyev threatens to close the U.S. airbase at Manas by June 1 unless Washington agrees to new terms demanded by the Kyrgyz government.

April 28, 2006: President Ilham Aliyev visits White House and meets President Bush.

May 4, 2006: Vice President Cheney lambastes the Russian government in a widely publicized speech in the Lithuanian capital, Vilnius. In the speech, Cheney accuses the Russian government – among other things – of using energy to blackmail its neighbors.

May 5-6, 2006: Vice President Cheney visits Kazakhstan.

May 8, 2006: Secretary of State Condoleezza Rice and Russian Foreign Minister Sergei Lavrov meet European diplomats in New York to discuss the Iranian nuclear crisis.

June 6, 2006: Former Secretary of State Henry Kissinger has private meeting with Russian President Putin. The two agree that the positive aspects of the bilateral relationship are overshadowed by negative events, but the two nations need to continue strategic cooperation whatever the domestic political climate.

June 7, 2006: In an interview on *Fox News*, U.S. Ambassador to the United Nations John Bolton says that there is a split within the Russian leadership on how to approach the Iran issue. The Kremlin denies the accusation.

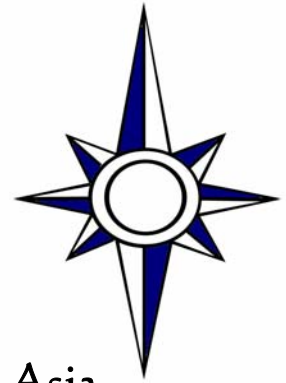
June 15, 2006: Annual summit meeting of the Shanghai Cooperation Organization (SCO) takes place in Shanghai.

June 16, 2006: U.S. and Russian officials agree on a seven-year extension of the Nunn-Lugar initiative. The program provides U.S. money and expertise to secure and destroy Soviet-era caches of nuclear, chemical, and biological weapons.

June 23, 2006: Summit meeting of the Collective Security Treaty Organization (CSTO) takes place in Minsk, Belarus.

June 27, 2006: Putin urges the U.S. to engage in talks to replace the START nuclear weapons treaty.

June 29, 2006: Secretary Rice travels to St. Petersburg to attend preparatory meeting of the foreign ministers of the G-8.



U.S. - Southeast Asian Relations:

U.S. Pushes Security and Trade Interests in Southeast Asia

Sheldon W. Simon
Arizona State University

In June visits to Singapore, Indonesia, and Vietnam, U.S. Secretary of Defense Donald Rumsfeld emphasized the importance of a continued robust U.S. role in Asian security as well as the necessity for security collaboration with U.S. Asian partners. Arms smuggling and espionage scandals in Indonesia and the Philippines respectively revealed some strains in U.S. relations but did not weaken mutual security activities. The United States – along with Japan, India, and China (all of whom rely on the Malacca Strait for much of their seaborne commerce) – offered the littoral states of Singapore, Malaysia, and Indonesia assistance for improving their anti-piracy capabilities. Washington has also begun to send equipment to Indonesia’s armed forces now that the ban on such transfers has been lifted. Finally, U.S. trade negotiations with Vietnam have led to the signing of a Permanent Normal Trade Relations agreement, the final stage before Hanoi’s admission to the World Trade Organization.

Secretary Rumsfeld emphasizes security interests

In June visits to Singapore, Indonesia, and Vietnam, Secretary of Defense Rumsfeld emphasized the importance of a continued robust U.S. role in Asian security. Implicitly downplaying the military unilateralism that characterized the Bush administration’s first four years, at the Shangri-La conference of Asia-Pacific defense ministers in Singapore, Secretary Rumsfeld asserted “that in the past five years in terms of defense and security cooperation, the United States has done more things with more nations, in more constructive ways, than at any time in our history.” He went on to cite U.S. Navy visits to Vietnam, joint exercises with the Philippines, and the normalization of military relations with Indonesia following the close cooperation in the wake of the devastating tsunami.

The secretary also pointed to the effectiveness of cooperation with Thailand in delivering humanitarian aid after the tsunami and attributed it to “upwards of two decades of joint training and collaboration at the annual *Cobra Gold* exercises” that now include several other Asian nations. *Cobra Gold* has also added peacekeeping and disaster response, examples of cooperative security distinct from its more traditional military training. Nevertheless, when asked by Ralph Cossa, the president of Pacific Forum/CSIS, about U.S. attitudes toward multilateral initiatives that did not include the U.S. such as ASEAN Plus Three (China, Japan, and South Korea), the East Asia Summit (A+3 and India, Australia, and New Zealand), and the Shanghai Cooperation Organization, the secretary

gave no indication that Washington was about to join the East Asia Summit, stating that other countries were free to “join together as they wish” but also noted that most security problems were global in nature and could be better resolved through larger rather than smaller groups of states.

In Jakarta, the defense secretary received a mixed message. On the one hand, Indonesian Defense Minister Juwono Sudarsono praised the complete restoration of military relations between the two countries and promised to send more Indonesian officers for training in the U.S. He expressed gratitude for the early stages of U.S. resupply of military equipment to the Indonesian armed forces (TNI). On the other hand, President Susilo Bambang Yudhoyono urged Rumsfeld to resist criticism in the U.S. Congress that could imperil the recently restored military ties. That criticism is generated by concerns over past unpunished human rights violations by the Indonesian military, particularly related to depredations in Timor-Leste when it was still part of Indonesia.

Defense Minister Sudarsono also delivered some criticism about U.S. antiterrorism practices. Perceived in the Islamic world as anti-Muslim, Sudarsono warned Rumsfeld not to meddle with regional efforts to combat terrorism. These efforts are the responsibility of each country, and any direct U.S. action in Southeast Asia “will only create more anger and antipathy against America.” This fairly harsh and public rebuke may have been addressed as much to a domestic Indonesian audience as it was to the U.S. defense secretary. With terrorist concerns and Islamic fundamentalists on the rise in Indonesia, the Yudhoyono government probably wanted to assure its citizens that Jakarta was not a U.S. client and that its own counter-terrorist policy was home grown. In fact, there has been good cooperation between Indonesian law enforcement and the FBI as well as each country’s intelligence agencies, though these activities for the most part go unpublicized.

One new possibility emerged from the Jakarta talks: possible Indonesian participation in the Proliferation Security Initiative (PSI), an ad hoc group of over 60 countries that cooperate to interdict weapons of mass destruction shipments. Although last March, Indonesia’s Foreign Ministry had told Secretary of State Condoleezza Rice that Jakarta would not participate in PSI, seeing it as a threat to sovereignty, Sudarsono told Rumsfeld that Indonesia would consider the proposal and might be willing to carry out some of its activities on an ad hoc basis. Currently, the only ASEAN state that participates in PSI exercises is Singapore.

In Vietnam, Rumsfeld discussed military exchanges and two Vietnam War legacies – the effects of the defoliant Agent Orange and missing U.S. service members. Vietnam has cooperated for many years on joint searches for U.S. remains. On Agent Orange, Washington has offered technical advice but will not pay compensation to victims of exposure. America’s gradually developing relationship with Vietnam is designed to enhance friendships with countries on China’s periphery. Vietnam’s Defense Minister Gen. Phan Van Tra welcomed bilateral defense cooperation and noted that two Vietnamese military officers would be sent to a Texas air force school for English language training.

U.S. and Vietnamese officials also signed a landmark agreement May 31 that lifts remaining trade barriers between the two states and paves the way for Vietnam's application to join the World Trade Organization. Vietnamese Prime Minister Phan Van Khai urged the U.S. to support Congressional approval of Permanent Normal Trade Relations.

U.S. interest continues in maritime security and counter-terror cooperation

Singapore, Malaysia, and Indonesia signed a formal agreement to coordinate anti-piracy patrols along the Strait of Malacca on April 20. (For background, see "Military Relations Restored with Indonesia, while U.S. Passes on the First East Asia Summit," *Comparative Connections*, Vol. 7, No. 4.) Since these patrols began in July 2004, piracy incidents have declined from more than 30 per year to only two from January through April 2006. The three littoral states have hot-line arrangements among their navies and coast guards and bilateral hot pursuit agreements. While Thailand has been invited to join the coordinated patrols and in late 2005 appeared to agree to do so, Bangkok has not yet participated and has specifically declined to join the air patrol phase known as "Eyes in the Sky," claiming that the cost would be too high. At the May 18 ASEAN Regional Forum (ARF) Security Policy Conference, Japan, China, India, and the U.S. pledged capability development assistance to enhance maritime security in the Strait, though no specifics were mentioned.

Indonesia and Malaysia have been wary of the prospect of U.S. patrols. They are seen by Kuala Lumpur and Jakarta as an infringement of the littoral states' sovereign rights and responsibilities in the waterway, though Singapore would undoubtedly welcome U.S. monitoring if its neighbors were to relent. The commander of the U.S. Pacific Fleet, Adm. Gary Roughead, assured Malaysia during a mid-May visit that the U.S. has no desire or intention of establishing a permanent presence in the Malacca Strait and would not infringe on littoral states' sovereignty in any way. He praised Malaysia's "leadership" in "providing initiatives in and around the Malacca Strait that are so important to the flow of commerce." Roughead also announced a new naval exercise scheduled for the end of May coordinated by the U.S. Pacific Fleet called *SEACAT* (Southeast Asia Cooperative For Antiterrorism) to help prepare countries in the region for terrorist challenges at sea. Additionally, Washington promised \$1 million in aid to the Indonesian navy.

India has also become active in Southeast Asian waters, undertaking coordinated patrols with Indonesia along their maritime boundary as well as with Thailand. The Indian navy conducts annual exercises with Singapore and passing exercises with other Southeast Asian navies. A proposed Indo-U.S. Cooperation Framework tabled by Roughead in his May visit to India, if initiated, will provide for joint patrolling of energy trade routes and anti-piracy cooperation. India also offered to share its naval expertise at the early June Singapore Shangri-La conference.

Antiterrorism conferences cosponsored by the U.S. are taking place in Southeast Asia. A three-day meeting in late April in the Philippines involved security officials and experts from 40 countries. It focused on the problem of interdicting Jemaah Islamiyah (JI) terrorists – the Southeast Asian terrorist organization linked to al-Qaeda – as they move

among Southeast Asian states possibly infiltrating local militant groups. Another Philippine symposium on East Asian Security sponsored by the State Department and Pacific Command convened 18 countries to study the links between transnational crime and terrorism. At the Kuala Lumpur-based (and U.S. funded) Southeast Asian Regional Center for Counterterrorism a five-day conference was held in late May on cyberterrorism and protecting information technology from cyber attack. Although there are more than 1,000 jihadist websites in Southeast Asia, so far militant groups use these sites exclusively for communication and propaganda. There is no evidence that they have developed cyber-attack capabilities. Nevertheless, Malaysia announced in May that it would establish a center to counter such attacks in partnership with the U.S. software company Symantec.

U.S.-Indonesia military ties strengthened

The United States has begun to implement its support for Indonesia's military (TNI) following the lifting of the U.S. embargo last November. International Military Education and Training (IMET) programs are being offered to mid-level officers of all services, and the Army's Special Forces (Kopassus) has rejoined the Pacific Area Special Operations Conference (PASOC), which met in early April in Hawaii. PASOC focuses on developing multilateral methods and procedures in combating terrorism. Human rights groups have criticized the international rehabilitation of Kopassus because none of its officers has been called to account for human rights violations in the former East Timor as well as allegations that Kopassus members helped train the notorious Laskar Jihad Islamic militia, which was involved in extensive killings in Ambon.

While official military-to-military ties were reconnecting between Indonesia and the United States, a less savory TNI-related activity surfaced. On April 9, U.S. authorities in Hawaii arrested seven individuals for attempting to purchase and illegally export to Indonesia 245 *Sidewinder* air-to-air missiles as well as a large number of sniper rifles and submachine guns. Many of those arrested were also completing licensed transactions for the export of radar equipment to the Indonesian air force. Concerns were raised in both countries about the TNI's involvement in illegal transactions. Representatives of a small company, PT Ataru Indonesia, which has supplied military equipment to TNI, went off the books for the weapons transactions, asking U.S.-based Orchard Logistics Services to keep the purchases confidential and not to seek export licenses for them. At that point, Orchard alerted Federal authorities who posed as Orchard representatives in Hawaii and arrested seven suspects, three of whom were subsequently released, including two Indonesian air force officers who were only involved with the legal radar acquisition. Two Indonesians, a Singaporean, and a Briton were ultimately charged with a variety of federal offenses including illegal arms purchases and money laundering. Curiously, these illegal transactions occurred six months after the U.S. had lifted restrictions on military sales to Indonesia. It seems that PT Ataru had two Singapore-based subsidiaries that were reportedly set up to help the TNI maneuver around the U.S. embargo. The weapons sales were probably meant for PT Ataru's inventory, though the Indonesian air force states it intends to purchase *Sidewinders* in 2007. The whole affair reflects a lack of transparency and accountability in TNI purchasing procedures.

Finally, Jemaah Islamiyah's acknowledged spiritual advisor, Abu Bakar Bashir, was released after 26 months in prison where he served time for a "sinister conspiracy" that preceded the 2002 Bali and 2003 Marriott bombings. Bashir was not tried, however, for complicity in the bombings per se. The U.S. Embassy was "deeply disappointed" in Bashir's release. Indonesian authorities insisted that one of the reasons they could not try the radical Islamist cleric on the more serious bombing charges was that the Bush administration refused to give Indonesian government investigators access to two senior al-Qaeda operatives in U.S. custody – Hambali and Omar al-Faruq. The latter told the CIA that Bashir had provided logistical and financial support for several terrorist attacks. Their depositions were not admissible in Indonesian courts, however.

Upon his release, Bashir disavowed violence in pursuing Islamist goals, though he still praised the fugitive JI bomber Noordin Top as a misguided "Islamic hero." Analysts of JI believe the organization has been significantly weakened through leadership arrests and factionalization and that the Malaysian national Noordin Top now leads a much smaller violent breakaway faction.

Spy plot muddies Philippine-U.S. relations, though ties remain strong

The Philippines is Washington's primary recipient of security assistance in Southeast Asia, having received over \$300 million since 2000. The country has also been given funds to build roads, schools, and water systems in poor communities seen as breeding grounds for communist rebels and Islamic militants. U.S. forces are regularly involved in training and exercising with their Philippine counterparts, especially in terrorist-plagued Mindanao, and U.S. law enforcement and intelligence experts work with Philippine officials on counter-terrorism. These arrangements were further strengthened in late May as the two countries agreed on a new framework for "nontraditional threats," including terrorism, piracy, drug trafficking, disease outbreaks, and natural disasters. The new framework goes beyond the Mutual Defense Treaty that is designed to defend the Philippines from external threats. President Gloria Arroyo's government insists that it is not a treaty and, therefore, does not require Senate ratification, though some senators insist that the new agreement is a modification of the original defense agreement and should be so ratified. Nor will the new framework lead to additional U.S. troops in the Philippines.

Explaining the need for the new security arrangement, Executive Secretary Eduardo Ermita said that the mutual security treaty deals mainly with external aggression and has become obsolete with respect to the new threats enumerated above. A Security Engagement Board (SEB) will serve as the mechanism to identify and deal with nontraditional security concerns and will recommend activities that can be jointly undertaken to deal with them. While both countries' armed forces may be involved, the new arrangement is designed to be an inter-agency whole government effort. The first SEB meeting was held in Hawaii on June 9-10. It appears to formalize joint efforts in counter-terrorism, natural disaster assistance, public health, and transnational crime that have been underway between Washington and Manila for some time.

One of the nontraditional threats cited by the SEB is transnational crime, of which espionage is an example. In the U.S.-Southeast Asia *Comparative Connections* articles from July-September and October-December 2005, the case of a Filipino-American spying on behalf of Philippine opposition politicians was discussed. Ermita stated that some sort of arrangement with the U.S. government is needed “on how to handle this exchange of information...” Ermita also noted that money laundering, graft, and corruption cases in the Philippines required close cooperation with the United States, because many of those under investigation had transferred assets to the U.S.

As for the espionage case, ousted Philippine President Joseph Estrada in a deposition denied that he had either solicited or received classified U.S. government documents. Leandro Aragencillo, a former U.S. marine and FBI intelligence analyst who at one time worked in the White House, pleaded guilty to espionage for illegally obtaining classified information on Philippine leaders from White House computers, passing the documents on to a co-conspirator who, in turn, allegedly sent them to Estrada and other opposition politicians in the Philippines. Although Estrada now denies receiving classified U.S. documents, he had earlier said there was nothing classified in U.S. documents he had seen.

In the Aragencillo case, U.S. prosecutors named Estrada, ex-police chief Panfilo Lacson, and former Philippine House of Representatives Speaker Arnuflor Fuentebella as “unindicted co-conspirators.” Philippine Justice Secretary Raul Gonzalez in early May stated that rebellion charges could be filed in the Philippines against Estrada and the others named by U.S. prosecutors, though no such charges had yet been filed.

Arms sales to Thailand and an expanded *Cobra Gold*

Unlike the Philippines where U.S. forces train Philippine soldiers in counter-guerrilla warfare against the Abu Sayyaf movement in Mindanao, the Thai government has not asked for U.S. military assistance with respect to its southern Muslim insurgency. Nevertheless, Bangkok is buying small arms from the U.S., including 20,000 new *M16A4* rifles to replace older versions used by its forces in the three southern provinces experiencing anti-government violence. In April, the Thai army also contracted to buy the latest special operations version of the *Blackhawk* helicopter for maritime defense and disaster relief. In appreciation for Thailand’s earlier commitment of forces to the Iraq war (since repatriated), in late May, the United States invited Thai companies to bid on \$18 billion worth of U.S. government procurement contracts for Iraq, Afghanistan, and the local market with respect to the annual *Cobra Gold* exercises.

2006 is the 25th anniversary of the U.S.-Thai *Cobra Gold* training exercise, which ran from May 15-26. *Cobra Gold* is the largest U.S. war game conducted in Asia and varies annually in its country participants and scenarios. This year’s exercise included armed forces from the U.S., Thailand, Singapore, and Indonesia. Nine other countries sent observers: Australia, China, France, Germany, Laos, Malaysia, South Korea, the United Arab Emirates, and Vietnam. *Cobra Gold 2006* emphasized peace enforcement and

peacekeeping. Indonesia's first-time participation occurred because of the exercise's emphasis on simulated UN-authorized humanitarian intervention. Jakarta sent 25 officers.

Trade relations mark improved U.S.-Vietnam ties

U.S. relations with Vietnam this quarter included trade talks with House Speaker Dennis Hastert looking toward Permanent Normal Trade Relations (PNTR) between the two countries and defense talks with Secretary Rumsfeld. Vietnam's vice chairman of the National Assembly's Foreign Affairs Committee acknowledged that his country must "keep a fine balance" in its relations with the United States and China, averring that Hanoi's interactions with both have "never been so good."

Chinese and U.S. investments in Vietnam last year were about equal at a little more than \$2 billion each. Two-way trade between the U.S. and Vietnam rose from less than \$1 billion in 2001 to nearly \$8 billion in 2005. In one of the significant new U.S. investments, Intel chose Ho Chi Minh City as the site of a \$600 million microchip plant scheduled to begin production in 2008.

With the successful conclusion of a U.S.-Vietnam trade pact, the way is open for Hanoi's accession to the World Trade Organization (WTO). The Congress must still approve PNTR status for Vietnam, for which there seems to be bipartisan support. Nevertheless, there is some concern in Congress about Vietnam's continued poor human rights record. In April, the House of Representatives passed a resolution calling on Hanoi to release from custody democracy and religious activists. Vietnam declared the resolution unacceptable interference in its internal affairs. Additionally, in early May, the U.S. Commission for International Religious Freedom recommended that Secretary of State Rice keep Vietnam on Washington's list of "countries of particular concern" where it has been since 2004. While Washington has acknowledged positive changes in Hanoi's treatment of religion, its name has not yet been removed.

To facilitate its WTO application, Vietnam has passed legislation on foreign investment, corporate law, intellectual property rights, and tourism to bring its legal system in line with global rules. Vietnam has also agreed to Washington's insistence that it be designated a "non-market economy" for 12 years, permitting the United States to impose quotas if it believes Vietnam is dumping garments or other products. This designation is probably designed to assuage U.S. textile manufacturers.

U.S. censures Burma on human rights, moves to admit refugees

After months of deliberations with respect to provisions of the Patriot Act, the Bush administration decided in early May to move toward admitting over 9,000 Burmese refugees from minority ethnic communities sheltering in northern Thailand. Because of their indirect support for armed rebels against the repressive military junta, the refugees were in technical violation of U.S. antiterrorism law that denies entry into the U.S. to anyone supporting terrorist or armed rebel groups. Secretary Rice signed a waiver for those Burmese refugees in the Thai camps, though that waiver does not apply to a smaller

number of refugees housed in Malaysia and Cambodia. Separate waivers would be required for them. Moreover, UN officials noted that admission to the United States would still be denied to Burmese refugees who had been members of armed rebel groups.

On May 18, the Bush administration renewed financial and other sanctions against Burma after the junta extended the state of emergency under which it has ruled since 1997. At the end of the month, Secretary Rice called once again “for the immediate and unconditional release of all prisoners of conscience, including Aung San Suu Kyi, Nobel Laureate and leader of Burma’s democracy movement.” The junta’s response was to extend Suu Kyi’s house arrest for another year because, according to the national police chief, she constituted a threat to the state. Diplomatic tensions between Washington and the Burmese regime intensified in June when the U.S. announced plans to introduce a resolution in the UN Security Council that would describe the situation in the country as “a threat to regional security.” While the U.S. proposal is supported by Britain, France, and several other Council members, opposing views were reportedly expressed by Japan, China, and Russia. In December 2005, the U.S. pushed the Security Council to hold a briefing on human rights problems in Burma; and in a second briefing in late May, UN envoy Ibrahim Gambari told the UNSC about his recent trip to Rangoon where the junta permitted him to meet with Aung San Suu Kyi. (This visit occurred before the junta extended her house arrest in late May for another year.)

Conclusion

Over the past quarter, the U.S. engaged in a flurry of bilateral security and economic activities with Indonesia, the Philippines, Malaysia, and Vietnam, as well as multinational security conferences and the annual *Cobra Gold* exercise. All of these attest to Washington’s sustained interest in Southeast Asian affairs. However, regional concerns persist that the Bush administration remains inordinately focused on radical Islamist terrorism, perceives Southeast Asia to be of tertiary concern with the exception of terrorism, and has not accepted the prime condition for joining the East Asia Summit by signing ASEAN’s Treaty of Amity and Cooperation (TAC). Adherence to the TAC would not inhibit U.S. military deployments in the region and would provide a U.S. voice in what could become an important regional international deliberative body. The Bush administration should reconsider.

Chronology of U.S.-Southeast Asia Relations April-June 2006

April 4, 2006: Indonesian Trade Minister Mari Pangestu arrives in Washington to discuss economic relations and announces the revival of the U.S.-Indonesian Trade and Investment Forum with Deputy Secretary of State Robert Zoellick. Pangestu encourages U.S. investors to come to Indonesia.

April 4, 2006: Indonesia’s Special Forces (Kopassus) rejoins the U.S. Pacific Area Special Operations Conference after Washington lifted its military embargo.

April 6, 2006: Sixth Proliferation Security Initiative exercise takes place in Darwin, Australia simulating the air interception of WMD. Australia, Japan, New Zealand, Singapore, and the U.S. participated in the three-day event, and 26 other countries sent observers.

April 8, 2006: Thailand contracts to buy six special operations versions of the Sikorsky *Blackhawk* helicopter for maritime defense and disaster relief.

April 14, 2006: House of Representatives Speaker Dennis Hastert visiting Hanoi affirms multidimensional cooperation between the United States and Vietnam and support for concluding negotiations for Vietnam's entry into the World Trade Organization (WTO).

April 16, 2006: The United States freezes the funds of jailed Indonesian Jemaah Islamiyah leader Abu Bakir Bashir and three other members of the militant network and is seeking to have their names added to a UN list of terrorists linked to al-Qaeda. Bashir dismisses the action because he says he has no funds in the United States.

April 16, 2006: An Indonesian arrested in Hawaii for smuggling weapons from the United States is a supplier of spare parts to the Indonesian army.

April 20, 2006: Singapore, Malaysia, and Indonesia signed a formal agreement to coordinate anti-piracy patrols along the Strait of Malacca.

April 21, 2006: Cambodian Prime Minister Hun Sen rejects U.S. request to send troops to Iraq in noncombatant roles.

April 23-30, 2006: The Fourth Indonesia-U.S. Security Dialogue takes place in Washington, D.C. U.S. technical assistance for Malacca Strait patrols is discussed.

April 24, 2006: Malaysian International Trade Minister Rafidah Aziz states that any free trade agreement negotiated with the U.S. would not permit encroachment on Malaysia's socio-economic goals. FTA negotiations are scheduled to begin in July.

April 25, 2006: The annual U.S.-sponsored Symposium on East Asia Security opens in the Philippines with most Asia-Pacific nations represented. Emphasis is on the linkages between transnational terrorism and transnational crime.

April 28, 2006: State Department's *Country Report on Terrorism* states that there is no evidence of al-Qaeda involvement in Thailand's southern Muslim terrorist activities.

May 4, 2006: Bush administration moves to resettle in the U.S. some of the Burmese refugees in Thailand, though many will remain in refugee camps because of stipulations in the Patriot Act that exclude anyone supporting terrorist or armed rebel movements.

May 4, 2006: Vietnam Foreign Ministry spokesperson says Hanoi has repeatedly asked the U.S. to remove Vietnam from a State Department list of “countries of particular concern regarding religious freedom,” stating Vietnam’s continued inclusion “fails to accurately reflect the situation of religious freedom in the country.”

May 5, 2006: Indonesian President Yudhoyono offers to mediate between the U.S. and Iran regarding the latter’s nuclear program. The offer was made during Iranian President Ahmadinejad’s Jakarta visit.

May 11, 2006: Pacific Fleet Commander Adm. Gary Roughead states the U.S. has no desire for a permanent presence in Southeast Asia or to infringe on Southeast Asian states’ sovereignty in any way.

May 14, 2006: In Washington talks, Vietnam and the United States reach an agreement on the conditions for Hanoi’s accession to the WTO, which will occur later this year.

May 15-26, 2006: The 25th annual *Cobra Gold* military exercise takes place in Thailand with the U.S., Thailand, Singapore, Indonesia, and Japan as participants.

May 16, 2006: U.S. Ambassador to Thailand Ralph Boyce warns that Thailand’s political stalemate need to be resolved soon, or foreign investment could be negatively affected. The Thai Supreme Court invalidated the April election, and a new vote has yet to be scheduled.

May 18, 2006: President Bush renews sanctions against Burma for failing to take steps toward the restoration of democracy.

May 18, 2006: Japan, China, India, and the U.S. pledge capability development assistance to the littoral states for maritime security enhancements in the Malacca Strait at ASEAN Regional Forum (ARF) Security Policy Conference.

May 18, 2006: Bush administration renews financial and other sanctions against Myanmar after the junta extended the state of emergency under which it has ruled since 1997.

May 19, 2006: Secretary of State Condoleezza Rice asks visiting Indonesian foreign affairs minister to convey thanks to President Yudhoyono for urging Iran to be a responsible member of the international community by insuring that its nuclear energy program is entirely peaceful and that Tehran would abide by its international obligations.

May 20, 2006: UN special envoy Ibrahim Gambari is allowed to meet Aung San Suu Kyi, raising hopes that she would soon be released from house arrest.

May 22, 2006: Adm. Roughead announces that a series of joint exercises are lined up in the Philippines that will include antiterrorism.

May 22, 2006: The U.S. naval hospital ship *Mercy* docks in Manila to begin a four-week medical mission primarily in the southern Philippines. The *Mercy* is beginning a five-month deployment to the Asia-Pacific.

May 23, 2006: State Department calls on Burma to release detained democracy leader Aung San Suu Kyi when her house arrest expires this week. State also calls for reengagement by the ruling junta with all political actors.

May 24, 2006: U.S. and Malaysia inaugurate senior officials dialogue on economic and security issues. Assistant Secretary of State Chris Hill attends the meeting in Putrajaya.

May 27, 2006: Aung San Suu Kyi's house arrest extended another year by Myanmar ruling junta.

May 28, 2006: President Bush offers \$500,000 in emergency aid to Indonesia in the wake of the devastating earthquake that struck Yogyakarta. The amount rose to \$5 million May 30 along with a promise of 100 medical personnel.

May 30, 2006: U.S. government gives a \$500,000 reward to two Filipinos who helped capture an al-Qaeda-linked suspect implicated in a deadly ferry bombing. The reward came from the State Department's "Rewards for Justice" program.

May 30, 2006: The U.S. and Singapore navies launch the 12th annual *Cooperation Afloat and Readiness and Training (CARAT)* exercise with 11 ships, a submarine, and two aircraft. This year's exercise focuses on maritime conventional warfare.

May 31, 2006: The U.S. and Vietnam sign a bilateral market access agreement required for Vietnam's bid to join the WTO.

May 31, 2006: U.S. marine medical personnel from Okinawa establish a field hospital in the Indonesian town of Bantul devastated by the Yogyakarta earthquake.

June 3, 2006: At the Shangri-La Defense Ministers Conference, Secretary of Defense Rumsfeld declares Iran to be "one of the leading terrorist nations in the world." That coincides with State Department efforts to create a multilateral set of incentives with European partners to entice Tehran to give up its uranium enrichment program.

June 5, 2006: Visiting Vietnam, Secretary Rumsfeld agrees to broaden defense cooperation, though no mention is made of U.S. navy port calls at Cam Ranh Bay.

June 5, 2006: U.S. Pacific Commander Adm. William Fallon visits U.S. forces engaged in civic action programs in Mindanao. A few days earlier the U.S. hospital ship *Mercy* provided free medical services to local villagers in the area.

June 5, 2006: State Department's annual *Report on Human Trafficking* rates Myanmar and Laos at its lowest level with respect to human trafficking. Cambodia, Indonesia, and Malaysia are also placed on a watch list of states that showed a significant number of victims; and the Philippines is removed from the list for improved law enforcement.

June 6, 2006: In Jakarta, Secretary Rumsfeld and Indonesian counterpart Juwono Sudarsono have a testy exchange on what the Indonesian official saw as overbearing U.S. antiterrorist pressures on many countries. Secretary Rumsfeld rejected the allegation.

June 6, 2006: The U.S. ambassador to Vietnam announces a \$34 million grant to assist the country's efforts to combat HIV/AIDS.

June 9-10, 2006: The first U.S.-Philippine Security Engagement Board is held in Hawaii.

June 12-16, 2006: Vietnamese parliamentarians visit the U.S. to lobby Congress in support of Permanent Normal Trade Relations.

June 13, 2006: Jemaah Islamiyah spiritual leader Abu Bakar Bashir is released from a Jakarta jail after serving 26 months for criminal conspiracy relating to the 2002 Bali and 2003 Marriott bombings.

June 16, 2006: ASEAN Secretary General Ong Keng Yong says the emerging East Asian community will not exclude the U.S. even as China seeks a larger role in Southeast Asia.

June 18, 2006: The U.S. hospital ship *Mercy* ends its Philippine stay and continues its five-month deployment to bring medical and humanitarian assistance to Southeast Asia.

June 19, 2006: U.S. UN Ambassador John Bolton questions the need for UN peacekeeping forces in Timor-Leste as recommended by Secretary General Kofi Annan. Bolton claimed the fight in Timor-Leste was "among politicians with rival security forces" and did not require a UN role. Australia currently leads a multinational intervention with support from Malaysia and New Zealand among others. Subsequently, the U.S. voted to extend the UN peacekeeping presence.



**China-Southeast Asia Relations:
Military Diplomacy and China's Soft Power**

**Robert Sutter, Georgetown University
Chin-Hao Huang, CSIS**

The major developments in this quarter included China's military activism and greater emphasis on "soft power" diplomacy. Assessment of the high-level China-Southeast Asian interchange shows that while China's influence is rising, Beijing continues to face several constraints and limitations in allaying Southeast Asian governments' concern about its long-term intentions.

On April 13-15, Chinese Defense Minister Gen. Cao Gangchun visited Malaysia, Singapore, and Vietnam to enhance military cooperation between China and Southeast Asia. With more than 70 percent of Chinese imported oil coming through the Malacca Strait, China's national security interests and stakes in Southeast Asia are rising. According to the People's Liberation Army's (PLA) *White Paper on National Defense* in 2004, the defense of sovereignty, territorial integrity, and "maritime rights and interests" were all classified as "national security goals." China may be regarded as a rising continental power, but its vast coastline makes it an important maritime nation as well.

Cao's visit reflected a low-key approach that endeavored to minimize regional concerns about rising Chinese military and other power, and to seek greater common ground with neighboring countries. Outwardly, Cao's trip to Southeast Asia amounted to little more than observations of the various military camps and establishments in Singapore, Malaysia, and Vietnam. Cao's dialogues with his counterparts were said to include clarifying growing U.S. military involvement in Southeast Asia. There were no formal joint statements issued at the conclusion of the Southeast Asian leg of his trip.

This Chinese military activism comes at a time of greater U.S. military involvement in Southeast Asia and is seen by some observers as a sign of a continuing Chinese interest in regional strategic adjustments and realignments, especially with countries that provide military access to the United States. Singapore's close military relationship with the U.S., for example, gives U.S. warships a convenient entrance to the region. Meanwhile, Singapore's training fields in Taiwan (not to mention Lee Hsien Loong's visit to the island in 2004 before he was prime minister) are also a cause of concern for Beijing.

As for the Malacca Strait, the longstanding problem of piracy on the high seas is a looming concern for China. The disruption of China's energy supplies would be a great detriment to its burgeoning economy, and Cao's visit highlighted China's willingness to step up its effort to cooperate with Singapore and Malaysia in patrolling the Malacca Strait. In Vietnam, Cao's visit was said to include consideration of Cam Rahn Bay. The port facilities at Cam Rahn include two well-paved runways, a deep-water port, and a large storage site for petroleum. Due to its close proximity to Hainan Island, Cam Rahn Bay is strategically located to monitor and intercept communications in the southeastern coast of China. China complained for years over the Soviet Union's use of the base against China's interests, and presumably would oppose any U.S.-Vietnam military cooperation that would involve U.S. use of the base.

According to a report issued at the Aspen Institute Congressional Conference on U.S.-China Relations in April, China's military modernization – especially the PLA Navy's capabilities to secure “blue water” naval surface fleet – is a trend that will continue unabated and a reality with which countries in the region and the U.S. will have to come to terms. China continues to reassure its neighbors that its rising military and other power will not endanger their interests as Chinese officials remain well aware of the concern among many Southeast Asian governments regarding China's long-term intentions.

Shangri-La Dialogue

Despite Cao's visit and other military contacts with Southeast Asia, China once again chose to participate at a minimal level by sending a nonministerial delegation to the annual Shangri-La Dialogue in Singapore in June. As a result, China missed an opportunity for close consultations on maritime security with countries with major trade routes passing through Southeast Asia and littoral states in the region. The military chiefs at the conference introduced and institutionalized several mechanisms to combat terrorism and piracy on the high seas through the strengthening of multilateral coastguard patrols, enhancing naval surveillance systems and sharing data, and revamping the littoral states' navies. The conference also included a Malaysian proposal for a regional disaster-relief center to coordinate military and civilian aid in emergencies. The U.S. proposed closer military cooperation between countries in the Asia-Pacific region two years ago. Efforts by involved Southeast Asian states to strengthen naval cooperation are welcomed by the U.S. and defense ministers from other parts of the world as they pledge to provide greater technical and monetary assistance to Southeast Asian navies and militaries. China's conspicuous absence at the conference implied that it may not feel comfortable with military cooperation that so prominently involves the U.S.

Aid, diplomacy, and soft power

In early April, Premier Wen Jiabao conducted a four nation Asia-Pacific diplomatic tour that dealt with issues of concern to China-Southeast Asian relations and included a two day visit to Cambodia (April 7-8). The tour also involved a visit to Australia marked by accords on Australian uranium exports to China; a visit to Fiji, where Wen attended the China-Pacific Island Countries Economic Development and Cooperation Forum, and

advanced a range of policies promoting development of island countries; and a stop in New Zealand marked by legal, cultural, and educational accords. China concluded 60 bilateral accords during the trip. Wen sought in particular to establish a schedule for completion of the negotiations on China's proposed free trade agreements with Australia and New Zealand, which complement China's accord with Southeast Asian countries, the China-ASEAN Free Trade Agreement.

Earlier media reports disclosed that Wen also planned to visit Thailand on this tour but that visit was postponed because of the political demonstrations that ultimately resulted in the April 4 resignation of Prime Minister Thaksin Shinawatra. Thaksin developed close relations with China since assuming power in 2001. Official Chinese media avoided taking sides in reporting Thaksin's resignation, his assessment of his years as prime minister, and the charges made by opposition forces.

In Cambodia, Premier Wen and Cambodian Prime Minister Hun Sen witnessed the signing of 10 agreements including those dealing with a low-interest Chinese loan, grant aid, and the donation of 30 firetrucks by the Chinese government. Wen also attended a groundbreaking ceremony for a Chinese-funded office complex for Hun Sen and his deputies. The Cambodian leader predicted that "Cambodia will benefit greatly from this visit," and added that China is Cambodia's "most trustworthy friend." The Chinese government in the last decade provided grant aid, agreed to write off past debts, and granted tariff-free status for some 400 Cambodian items. Investments by Chinese companies were said by unofficial media reports to be worth \$240 million in 2005, and were mainly in the garment industry, Cambodia's main foreign exchange earner.

The lengthy joint communiqué marking the end of the visit recounted Cambodia's appreciation of Chinese support and assistance, and China's appreciation of Cambodia's support for closer Chinese relations with ASEAN and Cambodia's opposition to Taiwan. There was no mention of their common interest in deflecting international criticism of their respective human rights practices, nor did the communiqué refer to their positions on long delayed international efforts seeking to bring to justice surviving members of the notorious Khmer Rouge regime that was closely aligned with China as it carried out policies resulting in mass deaths in Cambodia in the 1970s.

The devastating earthquake in Java, Indonesia in May saw a coordinated effort in the international community to provide humanitarian aid to the survivors and the Indonesian government. As international assistance efforts gathered pace, the Chinese government was quick to respond with a highly publicized contribution of \$2 million in cash aid. It also pledged to send a 44-person team of medical and earthquake experts to Java.

The Chinese effort to highlight its contribution and seize media attention seemed reminiscent of the Chinese response to the tsunami that hit Indonesia, southern Thailand, and other parts of southern Asia in December 2004. Although Beijing at that time was relatively quick to react, its efforts were only a relatively small part of the international humanitarian and military assistance to the areas struck by the natural disaster. This time around, Japan led the efforts, with a pledge of \$10 million. It sent in two medical teams.

The U.S., in addition to \$2.5 million worth of aid, also sent doctors and nurses from a military base in Okinawa. According to USAID, U.S. military personnel were also deployed to Yogyakarta, Indonesia, the city worst hit by the earthquake. On June 1, the U.S. Marine Corps Fleet 3rd Surgical Company set up a field hospital in Bantul District.

Beijing continues to make important strides in improving China's soft power and diplomatic image in Southeast Asia. Recent assessments in an article in the journal *Survival* and a policy brief released by the Carnegie Endowment for International Peace noted the success of Chinese economic development as a driver for countries in Southeast Asia and elsewhere, encouraging them to adopt similar reforms through market-style incentives in an authoritarian political system with aspects of a planned economy. Cambodia, Laos, and Vietnam were cited among admirers of the development policies and practices of their neighbor to the north. According to the assessments, these countries have adopted the Chinese model of market-based authoritarianism. Beijing's ability to present an alternative political and economic model is said to be a telling indicator of a growing Chinese ideological influence that is countering Western perspectives that insist democratic principles are a requisite for economic prosperity.

Recent polls conducted by *BBC World Service*, a Sydney-based Lowy poll, and the Pew Survey all point to a positive image of Chinese influence. China's charm is primarily focused on trade and a diplomatic agenda that looks at win-win collaboration. In an effort to allay regional fears of China's economic, political, and military clout, Chinese leaders use the guidelines of "do good to our neighbors, treat our neighbors as partners" (*yulin weishan, yilin weiban*) and "maintain friendly relations with our neighbors, make them feel secure, and help to make them rich" (*mulin, anlin, fulin*).

China, the SCO Summit, and ASEAN participation

Chinese commentary and official statements continue to show common ground in Chinese policies and practices with the two major Asian regional bodies China works closely with, the Shanghai Cooperation Organization (SCO) and ASEAN. The annual summit and fifth anniversary of the Shanghai Cooperation Organization (SCO) was held in June in Shanghai, where it was first founded. With much pomp and circumstance, the summit marked the highlight of China's diplomacy during the quarter. Chinese President Hu Jintao rolled out the red carpet, welcoming heads of state from the member countries. Throughout the two-day summit, they were joined by leaders from neighboring countries sitting in as observers, notably Iran, and by senior representatives from ASEAN as well as from the Commonwealth of Independent States. The Chinese hosts ensured seats for each and every regional actor at the working table.

Since its inception five years ago, the SCO has made steady progress in carrying out its mandate for closer regional cooperation on economic and political issues. As a co-founder, China worked to create an organization where broad cooperation among all countries and regional organizations can be sought. It originally started with functional issues including the demilitarization of the Chinese borders with Russia and involved

Central Asian states, tackling drug trafficking, and boosting regional trade. It grew in prominence for efforts against other transnational issues, notably terrorism.

For China and the Southeast Asian delegates, there was good reason to invite ASEAN representatives to the 2006 Shanghai meeting. Last year, Philippine President Gloria Arroyo, among others, proposed that Southeast Asia should also look into collaborating with other regional organizations in Asia to combat terrorism, a transnational threat that observes no borders. In response to ASEAN's request, and with the convenience of playing host to this year's summit, China had the ASEAN secretariat as its guest of honor to further discuss joint efforts between the SCO and ASEAN to counter terrorism.

Assessing China's rise

The U.S. and other international media covered Chinese leaders' visits along the lines of past coverage that emphasized how rapidly China has risen in influence in Southeast Asia and the broader Asia-Pacific region, and how this has undercut U.S. influence in the area, even with close U.S. allies like Australia. Even though Chinese leaders have been at pains to emphasize China's intention to rise "peacefully" and to avoid significant competition with the United States, China's economic growth, burgeoning trade, and adroit diplomacy were depicted by the media as more than a match for U.S. policy and behavior, as the U.S. leadership was seen as distracted and hampered, its focus on the war in Iraq and the broader war on terrorism.

More in-depth assessments by prominent international observers and analytical publications provided greater balance in examining strengths and limitations of China's rise in Southeast Asia, and their implications for U.S. leadership in the region, however.

The American Enterprise Institute and National Defense University published in 2006 the findings of the final conference in a year-long series of seminars and meetings dealing with China in Asia and focusing on China's rise in Southeast Asia and its meaning for the United States. The findings showed that China's economic and military power is increasing, that many Asian countries (especially in Southeast Asia) are accommodating China's increasing influence, and that the U.S. lacks a clear Asia strategy that would be useful in supporting U.S. objectives in the region.

At the same time, the findings showed that while attentive Chinese diplomacy has alleviated regional fears, China's long-term ambitions remain a concern for many countries. A prominent Philippine expert at the meeting was reported to emphasize that his government reacts to China's rise by "hedging," and Manila's alliance relationship with the U.S. is used to balance Chinese influence. A specialist from Thailand explained the balance in Bangkok's relations with China and the U.S. He showed that the level of Thailand's trade with each country is about the same; Thailand runs a trade deficit with China that offends some Thai farmers in particular; and China's policies on Myanmar and Chinese immigration are significant irritants in Thai-Chinese relations.

Also this quarter, the academic journal *Asian Security* (2.1:24-57) published what may be the most comprehensive and up-to-date assessment in the fast-growing list of analyses dealing with China's rising influence in Southeast Asia and what it means for U.S. influence. On the one hand, it highlighted evidence that Chinese policies and behavior have reduced the worries of Southeast Asian governments over Chinese intentions. Southeast Asian government leaders more often refer to China as an opportunity than a challenge, and they express frequent appreciation for Chinese actions seen to benefit Southeast Asia. Chinese trade levels with Southeast Asia have grown rapidly and seem likely to continue to grow strongly, adding to China's importance to the region. On the other hand, the article cautioned that it is easy to exaggerate China's influence while underestimating the continued power and influence of other regional actors, notably the United States. There remain long-term concerns in Southeast Asia over whether a more powerful China may decide to try to more assertively increase its influence or even try to dominate the region. According to the article, a prevailing Southeast Asian view is that it is too early to declare that China has proved itself to be a good neighbor, though it has become a better neighbor whose recent contributions to regional peace and prosperity make Southeast Asian representatives more hopeful for the future. Meanwhile, Southeast Asian governments see a variety of significant obstacles to continued improvement in China-Southeast Asian relations, and welcome the continued prominence in the region of the U.S., Japan, and other powers seen as providing balance to China's rise.

The article noted that even in the area of trade, where China's growing role has been most pronounced, few Southeast Asian countries conduct more than 10 percent of their trade with China. The level of Chinese-Southeast Asian trade, after many years of rapid growth, only now is approaching and/or surpassing the level of Southeast Asian trade with Japan and with the U.S. Meanwhile, growing Southeast Asian trade with China depends heavily on U.S. and European consumers purchasing products from China with components and materials from Southeast Asia. China remains a small investor in Southeast Asia, especially in comparison to the U.S., and a small aid donor to Southeast Asia, especially when compared to Japan.

Chinese military ties with Southeast Asia are very small in comparison with the robust and recently enhanced wide range of U.S. military exercises, exchanges, training, and other activities with a broad range of Southeast Asian counterparts. The asymmetry in Chinese and U.S. influence in this area was graphically illustrated in their respective responses to the tsunami disaster in South and Southeast Asia in December 2004.

Apparently taking a cue from Chinese leaders' visits and attentive diplomacy, Japanese and U.S. leaders have joined with Indian, Russian, and European representatives in showing greater interest in and more frequent visits with counterparts from Southeast Asia. All of these powers, along with Australia and New Zealand and with the exception of the U.S., welcomed the opportunity to participate with Southeast Asian leaders in the East Asian Summit of December 2005, even though doing so was at odds with China's initial efforts to restrict the summit to members of ASEAN Plus Three.

The *Asian Security* analysis found few direct negative implications for U.S. interests flowing from China's growing relations with Southeast Asia. The main exception was China's support for Myanmar and for authoritarian governments in Laos, Cambodia, and Vietnam, which is at odds with U.S. efforts to promote democracy abroad. It saw little grounds for the fear of a China-dominated economic regionalism in Southeast Asia; the trading and investment environment is too competitive and China's position too small and dependent on the United States and others to allow it. U.S. alliances and military relations with Southeast Asia seemed secure as Southeast Asian governments generally welcomed the greater U.S. military activism in the region, and China adopted a moderate stance on U.S. military activities in the interest of convincing U.S. leaders of China's commitment to rise "peacefully." China-ASEAN improvements also have reduced the danger of regional conflict and helped U.S. interests in secure sea lanes and regional stability. According to the article, Southeast Asia's growing interest in China ties should not be interpreted as welcoming China's dominance; most ASEAN states welcome closer ties with the U.S., Japan, India, and others as a means to keep the region stable and independent of any one power's dominance.

Meanwhile, the assessment saw several serious obstacles to China forward momentum in relations with Southeast Asia. Economically, Chinese competitiveness in world trade threatens to leave even some advanced Southeast Asian economies behind, or to relegate them to the position of suppliers of raw materials to the fast-growing Chinese economy. This asymmetrical relationship could lead to serious resentment and backlash from nationalistic Southeast Asian governments. China's growing military power and growing energy needs could prompt disputes with Southeast Asian neighbors over disputed territory similar to the disputes raging between China and Japan today. Assertive Chinese actions against Taiwan, even if provoked by pro-independence leaders on the island, would endanger Asian stability and probably lead Southeast Asian leaders to seek closer ties with one another and other powers, notably the U.S. Meanwhile, Chinese leaders clearly resent Japan's efforts to compete for influence in Southeast Asia, and they may not adjust gracefully to intensified involvement in the region, encouraged by the ASEAN members, of India, Australia, Russia, and the U.S.

Looking ahead

China's foreign policy will continue to assure Southeast Asian governments, reflecting a commitment to "peaceful development." China-Southeast Asian interchange will focus on the positive including closer economic partnerships and providing assistance on infrastructure development such as the Asian Highway network. Increased cooperation with ASEAN in combating avian flu and other emergent communicable diseases, drug trafficking in the region, and disaster management can be expected. To be sure, there will also be challenges. North Korea's missile tests and nuclear standoff will put peace and stability in the Asia-Pacific region into question. China's response will be critical as it retains close communication and considerable influence over North Korea and will draw much attention at the upcoming ASEAN Regional Forum next quarter.

Chronology of China-Southeast Asia Relations April–June 2006*

April 3, 2006: China and Laos agree on direct postal service and transferring mail from a third country to each other in a memorandum of understanding.

April 7, 2006: Chinese Defense Minister Cao Gangchuan visits Vietnam and meets Defense Minister Pham Van Tra. They stress that the two countries should strengthen bilateral relations, including military ties.

April 7-8, 2006: Chinese Premier Wen Jiabao pays official visit to Cambodia. Both sides sign nearly a dozen economic and technical cooperation agreements and documents and pledge to develop a comprehensive partnership. China pledges about \$600 million in grants and loans to Cambodia.

April 12, 2006: Singapore's Senior Minister Goh Chok Tong tells *Xinhua* on the eve of his official visit to China that Singapore welcomes China's growth and sees it as a great opportunity for ASEAN, Asia and the whole world.

April 12, 2006: First China-ASEAN Expo Summit for International Cooperation kicks off in Nanning. 300 representatives from six overseas associations and 23 domestic organizations attend.

April 13-15, 2006: DM Cao visits Singapore and meets Singaporean counterpart Teo Chee Hean. Both sides stress that there is a great potential for the two armed forces to enhance relations. Singapore's Minister Mentor Lee Kuan Yew says in a meeting with Cao that he expects enhancement of bilateral ties.

April 13-15, 2006: Chinese and Vietnamese vice foreign ministers lead government delegations on border negotiations regarding the survey of Sino-Vietnamese land borders.

April 13-23, 2006: Cao Bochun, secretary of the Communist Party of China's Guangxi Zhuang Autonomous Regional Committee, leads a delegation to visit Vietnam, Malaysia, Laos, and Cambodia. Vietnamese President Tran Duc Luong remarks when meeting Cao that Vietnam wants to accelerate the construction of two economic corridors between Vietnam and China and the Beibu Gulf economic belt.

April 18, 2006: ASEAN-China Information and Communications Technology (ICT) Business Forum opens in Kuala Lumpur as part of the second ASEAN-China ICT Business Week.

April 18, 2006: Indonesian Vice President Jusuf Kalla leaves for China to seek China's support in Indonesia's subway development.

* Assisted by Claire Bai, 2005 Vasey Fellow, Pacific Forum CSIS.

April 18, 2006: Franklin Drilon, Philippine Senate president, visits China and meets Wu Bangguo, chairman of the Standing Committee of China's National People's Congress and Jia Qinglin, chairman of the National Committee of the Chinese People's Political Consultative Conference. They remark that ties between the two countries are at a "golden period" and pledge to enhance bilateral strategic cooperation.

April 23, 2006: Chinese Minister of Information Industry Wang Xudong visits Myanmar and meets Prime Minister General Soe Win and Brig. Gen. Thein Zaw, minister of Communications, Posts and Telegraphs, to enhance cooperation for the proposed information technology network of the Greater Mekong Sub-region.

April 27, 2006: Chinese officials say that China's major nongovernmental organizations will hold a large-scale "China-ASEAN Friendship Tour" to ASEAN countries in October in a bid to promote understanding between peoples of China and ASEAN countries.

April 27, 2006: Chinese and Vietnamese navies start a joint patrol in the Beibu Gulf in the South China Sea. This is an action to implement the agreement signed by DM Cao and his Vietnamese counterpart Pham Van Tra, in October 2005. It is the first time for the Chinese navy to patrol jointly with a foreign counterpart.

May 2-4, 2006: The 6th China-Myanmar friendship festival kicks off beside the Shweli River on Myanmar's border with Yunnan province. The festival aims to promote cultural, economic and social relations between the two countries.

May 9, 2006: DM Cao meets with Philippine Chief of Staff of the Armed Forces, Generoso Senga, during his visit to China. They discuss Philippine-China defense ties and areas for greater cooperation. No indication is provided as to whether the previous week's piracy on a Chinese fishing ship by Philippine-based pirates is addressed.

May 9, 2006: Jakarta-based CSIS and the Chinese Embassy co-host a seminar series encouraging open and constructive discussions on Sino-Indonesian relations.

May 11, 2006: Foreign Affairs Office of Sichuan provincial government says the PRC MFA and the Singaporean Embassy in China agreed on opening a Singaporean consulate in Chengdu this year, making it the sixth foreign consular body in the southwestern city.

May 11, 2006: Following a meeting between DM Juwono Sudarsono and a Chinese military delegation, the Indonesian Defense Ministry says it wants to develop closer military ties with China, building upon a strategic partnership established last year.

May 11, 2006: Meng Hongwei, deputy minister of Public Security of China, and Nguyen Khanh Toan, deputy minister of Public Security of Vietnam, sign a memorandum of understanding in Beijing to fight border crimes, such as terrorism, human trafficking, illegal border crossings, drug trafficking and money counterfeiting, and cult organization and instigation.

May 12, 2006: Chinese Vice President Zeng Qinghong meets Singapore MM Lee Kuan Yew who is in Beijing on an eight-day visit at the invitation of the Chinese government.

May 17, 2006: Nongovernmental organizations of China and ASEAN sign declaration vowing to step up people-to-people cooperation.

May 20, 2006: Vietnam, China, and the Philippines agree to strengthen security cooperation in the Spratly Islands after an apparent pirate attack left four Chinese dead.

May 28, 2006: China and Myanmar reach agreement on illegal drug control cooperation.

May 29, 2006: Chinese and Malaysian military leaders agree to intensify cooperation to safeguard regional stability.

May 29, 2006: The 12th China-ASEAN Senior Officials' Consultation opens in Siem Reap, Cambodia, with an aim to deepen cooperation.

May 29, 2006: Chinese government offers \$2 million in aid to Indonesia to help victims of the Yogyakarta earthquake.

June 1-3, 2006: Timor-Leste President Xanana Gusmao makes a state visit to China, and meets Chinese President Hu Jintao. They discuss collaboration on agriculture and fisheries. Beijing pledges to build the Timor-Leste Presidential Office and Ministry of Foreign Affairs, and to provide sports equipment.

June 2-4, 2006: Regional defense ministers and military chiefs meet in Singapore for the Fifth Annual Conference of the Shangri-La Dialogue to increase cooperation on maritime security and to forge stronger security links on the high seas in Southeast Asia. China is represented at a non-ministerial level delegation.

June 4-9, 2006: Vice President of the Philippines Noli de Castro visits China.

June 15-16, 2006: ASEAN's deputy secretary general attends fifth summit of the Shanghai Cooperation Organization (SCO). Both organizations pledge to fight transnational threats including terrorism, money laundering, and diseases.

June 17, 2006: Pres. Hu calls for greater unity between Asian countries at the Second Summit of the Conference on Interaction and Confidence Building Measures in Asia (CICA) hosted by Kazakhstan.

June 22, 2006: Chinese Health Minister Wang Longde attends the first China-ASEAN Health Summit in Yangon, Myanmar. The agenda includes closer cooperation on health-related issues, including a China-ASEAN Public Health Fund.

June 27-29, 2006: Australian Prime Minister John Howard meets PM Wen in Shenzhen to deepen cooperation between the two countries in the energy sector.



**China-Taiwan Relations:
Despite Scandals, Some Small Steps**

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

The political gridlock in Taiwan caused by the scandals swirling around President Chen Shui-bian's family has overshadowed cross-Strait relations in recent weeks. Nevertheless, some small pragmatic steps have been taken by both sides. In April, despite Chen's more restrictive policy on economic ties, Taipei finally approved investments in LCD production and computer-chip packaging and testing ventures. In May, a weakened Chen publicly reaffirmed his "four noes," a step that was welcomed by Washington and to a lesser extent Beijing. In June, Taipei and Beijing announced that agreement had been reached on holiday, humanitarian, and limited cargo charter flights across the Strait, beginning later this year. In Geneva, the World Trade Organization (WTO) held its first review of Taiwan's trade policies. PRC representatives participated, and the review was completed without the usual diplomatic histrionics. Relative calm and such small steps are the most that can be expected for cross-Strait relations in the coming months.

Scandals and political gridlock in Taipei

Following the scandal that forced the resignation last fall of Chen Che-nan, one of President Chen's closest advisors, new scandals have swirled around the first family. In April, first lady Wu Shu-chen was accused of involvement in the Sogo Department Store scandal. In May, President Chen's son-in-law, Chao Chien-ming, was accused of insider trading of Taiwan Development Corporation stock and subsequently detained. In the bitter world of Taiwan politics, opposition party legislators smelled blood and called a special session of the legislature to launch a recall motion against Chen, which predictably failed. Chen's opinion poll ratings have fallen to single-digit levels, and the president has apologized publicly for his son-in-law's actions. These scandals have further weakened Chen Shui-bian, led to political gridlock in Taipei, and created uncertainty about the president's ability to complete his term of office.

The Beijing official media have gleefully reported Chen's tribulations, but otherwise Beijing has not sought to capitalize on his hardships – quite the contrary. In the midst of the recall move, Taiwan opposition politicians were reportedly urging Beijing to stay out of the fray, arguing that attacks by Beijing would only help Chen.

Modest steps on cross-Strait charter flights

This political environment was not one in which progress on cross-Strait issues was expected. Nevertheless, in June, Taipei and Beijing announced agreement on several modest steps to expand on the successful New Year's charter flights. Quiet talks between airline associations of the two sides had been occurring under government guidance for some months, and by May the content of possible agreements had taken shape. What was surprising was the timing of the announcement, which occurred June 14, the day after the start of the special Legislative Yuan (LY) session called to consider the opposition's recall motion against Chen.

The two sides agreed to permit direct two-way cross-Strait passenger charter flights around five major Chinese holidays, beginning later in 2006. In addition, agreement was reached to permit charter flights for medical emergencies and for humanitarian purposes, such as bone marrow transfers. Finally, the two sides agreed to permit cargo charter flights for Taiwan companies to ship equipment and parts to Taiwan invested enterprises (TIEs) in China. These were small but significant steps, and they were publicly welcomed by Washington.

These agreements were announced not only in the midst of the recall motion against Chen but shortly after a bitter debate in the LY in which the opposition was threatening to pass legislation that would legally force the Chen administration to permit unrestricted cross-Strait flights. When the LY session ended in May, the opposition had still not forced this legislation through. Consequently, the charter agreement not only gave Chen some positive news at a difficult moment but also took the pressure off his administration on the charter flights issue domestically. The very limited agreement allowed the Chen administration to split the difference between those in the Democratic Progressive Party (DPP) who support and those who oppose easing travel restrictions. And the agreement won Chen some praise abroad.

What was Beijing's calculation? The principal point made by the Taiwan Affairs Office (TAO) in confirming the agreement was that these steps would benefit the people of Taiwan. That is, the agreements are part of President Hu Jintao's policy since at least the March 2005 National People's Congress to reach out to the people of Taiwan. In the TAO spokesman's words, "Hu Jintao has emphasized repeatedly since last year that we should comprehensively pay attention to and support the legitimate interests of our Taiwan compatriots." Second, Beijing as expected emphasized that the agreement had been reached by private associations on the two sides, not the governments. Beijing also knew that whatever it did on flights, the recall motion was doomed to fail because the opposition did not have the votes to pass it. The limits of what was agreed allowed the opposition to continue attacking the Chen administration for partial measures that did not meet the needs of Taiwan business or open the doors to PRC tourism to Taiwan. And, Beijing criticized Taipei's unwillingness to take more comprehensive measures to expand cross-Strait transportation.

Transit controversy and Chen's four noes

The shadow of the National Unification Council (NUC) controversy continued to hang over cross-Strait relations this quarter. As the U.S. had been unsuccessful in its efforts to get a clear reaffirmation of the other "four noes" from President Chen during that controversy, Washington remained deeply concerned about what steps Chen might take to threaten cross-Strait peace during the remainder of his term. Consequently, when Taipei asked in April for permission for President Chen to transit the U.S., Washington decided to send a clear message by only authorizing brief refueling stops in Alaska or Hawaii rather than the transit visits to New York and Los Angeles that had been requested. Chen found this demeaning and made last-minute decisions to travel via other countries. The DPP ascribed Washington's harsh transit conditions to PRC pressure to deny Taiwan its international space. But many in the media and opposition in Taiwan correctly saw the U.S. decision as a sign of the damage caused by Chen's policies and harshly attacked Chen for undermining U.S.-Taiwan relations.

A few weeks later a much-weakened president apparently decided to make up with Washington. When AIT Chairman Raymond Burghardt visited Taipei in early June, President Chen publicly reaffirmed the "four noes," reiterated his commitment to ensure that the constitutional reform process would not touch upon sensitive name, flag, and territorial issues that would affect the cross-Strait status quo, and said that these commitments would not change during the remainder of his term. The State Department immediately welcomed Chen's statement and commented that the U.S. attaches "profound importance to these pledges, which are a cornerstone of cross-Strait peace." Beijing was somewhat encouraged by Chen's statements, particularly those related to constitutional reform which Chinese analysts see as the potentially most dangerous issue. Yet the ambivalence of Beijing's reaction was shaped by its underlying suspicion of Chen and concern that Washington's pressure on him might soften.

Other pragmatic steps

On April 27, Taipei unexpectedly announced approval for investments in China in the fields of small LCD screen production and computer-chip packaging and testing. These steps were amongst a longer list of investment liberalizations that Taiwan investors in China had been seeking for almost two years. These measures had been postponed repeatedly and seemed doomed after Chen announced on Jan. 1 his new policy to more "actively manage" cross-Strait investments. It is not entirely clear what led to this unexpected announcement. Hard-to-discern differences over investment policy within the Chen administration and DPP probably played a role. Specific pressure from Taiwan investors for approvals of pending investments may also have triggered the decision. For example, on May 18, Taipei's Investment Commission approved Toppoly Optoelectronics Corporation's plan to purchase Royal Philips Electronics small LCD screen manufacturing facilities in China. In explaining this decision implementing the April 27 announcement, Mainland Affairs Council (MAC) officials said that Toppoly had agreed to take specific steps to increase its investments and employment in Taiwan and that the government's insistence on these conditions reflected President Chen's "active

management” policy. Regardless of what prompted them, these decisions reflected a welcome pragmatic step to ease burdensome restrictions on cross-Strait investment.

In June, Taipei and Beijing announced the launch of new ferry service between the offshore island Jinmen and the Fujian provincial city Quanzhou. This very minor step deserves note because it represents the pragmatism that has characterized contacts between the offshore islands and Fujian province. The opening of the “mini three links” between the offshore islands and Fujian was on the initiative of the Chen administration in January 2001. Since then, this travel has expanded rapidly with about half a million transits taking place in 2005. These contacts flourish in an environment that is largely shielded from the vicissitudes of other cross-Strait developments. The islands are not a central concern of the DPP administration and others promoting Taiwan identity. For Beijing, these contacts can be seen differently because there is no issue of separatism with respect to these small islands, which both sides consider geographically part of Fujian and because the two offshore counties are in the hands of Kuomintang and People’s First Party local administrations. Consequently, Beijing allows discreet direct contacts between officials from Fujian and the islands without requiring public pronouncements of support for its “one China” principle. Pragmatism benefits both sides.

In April, the KMT and CCP co-sponsored a conference in Beijing on cross-Strait economic issues. Beijing used the occasion to announce more unilateral measures to expand ties with Taiwan. Beijing expanded the number of Taiwanese fruits approved for duty-free import from 18 to 22. In addition, Beijing announced new procedures under which PRC tourism firms could facilitate tourism to Taiwan. The latter announcement was designed to keep pressure on Taipei to authorize tour groups coming directly from China, which the Chen administration has been reluctant to do without a negotiated agreement. Whatever inter-association contacts have occurred on tourism is not clear; in any event, no agreement has been reached.

WTO contacts

There has been no slackening of the struggle between Taipei and Beijing in the international arena. Taipei’s 10th application for observer status at the WHO’s World Health Assembly (WHA) was rejected in May. When President Chen opted not to refuel in the U.S. on the way to visits to Paraguay and Costa Rica, Taipei scrambled to arrange transit stops on his return trip in Libya and Indonesia, both of which occasioned protests from Beijing.

For a change, the WTO, which has been a venue for similar diplomatic sparring in the past, provided a locus for some business-like contacts on trade issues. As new WTO members, both Beijing and Taipei were subject to their first formal trade policy reviews this year. Beijing’s review took place in April. The trade policy review for the “Separate Customs Territory of Taiwan, Penghu, Kinmen, and Matsu (Chinese Taipei)” occurred June 21-22 in Geneva. Despite fears, the review took place in a business-like fashion with active PRC participation. Because cross-Strait trade is such a large factor in Taiwan’s trade and economy, cross-Strait issues were a prominent part of the Taipei review. Taipei

was criticized by a number of participants for continuing to prohibit imports from China of 2,200 tariff items, contrary to its WTO obligations. Participants also urged Taipei to ease restrictions on cross-Strait trade that were affecting their companies. The diplomatic language of the WTO staff report said, “The growing importance of cross-Strait movement of goods in Chinese Taipei’s economy would seem to indicate the need for further liberalization of cross-Strait traffic; such liberalization would contribute to improving the efficiency of the Chinese Taipei economy and its attractiveness to inbound direct investment.” This was not the first time that the Chen administration had been advised of the deleterious effects of its restrictions on cross-Strait trade.

In late May, Taipei imposed 237 percent anti-dumping duties on cloth towels from China. In June, Beijing for the first time acquiesced in the visit of Taiwanese auditors, including a staff member from the Ministry of Finance, to conduct the normal investigation into the cost structure of towel production. On the margins of the WTO review of Taiwan’s trade, trade officials from the two sides held consultations on the issue. While such consultations are routine between other WTO members, this was the first time Beijing has agreed to consultation on a cross-Strait trade issue in the WTO context.

Security issues

Beijing has maintained a low profile on military issues while continuing to expand its capabilities for dealing with Taiwan contingencies. In Taipei, the opposition parties have continued to block any expenditures on major new arms procurement either through the regular or special budget mechanisms. In Washington, the Defense Department’s annual report on the PLA again made the case for Taiwan investing more in its own defense to counter growing PLA capabilities.

In May, the Chen administration published Taiwan’s first National Security Report. The document sees the PRC military threat to Taiwan’s national identity and Japan’s quest to be a normal country as the two principal regional factors affecting Taiwan’s long-term security. The report is a rather academic and analytical document reflecting DPP perspectives. It does not lay out a comprehensive set of policies for dealing with the challenges facing Taiwan.

Looking ahead

Given the political turmoil in Taipei and divisions within the Chen administration, it is remarkable that anything constructive has been possible in cross-Strait relations. President Chen’s commitment to forswear the more provocative steps he might take is important, but there is always the question of whether changed political conditions will lead Chen to change his policies. The charter flights agreement lays out a framework for more direct cross-Strait flights to be arranged in the months ahead. It also holds out the possibility for further agreements on flights and Chinese tourism to Taiwan.

How the political confrontation in Taipei will unfold remains uncertain. There are recurring rumors of more damaging charges involving the first family. Maneuvering

within the DPP for future leadership is already underway and can be expected to have a growing impact on policy, both in Taipei and in Beijing. Neither confrontation nor political breakthroughs are anticipated. In the months ahead, the best that can be expected is relative calm and very modest policy steps.

Chronology of China-Taiwan Relations April-June 2006

March 31, 2006: Taipei announces Taiwan cannot accept pandas offered by Beijing.

April 5, 2006: Premier Wen Jiabao announces \$12 billion aid for South Pacific islands.

April 7, 2006: President Chen repeats pledge for new constitution by 2008.

April 8, 2006: Taiwan Fruit Sale Center opens in Xiamen.

April 12, 2006: MAC Chairman Wu says charter and tourism agreements possible in six months.

April 12, 2006: Taiwan National Security Council conducts war game *Yushan 2* on decapitation scenario.

April 13, 2006: KMT's Lien Chan leads 50-member economic delegation to China.

April 13, 2006: Asian Network of Major Cities conference in Taipei; Beijing boycotts.

April 15, 2006: CCP-KMT Economics and Trade Forum opens in Beijing; Jia Qinglin attends opening; urges breakthroughs on direct transportation.

April 16, 2006: PRC President and Secretary General Hu Jintao meets KMT's Lien Chan; Beijing announces 15 measures to facilitate cross-Strait ties.

April 17, 2006: Beijing announces new measures for group tours to Taiwan.

April 17, 2006: MAC Chair Wu says charter flights for Dragon Boat festival a possibility.

April 18, 2006: President Chen says KMT-CCP forum has created the illusion of peace.

April 20, 2006: Premier Su says KMT-CCP items that are in Taiwan's interest can be implemented.

April 20, 2006: Bush-Hu summit in Washington, D.C.

April 21, 2006: Beijing announces expansion of fruit imports from Taiwan from 18 to 22 types.

April 21, 2006: Taipei requests transit stops in New York and Los Angeles during President Chen's trip to Latin America in early May.

April 23, 2006: Boao Forum includes roundtable on cross-Strait economic ties.

April 24, 2006: *Hanguang* 22 exercise begins; retired U.S. Adm. Blair observes.

April 25, 2006: President Chen says KMT-CCP agreements are sugar-coated poison.

April 25, 2006: Beijing invites TPFA and other NGOs to talks on zero tariffs.

April 27, 2006: MAC announces approval for low-end packaging and testing investment and small LCD manufacture in China.

April 28, 2006: Taiwan FM Huang concludes visit to UAE.

April 29, 2006: Haiti withdraws inaugural invitation for Premier Su under PRC pressure.

May 1, 2006: Beijing announces that all 22 fruit imports from Taiwan will be duty-free.

May 2, 2006: Chen summons AIT's Young to express his dissatisfaction over transit conditions after Washington reportedly offers only brief stops in Hawaii or Alaska.

May 3, 2006: FM Huang expresses dissatisfaction with Alaska transit arrangements; Premier Su blasts Beijing for blocking Taiwan's international space.

May 4, 2006: President Chen opts not to transit the U.S. en route to Paraguay.

May 8, 2006: *China Daily* says U.S. snubbed Chen; mocks his travel as a "trip to nowhere."

May 8, 2006: FSC Vice chair tells LY ceiling on investments in China will be loosened.

May 8, 2006: In Singapore, Ma Ying-jeou urges focus on a peace agreement, not unification.

May 9, 2006: U.S. representatives at Costa Rica inaugural meet President Chen; Chen sees Laura Bush at reception; invites her to Taiwan.

May 9, 2006: PRC vice minister of information industry in Taipei for meeting on technology standards.

May 10, 2006: President Chen transits Libya en route home: meets Gadhafi's son.

May 10, 2006: During Congressional testimony, Deputy Secretary Zoellick warns that Taiwan independence means war.

May 11, 2006: President Chen overnights in Batam Indonesia en route home.

May 12, 2006: First LY confrontation over charter flights legislation.

May 16, 2006: Second LY confrontation over charter flights legislation.

May 17, 2006: TAO urges inter-association talks on tourism and charter flights.

May 18, 2006: Taipei approves Toppoly purchase of Phillips LCD plants in China.

May 18, 2006: President Chen presides over NSC meeting on National Security Report (NSR).

May 18, 2006: PRC resumes permitting fishermen to work for Taiwan's fishing industry.

May 20, 2006: Taiwan's first National Security Report released.

May 22, 2006: World Health Assembly again rejects Taiwan request for observer status.

May 24, 2006: KMT's Ma Ying-jeou opposes ramming charters bill through LY.

May 26, 2006: Deputy U.S. Trade Representative Karan Bhatia in Taipei calls for Taiwan to lift restrictions on trade with mainland.

May 27, 2006: National Museum of Taiwan-Fujian relations opens in Quanzhou, Fujian.

May 29, 2006: Taipei imposes 237 percent duty on Chinese towel imports.

May 30, 2006: Annual Taipei American Chamber of Commerce White Paper reiterates call for direct links.

May 30, 2006: LY fails to pass charter flights bill on last day of session.

May 31, 2006: TAO criticizes NSR as compendium of independence views; TAO also announces plans for expanded ferry services.

June 1, 2006: Premier Su says wider exchanges possible under "active management."

June 2, 2006: MAC says Taipei is ready for talks on links and tourism.

June 4, 2006: World Health Organization says Taiwan will be able to participate in all WHO sponsored Asia Pacific technical meetings.

June 8, 2006: Chen receives AIT's Burghardt; reiterates "four noes;" State Dept. welcomes Chen's statement as profoundly important.

June 8, 2006: Jinmen-Quanzhou ferry service is inaugurated.

June 9, 2006: Burghardt meets press in Taipei; says NUC issue is over.

June 12, 2006: Hong Kong implements easier entry provisions for Taiwanese traveling to mainland.

June 13, 2006: Special LY session opens.

June 13, 2006: Eva Air announces plans to buy 25 percent stake in Shanghai Airways Cargo.

June 13, 2006: Taipei finance official to China for a WTO dumping investigation.

June 14, 2006: MAC Chairman Wu announces agreement on charter flights; Beijing's Cross-Strait Aviation Committee makes parallel announcement.

June 22, 2006: WTO panel concludes review of Taiwan trade policy; Taiwan and China hold first consultation at WTO.

June 23, 2006: Presidents of 12 airlines meet in Kunming to discuss charter flights.

June 27, 2006: LY fails to pass recall resolution on President Chen.

June 28, 2006: House passes bill lifting restrictions on contacts with Taiwan.

June 29, 2006: PRC Foreign Ministry protests House action.



North Korea-South Korea Relations:
The Worm Turns

Aidan Foster-Carter
Leeds University, UK

Six years after the first (and only, so far) inter-Korean summit in Pyongyang, with its June 15 Joint Declaration ushering in a new era of “Sunshine” from the South toward the North – if not always vice versa – we might be entering a new phase. If multi-faceted exchanges between the ROK and DPRK remain brisk and look largely irreversible, as argued last time (and amply illustrated in the chronologies), this process may be becoming less one-sided.

As the second half of 2006 begins, South Korea is fed up – and is not disguising this behind honeyed words, as so often, for fear of offending Northern sensibilities. Two factors have prompted this new mood. Seoul was furious when in late May the North, at a day’s notice, cancelled an agreed upon long-delayed train test run on the two reconnected crossborder rail tracks, which have been physically ready to roll since last year. Rightly, it dismissed Pyongyang’s excuse of alleged instability in the South as “preposterous.” Coming just a week before key local elections, when the ruling center-left Uri Party of President Roh Moo-hyun was duly hammered by the conservative opposition Grand National Party (GNP), this was hardly a friendly or timely gesture by Pyongyang toward a government whose critics accuse it of being too generous toward Kim Jong-il, while demanding too little in return.

The result is an overdue outbreak of conditionality. Thus the South has agreed to help the North’s light industry – but only after those train tests. In June, the mood in Seoul hardened further, as fears grew that Dear Leader might be preparing to test-fire a *Taepodong* long-range missile for the first time since 1998. ROK Unification Minister Lee Jong-seok warned that such a launch would jeopardize further Southern aid. At a point where only a third of the 450,000 tons of fertilizer that the DPRK has asked for this year has been agreed and delivered, and with no agreement yet in place to send the usual 500,000 tons of rice, this is not a threat that Kim Jong-il can afford to take lightly.

Ministerial talks postponed, briefly

The quarter also began with a quarrel, but a more minor one by comparison. As described last time, the DPRK postponed the 18th round of quarterly ministerial talks since the June 2000 summit, due to be held in Pyongyang in late March, in protest at what were in fact routine U.S.-ROK military exercises. This *pro forma* gesture meant no lasting derailment,

and the talks duly took place within a month on April 21-24. This was the first chance for the South's new-ish Unification Minister Lee Jong-seok, appointed in January, to meet his Northern opposite number, "Cabinet Councilor" Kwon Ho-ung.

As usual, the meeting duly resulted in a joint press statement, although its eight points contained little of substance or detail. Thus, paragraph 2 spoke of "practical measures to ease military tension," but did not spell these out. Seoul was pleased to get a clause in about "resolving the issue of the people unaccounted for during or after the Korean War," raising the delicate issue of abductions (on which more below). Obeisance was paid to denuclearization as a goal, but with no timeframe suggested for a resumption of the Six-Party Talks. That seems no obstacle to inter-Korean intercourse, however: the next and 19th round was scheduled for July 11-14 in Busan, the ROK's second city and major port.

The section on economics (paragraph 5) contained a bit more meat. They agreed to hold a long overdue 12th meeting of the joint Economic Cooperation Promotion Committee (ECPC) "sometime in May." The agenda included a new item, to discuss extracting aggregate in the Han River estuary, as well as familiar if so far unrealized themes: joint development of resources, implementing trial runs of trains, opening crossborder railways, and cooperating in light industry and resources. More immediately, the South, which finished delivering an agreed 150,000 tons of fertilizer in April, made no commitment to meet the North's request for a further 300,000 tons plus 500,000 tons of rice, despite having done this in past years.

Lee looks for linkages

As so often, achieving even this much, or little, took hard graft. The final day of talks ran several hours longer than scheduled, with reported difficulty in hammering out an agreed statement – especially on the abduction issue. Downplayed in the past, this has been rising up the South's agenda. Before the Pyongyang talks, Minister Lee offered "bold" new aid if the North returns over 1,000 Southerners that Seoul believes it is holding. Some 600 are prisoners of war (POWs) who should have been released at the 1953 Armistice, plus a further 485 civilians – mainly fishermen – abducted thereafter. The DPRK denies detaining any ROK citizen against their will – even though the abduction cases (especially at sea) are clear-cut, while about 30 now elderly POWs have escaped from the North in recent years.

Though conservatives accused Lee of offering to reward criminal acts, a precedent exists. The former West Germany for many years paid the East to release political prisoners and let them go west. The ROK also has a human bargaining chip: some 30 old communists who want to go North, but were excluded from an earlier repatriation in 2000 because they had previously renounced their faith, probably under torture. While that earlier return was a one-off goodwill gesture with no *quid pro quo* required, this time the South will insist on reciprocity. But with the later case of Kim Young-nam showing the North still inclined to play charades (see below), it is not clear whether Lee's plan stands any chance of success.

Take me to your leader

The new unification minister tried to shake things up in other ways too. Frustrated at a lack of progress on both the abduction and nuclear issues, he asked to see Kim Jong-il – a rare privilege, granted out of the blue to his predecessor Chung Dong-young a year ago – only to be told that Dear Leader was away in the countryside. Requests to meet Rim Dong-ok, first vice director of the ruling Workers Party of Korea (WPK), were also nixed. Long an academic specialist on the North, Lee reportedly amazed his hosts, who were stonewalling on crossborder trains, by quoting the DPRK’s founding “Great Leader” Kim Il-sung on the need to break down inter-Korean barriers.

Concretely, Lee also proposed turning Danchon in South Hamgyong province in northeast North Korea – an area rich in gold, silver, zinc, and magnetite – into a special zone to jointly develop mining. This did not make the final statement, unlike his other idea: to cooperate in dredging aggregate in the Han River estuary on the west coast. This stone would kill several birds: supplying both sides’ construction industries, helping flood control on the Imjin River which flows into the Han – something agreed before, but unimplemented – and, not least, easing tensions in this frontline border region along the Demilitarized Zone (DMZ).

Theory easy, practice hard

Subsequent encounters underlined the difficulty of turning vague agreements into practice, and the North’s reluctance to yield on some hardline positions. Thus a fourth round of talks between generals, held at Panmunjom in the DMZ on May 16-18, failed to narrow the gulfs evident when they last met in March. A military agreement is a precondition for creating a joint fishing zone in the West (Yellow) Sea, where the crab fishing season saw fatal border naval clashes in 1999 and 2002. Yet North Korea insists on first renegotiating the Northern Limit Line (NLL), the de facto marine border for over half a century since the Korean War ended in 1953. South Korea is not about to open up that can of worms, especially since the North’s suggested new line would put several ROK-held islands into DPRK waters.

All this spilled onto land as well, since military consent is needed if crossborder trains are ever to run. Two relinked trans-DMZ railway tracks have been physically ready since last year. Roads in the same corridors are in regular if one-way use: taking Southern tourists to the Mt Geumgang resort on the east coast, and managers to the Gaeseong Industrial Zone (GIZ) north of Seoul, where 11 ROK firms (so far) employ 6,700 DPRK workers to make export goods. Yet on the rail front the North is still dragging its feet. Finally in May it agreed to hold short ceremonial test runs, originally planned for last October, on May 25 – only to cancel at one day’s notice, citing the continued lack of military security guarantees as well as alleged instability in the South. This is seen as a rearguard action by the Korean People’s Army (KPA), whose large and offensively deployed forces have reportedly been forced by even the limited border opening thus far to relocate several miles further back.

Seoul scowls

South Korea was not amused. Calling the last-minute cancellation “very regrettable” and the reason given “preposterous,” it accused the North of breaking the agreement and said Seoul held it fully responsible. The ROK insisted that “under all circumstances the railroads, the country’s main arteries, must be reconnected as was agreed between the two Koreas.” If not exactly a paroxysm of rage – a trope best left to Pyongyang, where it is routine fare – this is a sterner note than is usually heard from Seoul. In partisan terms, it was an untimely slap in the face for Roh Moo-hyun just a week before key local elections. The conservative GNP – an object of special Northern verbal venom – duly won by a landslide.

Nonetheless, as ever the South was keen for damage control. The long-delayed 12th ECPC meeting duly went ahead just a week later on Cheju Island in early June. A detailed nine-point agreement anticipated a range of cooperation – but with strings attached, although DPRK media omitted to mention these. Thus an agreement to cooperate in light industries and underground resources was adopted, to be effectuated “as soon as conditions are met.” The South explicitly glossed this as meaning railway test runs. Similarly, sand extraction from the Han estuary will begin once a military guarantee is in place.

Soap for zinc

Other clauses covered simplifying procedures at the GIZ to boost its international competitiveness, flood control on the Imjin River (a hardy perennial), joint work to prevent natural disasters, exchange of economic survey groups, and drawing up timetables for areas already agreed but not yet implemented, such as cooperation in fisheries and in science and technology. An intriguing new item is a meeting planned for July on “joint advancement into a third country in economic and resource development.” At a time when the DPRK is sending ever more workers abroad, from Siberia to Kuwait and Eastern Europe, to marry these with (say) ROK construction or energy firms and projects sounds a win-win idea.

But the centerpiece is the light industry-cum-mining deal, details of which have now been fixed after long wrangling – and still subject to those trains running. Seoul will provide raw materials worth \$80 million for basic consumer goods like clothing and soap, on a loan basis described as commercial. The North is to pay back 3 percent this year in the form of natural resources like zinc ingots and magnesia clinker, with the balance repayable in 10 years after a five-year grace period. The DPRK was keen to sign, and a separate accord says the ROK supplies will start being delivered in August, so there may yet be more rows and ambiguity, unless the train test happens soon (and is just one enough?). Seoul is eager to implement this project too, as a move away from one-sided handouts to more equal forms of cooperation.

Gaeseong chugs along

Meanwhile the Gaeseong Industrial Zone continued to expand. It seems both sides are at one in not letting their other quarrels derail this. At least two ROK ministers – MOU's Lee and Commerce and Industry (MOCIE)'s Chung Se-kyun – visited the complex in May, leading large delegations. Chung attended the groundbreaking for a factory apartment complex to house 40 ROK firms too small to each need their own building; costing \$22 million, this should be ready by June 2007. MOCIE has also brokered 16 deals for Gaeseong-based state-owned enterprises to supply major chaebols like Samsung Electronics and auto parts maker Hyundai Mobis. Most top chaebol still remain reluctant to venture into North Korea.

Gaeseong has also hosted foreign visitors. U.S. Ambassador Alexander Vershbow, seen as a hardliner, was among 76 Seoul-based foreign envoys who toured the zone June 12. The hope in Seoul is that this will soften attitudes in Washington. Even President Bush's special adviser on DPRK human rights, Jay Lefkowitz, whose criticisms of Gaeseong have riled the ROK government, may visit the zone in July. Yet despite the Roh administration's desires, there is no hope that the U.S.-ROK free trade agreement (FTA) currently under negotiation, will consider Gaeseong-made goods as South Korean. The U.S. side is puzzled as to why the ROK is playing this up so much, when there is zero chance that it will fly with Congress.

KEDO, RIP

May 31 saw the sad closing of a key early chapter in the history of inter-Korean ties when the executive board of the Korean Peninsula Energy Development Organization (KEDO) formally terminated its project to build two light-water reactors (LWR) at Geumho on the DPRK's northeast coast. Space forbids a detailed account here, but KEDO was formed in 1995 as a consortium to implement the October 1994 U.S.-DPRK Agreed Framework (AF), including supplying heavy fuel oil (HFO) while the LWRs were under construction. The three core founder members were the U.S., South Korea, and Japan, later joined by the EU.

In the inter-Korean context, KEDO's importance is that it forced the North to deal with the South in a practical way, at a time (not so long ago) when the two Koreas were hostile and had few or no contacts. Pyongyang was compelled to accept ROK reactors, and ere long South Koreans were working at Geumho. That in turn meant opening the first regular inter-Korean sea and air routes, to convey men and materiel. All this predated Kim Dae-jung's Sunshine Policy, and surely facilitated it by showing that the two Koreas could cooperate. By 2001, Northern engineers were quietly visiting the South for nuclear safety training.

KEDO was perhaps doomed with the election of President George W. Bush, whose mandate did not include donating nuclear power to an "Axis of Evil." Yet it continued until late 2002, when the second, ongoing North Korean nuclear crisis broke. At U.S. insistence, KEDO first suspended HFO deliveries, and in 2003 froze the LWR project,

whose termination was thus expected. Seoul regrets all this, but has had to accept political reality – and pick up most of the tab of over \$1 billion. Formally, the ROK state-owned electricity generator KEPCO now takes on all LWR assets; but in practice the DPRK – whose reaction to all this has been fairly low-key – is unlikely to let even movable equipment be recovered from the site.

Due process

One problem for Seoul with inter-Korean ties hitherto has been their often ad hoc character and doubtful legal basis. (Arguably, any contact with Pyongyang breaches the ROK's still unrepealed National Security Law.) On June 27, the Cabinet passed an "Enforcement Decree of the Law on Development of Inter-Korean Relations," effective June 30. The aim is both to create an institutional framework and improve public scrutiny. Such transparency will not soon be mirrored on the Northern side, although it does have a legal framework of sorts.

A sporting chance?

While it is now routine for the two Koreas to march together at the opening of the Olympic Games, they go on to compete separately. The idea of fielding a single team for the 2008 Beijing Olympics has been canvassed, but talks last December proved abortive. Urged on by IOC President Jacques Rogge, they tried again in late June. They agreed as ever on the joint name "Korea" and the now established unification flag: a blue peninsula on a white background. But they remain divided on selection: the socialist North demands an equal number from each side, while the capitalist South insists on performance-based criteria to pick only the best. This gap will not easily be bridged.

Civil contacts blossom

While this survey mainly focuses on state-level dealings, the special nature of inter-Korean relations means one must not ignore the growing plethora of nongovernmental links in so many fields. This "low politics," in Keohane and Nye's term, is in a real sense starting the long work of relinking what was torn asunder in 1945. (Reunification, if you will; but this word is used too loosely in Korea, when terms like reconciliation would be more apt. True *tongil*, if it ever happens at all, can only be the final destination of a very lengthy process.)

The chronology gives some idea of the variety and scale of this grassroots activity. In the past quarter this included, for instance, the first big (61) official delegation of ROK Roman Catholics ever to visit Pyongyang in April. On the cultural front, 90 treasures now held in the DPRK's Korean Central History Museum, and spanning 4,000 years of history, went on show at the National Museum of Korea in Seoul in mid-June; in mid-August, they will move to Daegu until mid-October. Meanwhile, in April 20, Southern archaeologists joined Northern colleagues to survey and excavate tombs of the Goguryeo era (37 BCE-668CE), registered last year as world heritage sites with UNESCO. This is

especially welcome given the North's habit of reconstructing some ruins to fit a political agenda, like the so-called tomb of King Dangun, Korea's mythical founder.

Also important is the scale and range of private as well as public Southern aid to the North, detailed each month on the ROK Unification Ministry (MOU)'s website at unikorea.go.kr. Local government is an intermediate category. Thus in early June, Sohn Hak-kyu, soon to step down as governor of the ROK's Gyeonggi Province (which surrounds Seoul), led a 100-strong team to inspect DPRK farms aided by Gyeonggi. Sohn, a moderate ex-dissident, is a contender – albeit unfancied – for the 2007 presidential race in the rightwing opposition Grand National Party (GNP), which the North usually excoriates in virulent terms.

Missile dashes DJ's return

In mid-June, as usual, both Koreas marked the anniversary of the 2000 Pyongyang Summit: the first and still the only such meeting. This time the southwestern ROK city of Gwangju, famed for its bloodily suppressed pro-democracy rebellion in May 1980, did the honors, hosting a 147-strong DPRK delegation which flew in directly from Pyongyang.

Meanwhile, the southwest's most famous son saw his plan to repeat his epochal trip north thwarted. Agreement had been reached for former President Kim Dae-jung to revisit Pyongyang in late June, amid hope in Seoul that the elder statesman's personal bond with Kim Jong-il might help to kickstart the stalled six-party nuclear talks. Cunningly, citing health reasons "DJ" had asked to travel by train, but the North resisted this. In any event the trip was called off, hit by the issue that dominated North Korea news during June: apparent signs that the DPRK was preparing to launch a *Taepodong* long-range missile, for the first time since 1998. By quarter's end no firing had occurred. But the threat caused upset in the region as well as Washington; even a normally uncritical China warned Pyongyang not to do it.

In Seoul the irritation already roused by the train cancellation deepened. Ministers warned that a missile launch would put in jeopardy further aid. One may query this, given that the ROK has not let the DPRK's nuclear defiance noticeably constrain the Sunshine Policy. Besides, other officials tell a different story. Vice Finance Minister Bahk Byong-won told a forum in Seoul June 29 that the South will intensify technical assistance and training, especially in market economics and management, to put the North onto a self-sustaining growth path. Given that those in Pyongyang who think firing a *Taepodong* is a great idea probably oppose such reforms, one can appreciate Seoul's policy dilemma.

An abductee's tall tales

As the quarter ended, the dilemmas and ambiguities of inter-Korean ties were crystallized by a surreal episode at the North's Mt. Geumgang resort. As mentioned above, the issue of Northern abductions has been gaining a higher profile. While long heading Japan's agenda with its troublesome neighbor, South Korea by contrast had been reluctant to

broach this despite its far larger number of cases. As discussed in our last issue, while at a recent family reunion the DPRK did let one kidnapped fisherman meet his mother, it physically blocked the ROK media from referring to his abduction. And whereas Japanese Prime Minister Koizumi Junichiro won an unprecedented confession of kidnapping and apology from Kim Jong-il, toward the South the North typically and brazenly continues to deny everything.

In a new twist, the Japanese and South Korean kidnaps are now intertwined. Japanese DNA tests, plus intelligence reports, suggested that Yokota Megumi – the best-known Japanese victim, seized at 13 (her parents have met George Bush, who recently raised her case with Premier Koizumi) – had married a South Korean abductee, Kim Young-nam, himself taken as a teenager in 1978 from a west coast island beach. Kim is thought to be the father of Megumi's daughter. According to the DPRK, Megumi took her own life in 1994.

This fresh turn made it hard for Seoul to go on playing down the abduction issue. Perhaps unexpectedly, Pyongyang made a gesture in response – if one that characteristically leaves as many questions as answers. At the most recent round of reunions of separated families – twice as large as usual with 200 families from each side, to mark the Pyongyang summit's sixth anniversary – the North actually produced Kim Young-nam and his children (he had since remarried) for a tearful reunion with his mother and sister. Moreover, it trusted him to assure a disbelieving ROK press corps that he neither defected nor was kidnapped, but had been swept out to sea on a raft until rescued by a DPRK vessel. He remained in Pyongyang, he said, because of the opportunity to get a free education right through college.

“Utter nonsense,” snorted a headline in the leading Seoul daily *JoongAng Ilbo*. Rightly so, since the Northern agent who admitted seizing the boy was later caught, served a sentence, and was returned to Pyongyang along with other “unconverted spies” in 1999. Calling the kidnaps “an abominable felony,” the paper thundered: “Until when will this regime and its deception continue to exist in the world?” Yet another editorial, a day earlier, took quite a different tone: granting that the principle of returning abductees “is difficult in reality,” and calling on Seoul to push Pyongyang at least to permit letters or regular meetings. In South Korea, unlike in Japan, public opinion does not wax so furious on kidnappings. While some may deplore this, the harsh fact remains that dealing with a regime that offends on so many fronts, all North Korea's interlocutors have somehow to prioritize their numerous concerns.

Two touchstones

As summer wears on, and especially in the wake of the early July missile tests, it remains to be seen if South Korea will sustain its new toughness of tone – and whether the walk follows the talk. Loss of nerve aside, there are at least two reasons why it might not. One is a justified fear that if Seoul withholds aid, or threatens to, Kim Jong-il will simply turn to Beijing – which will have few if any scruples about deepening its influence in

Pyongyang. Conceivably the *Taepodong* launch might force a united front of interlocutors, but this is unlikely to last long.

South Korea's other cause to pause concerns that murkiest of areas: North Korea's internal politics, especially as regards the Korean People's Army. That the KPA is the main obstacle to crossborder trains and the like is plausible; so for Seoul the challenge is to try to subtly strengthen Pyongyang's technocrats to stand up to their generals. Projects like the Gaeseong zone are hopefully creating a constituency in the DPRK for opening and reform; hence a blanket threat to freeze all such cooperation would only backfire. The task for Lee Jong-seok is to use a subtle, targeted mix of stick and carrot, offering positive or negative reinforcement in demonstrable sync with how North Korea behaves. The time for benefit of the doubt is past. From now, a healthy Sunshine should be built on genuine reciprocity.

Chronology of North Korea-South Korea Relations April-June 2006

April 1, 2006: ROK President Roh Moo-hyun urges a meeting of Southern business bodies to invest more in the North. They ask for more certainty on the Gaeseong project.

April 1, 2006: Chung Il-yong, president of the Journalists' Association of [South] Korea, says that some South Koreans went North voluntarily, and that it can be impossible to determine the truth about abductions. There are calls for him to apologize or resign.

April 1, 2006: The North's Korean Anti-Nuke (sic) Peace Committee criticizes the South for its alleged clandestine plans to develop a nuclear-powered submarine.

April 4, 2006: Farmers' organizations from both Koreas discuss how to implement the June 15 joint declaration in the DPRK city of Gaeseong.

April 4, 2006: Inter-Korean talks on fielding unified teams for upcoming sporting events, such as the 2008 Beijing Olympics, fail to agree. These are held on the sidelines of the 15th general assembly of the Association of National Olympic Committees (ANOC) in Seoul, which a four-member DPRK delegation is attending.

April 4, 2006: ROK's Cultural Heritage Administration says 20 Southern specialists will survey tombs of the Goguryeo Kingdom (37BCE-668CE) in the DPRK, registered last year as world heritage sites with UNESCO, with Northern colleagues April 19-May 2.

April 7, 2006: A telegram from the DPRK Red Cross reiterates a request for 300,000 tons of fertilizer. The North had asked for 450,000 tons; the South agreed to send 150,000 tons, and finished shipping this April 10. Last year it sent 350,000 tons (having been asked for 500,000 tons), as well as 500,000 tons of rice.

April 7, 2006: The ROK says postponed 18th round of North-South ministerial talks will be held in Pyongyang from April 21-24.

April 17, 2006: An ROK NGO, Korean Foundation for World Aid, says it will send about 10 Southern farmers with rice seeds up to twice a month for joint rice farming on some 800 hectares in the DPRK village of Sukchon (population 6,000) in South Pyeongan province.

April 21-24, 2006: The delayed 18th inter-Korean ministerial talks are held in Pyongyang. After overrunning by several hours, they produce an eight-point joint statement containing little either concrete or new.

April 26, 2006: Both Koreas' Red Cross bodies agree to mark the sixth anniversary of the June 15 Joint Declaration with a 14th round of family reunions, twice as large as usual, involving 200 families from each side. Two more video reunions will be held in August.

April 27, 2006: Meeting in Gaeseong, North and South agree to jointly celebrate the June 15 Joint Declaration's sixth anniversary in the ROK's southwestern city of Gwangju, with 150 delegates from each side. The 61st anniversary of liberation from Japanese rule in 1945 will be concelebrated in the DPRK around Aug. 15.

April 27, 2006: ROK Unification Ministry (MOU) tells National Assembly it will send 200,000 tons of fertilizer to the DPRK between mid-May and mid-July, at a cost of ROK 77 billion won (\$81 million); and will consider giving a further 100,000 tons.

May 3-4, 2006: Working talks on economic cooperation, held in Gaeseong, fail to reach agreement.

May 9, 2006: ROK Unification Minister Lee Jong-seok visits the Gaeseong Industrial Zone for the first time, with a 160-strong delegation from business and government.

May 13, 2006: After two days of talks in Gaeseong, North and South agree to hold long-delayed test runs on two reconnected crossborder railways on May 25.

May 16-18, 2006: A fourth round of meetings between generals, held at Panmunjeon in the DMZ, makes no progress on crossborder security issues. The North wants to redraw the maritime border in the West (Yellow) Sea, which the South will not entertain.

May 16-20, 2006: Han Wan-sang, head of the ROK Red Cross, leads 40-strong delegation from hospitals and pharmaceutical firms to Pyongyang to discuss medical aid and cooperation. He delivers medical supplies and equipment worth \$3.9 million.

May 17, 2006: Meeting at Gaeseong, the two Koreas agree that ROK former President Kim Dae-jung will visit Pyongyang for four days in late June. Precise dates and mode of transport are still to be agreed, with the North resisting Kim's wish to travel by rail.

May 17, 2006: Ground is broken in the Gaeseong Industrial Zone for a factory apartment complex, costing \$22 million, to house 40 small ROK firms and be ready in June 2007. The 200 guests include the South's commerce, industry and energy minister, Chung Se-kyun. His ministry, MOCIE, brokers 16 deals for Gaeseong-based SOEs to supply major chaebol like Samsung Electronics and auto parts maker Hyundai Mobis.

May 18, 2006: Meeting in Gaeseong, the two Koreas agree on most details at their June 15 celebrations. Two chartered DPRK aircraft will fly 150 Northerners to Gwangju June 14, with various sports and cultural events before they return home June 17.

May 18-19, 2006: Economic talks in Gaeseong reportedly narrow differences on proposed inter-Korean cooperation in developing the North's light industry and natural resources. They also finalize crossborder test train runs, set for May 25.

May 24, 2006: The North sends a telegram cancelling crossborder train test runs the day before they are due, pleading the lack of a military guarantee and "unstable conditions" in the South. An angry ROK dismisses this excuse as "preposterous."

May 29, 2006: Further talks on Kim Dae-jung's Northern visit fix the dates as June 27-30, but fail to agree on his mode of transport and the size of his entourage (the South wants 90).

May 31, 2006: The Korean Peninsula Energy Development Organization (KEDO)'s board formally terminates its project to build two light-water reactors at Geumho on the DPRK's northeast coast. This in effect renders the KEDO consortium itself moribund.

June 3-4, 2006: Sohn Hak-kyu, retiring governor of the South's Gyeonggi Province (greater Seoul) and a moderate presidential contender for the opposition Grand National Party (GNP), leads a 100-strong team to inspect Northern farms aided by his province.

June 3-6, 2006: The 12th Economic Cooperation Promotion Committee is held in Cheju. A nine-point agreement, effective "when necessary conditions improve" (meaning rail tests), includes Southern agreement to send the North raw materials worth \$80 million for its light industries.

June 12, 2006: U.S. Ambassador Alexander Vershbow is among 76 Seoul-based envoys who visit the Gaeseong Industrial Zone, with ROK Foreign Minister Ban Ki-moon.

June 14-17, 2006: Events to mark the sixth anniversary of the June 15 Joint Declaration are held in Gwangju, ROK as arranged, with a 147-strong Northern delegation attending. The South reportedly presses concern that the DPRK may test a long-range missile.

June 15, 2006: Seoul press reports say the South is sharing TV coverage of the soccer World Cup in Germany with the North.

June 16, 2006: An exhibition of 90 old Korean cultural treasures lent by the North opens at the National Museum of Korea in Seoul.

June 19-30, 2006: A 14th round of family reunions is held at Mt. Geumgang. Twice the usual scale, this allows two groups of 100 elderly persons each from both North and South to spend three days meeting long-lost relatives.

June 21, 2006: Jeong Se-hyun, former ROK unification minister who has led negotiations for Kim Dae-jung to revisit Pyongyang, says the trip will be postponed since the timing is not appropriate (a reference to reports that the North may test-fire a *Taepodong* missile).

June 28, 2006: Kim Young-nam, believed to have been abducted by the North as a teenager off a Southern island beach, meets his mother for the first time since 1978 at Mt. Geumgang.

June 28, 2006: South's Red Cross says it will give its Northern counterpart \$400,000, plus 10 buses and six cars, to expand the scale of family reunions by videolink.

June 29, 2006: ROK Army says it has recently removed 2,350 land mines from around military bases and border areas, including access routes to the GIZ.

June 29, 2006: Meeting in Gaeseong, the two Koreas fail to agree on fielding united teams at international athletic events, including the 2008 Beijing Olympics. Further talks are expected in mid-July.

June 29, 2006: Seoul announces that President Roh's chief security advisor Song Min-soon will visit the U.S. next week to discuss how to resolve the crisis over the DPRK's missile launch preparations and kick-start the six-way talks.

June 29, 2006: ROK Vice Finance Minister Bahk Byong-won tells a forum in Seoul that the South will intensify technical assistance and training, especially in market economics and management, so as to expedite sustainable economic growth in the North.

June 29, 2006: Kim Young-nam tells a disbelieving ROK press that he was not kidnapped but accidentally drifted to the North, where he stayed to get a free education.

June 29 2006: ROKs Korea International Trade Association (KITA) says inter-Korean trade rose by 34 percent in the first five months of 2006 to \$428.63 million. Southern exports grew 35.4 percent to \$264.97 million, while Northern exports rose 32.9 percent to \$163.66 million.



China-Korea Relations:
A Quarter of False Starts

Scott Snyder
The Asia Foundation/Pacific Forum CSIS

A series of false starts characterized Chinese efforts to reinvigorate diplomacy to address North Korea's nuclear weapons program this quarter. Chinese negotiator Wu Dawei failed in his efforts to jump-start six-party contacts through a nonofficial meeting in Tokyo between U.S. Assistant Secretary of State Chris Hill and DPRK Vice Minister Kim Gye-gwan. Then attention shifted to whether the Bush-Hu summit might catalyze a resumption of Six-Party Talks, but the summit produced no apparent agreement between the two leaders and probably gave North Korea no reason to come back to the negotiations. Chinese State Councilor Tang Jiaxuan's meetings with Kim Jong-il following that visit likewise yielded no diplomatic progress, while the quarter ended with another widely anticipated, but (as of the end of this quarter) nonevent: North Korea's widely anticipated and widely publicized launching of *Taepodong 2*, a multi-stage rocket. [Editor's Note: The multiple launches of missiles July 4-5 will be taken up in next quarter's analysis.] The lack of progress took its toll on South Korea-China relations due to mounting frustrations in Seoul until Foreign Minister Ban Ki-moon visited Beijing for consultations on a coordinated approach toward North Korea at the end of June. China's defense minister did manage a successful visit with counterparts in both North and South Korea in April.

China-South Korea economic relations centered on a shift in the bilateral trade balance as Chinese imports to South Korea have begun to outpace growth in South Korean exports to China. South Korean foreign direct investment in China has continued to grow, while facilities investment in South Korea has remained low, leading to worries in South Korea over its own long-term competitiveness vis-à-vis China. SK Telecom's attempts to gain a significant stake in China Unicom are emblematic of South Korean investment opportunities in China, while South Korean telecommunications companies face slowing exports as China's market matures. POSCO completed a major new investment in a steel mill in Zhang Jia Gang, China, while Hyundai's striking success in China was overshadowed by CEO Chung Mong-koo's legal problems over questions of political influence buying and illegal wealth transfers to his son. Finally, despite efforts in recent years to curb "yellow dust" from China by planting trees in the Gobi Desert, this spring was one of the worst, with the dust containing considerably higher levels of toxic materials than in the past.

Six-party stalemate prolonged

An unfortunate series of missed opportunities to get six-party diplomacy back on track accompanied an unofficial dialogue hosted in Tokyo in early April. The track-two Northeast Asia Cooperation Dialogue (NEACD) attempted to bring all the parties together for private contacts among officials that might help end the standoff. During the meetings, Chinese diplomats tried to unlock the stalemate that had resulted from North Korea's objections to U.S. financial "sanctions," or to be more precise, a U.S. Treasury warning that resulted in the freezing of North Korean accounts at the Macao-based Banco Delta Asia during the last quarter of 2005. Chinese officials had hoped that a U.S. briefing in March in New York for North Korean officials on the Treasury sanctions would result in progress and bring all parties back to the table, but the Treasury delegation was not empowered to negotiate, but could only offer a briefing on the financial measures taken in response to counterfeiting and money laundering concerns involving North Korea.

The principal negotiators as well as nongovernmental experts turned up for the NEACD, fueling speculation that the private meeting might serve as a catalyst for official negotiations. Even the DPRK's chief negotiator Kim Gye-gwan announced on the eve of the meeting that it would be a good opportunity for the parties to meet. Both South Korean and Chinese officials urged U.S. chief negotiator Chris Hill to meet with Kim privately. But Hill had been instructed not to meet with Kim on the pretext that a bilateral meeting would be useless while North Korea continued to boycott the Six-Party Talks. Hill stated following his meeting with the ROK's chief negotiator Ambassador Chun Young-woo that "We can talk about a lot of things at the Six-Party Talks, but what we can't do is talk about things with someone who is boycotting the Six-Party Talks." One Chinese conclusion from the failure to bring about a meeting between Hill and Kim appears to be that until the U.S. is ready to make North Korea a priority, there is little reason for China to expend capital in pursuit of six-party diplomacy.

For South Korea, the lack of progress in the Six-Party Talks was particularly frustrating since the stalemate revealed the limits of South Korean influence and coincided with difficulties in inter-Korean relations. One result was increasing frustrations with China's perceived unwillingness to take action to get North Korea back to the negotiating table. These frustrations were even higher in light of China's increasing leverage over North Korea derived from an exchange of high-level visits between Hu Jintao and Kim Jong-il (covered in the last issue of *Comparative Connections*). Aware of China's expanding investments in North Korea's critical natural resource sectors where South Korean opportunities remain blocked, ROK government officials and public increasingly saw China as taking advantage of its economic relations with North Korea to block Korean reunification. For instance, South Korean TV and newspapers reported that China planned to "take control of" North Korea by pursuing "reciprocal investment" in a "give and take" mode and that Chinese negotiations to invest in North Korean copper, coal, gold, and zinc mines were underway, heightening South Korean concerns that China stood to block Korean unification and exploit North Korean resources for its own use.

South Korea's frustrations were not only reserved for China, but also with hardline U.S. policies that were increasingly focused on human rights, illustrating a triangular interaction among China, South Korea, and the United States that has become increasingly important in managing North Korea-related issues. Seoul expected that Hu Jintao's summit meeting with President Bush in Washington would yield a basis for jump-starting the Six-Party Talks, but that meeting did not go well, and it became clear that Washington's priority was on dealing with Iran's nuclear program and (by meeting with North Korean refugees and the family of a Japanese abductee in the Oval office) raising the rhetorical profile of the North Korean human rights issue in ways likely to dampen Chinese cooperation over North Korea's nuclear program. Rising tension and protracted stalemate robbed South Korea of the scope to pursue independent actions, especially in the absence of North Korean cooperation to expand inter-Korean relations. South Korean policymakers felt increasingly frustrated and marginalized by all parties in this situation.

Absent U.S. coordination with China, the likelihood that Chinese leaders would independently deliver North Korea back to the negotiating table was low, but South Korean dependence on the U.S. to take action with China (possibly bypassing Seoul) to break the deadlock was also grating for South Korea. The Chinese did conduct consultations with North Korea's leadership following the Bush-Hu summit, dispatching State Councilor Tang Jiaxuan in late April to Pyongyang for a debrief on Hu's consultations in Washington. However, the message that Tang brought was insufficient to convince Kim Jong-il to return to the talks. Regardless of whether Kim Jong-il feels comfortable with North Korea's dependence on China (and a North Korean announcement requiring reciprocal visa requirements for Chinese and North Korean visitors to each other's country suggests that he is not), he understands how to maneuver. Kim recognizes that neither the U.S. nor China is prepared to take actions that would require North Korea to return to the negotiating table at this stage.

The biggest false start of the quarter may have been North Korea's preparations for a test of a multi-stage rocket scheduled for mid-June, which catalyzed international diplomatic efforts to forestall a North Korean launch. These efforts might be compared with diplomatic actions in the aftermath of North Korea's Feb. 10, 2005 announcement that it possessed nuclear weapons and the diplomatic response in June 2005 to an intelligence leak that North Korea might be preparing for a nuclear weapons test (a leak that proved to be either premature or decisive in preventing the test). North Korea's use of crisis escalation tactics is well-known, and U.S. diplomacy within the six-party framework has to a certain extent proven to be a useful countermeasure in blunting the effectiveness of those tactics. But if the current stalemate is broken by renewed diplomatic efforts, it will also be arguable that muted versions of North Korean tactics have served their purpose by catalyzing diplomacy.

Likewise, North Korean preparations for a multi-stage missile launch in late May and early June effectively catalyzed an international diplomatic response designed to send North Korea a clear warning regarding the consequences of such a test. U.S. and Japanese intelligence observed preparations for a launch and responded by placing

military assets on alert to observe (and possibly shoot down) any North Korean test. By late June, the preparations, along with U.S. diplomatic warnings to North Korea not to launch delivered through several channels, had motivated diplomacy by both South Korea and China in response to U.S. and Japanese concerns and possible counter-responses about the ramifications of a North Korean missile test.

South Korea weighed in diplomatically with the North and President Bush called President Hu to discuss North Korea's missile test preparations in mid-June. In contrast to routine consultations with the North following the Bush-Hu summit, China's diplomacy related to a North Korean missile launch ramped up – driven perhaps by fear that a test would be a catalyst for more U.S.-Japan joint efforts on missile defense, a result that would conflict with China's national interests. As a public manifestation of Chinese diplomatic efforts, PRC Premier Wen Jiabao opposed a North Korean missile test, saying on June 28 that “China is paying close attention to news that North Korea is possibly planning a missile-launch . . . I hope all parties will continue their efforts to maintain the stability of the Korean Peninsula.” On the same day, South Korean Foreign Minister Ban Ki-moon visited Beijing for consultations on the North Korean missile launch (in addition, no doubt, to seek critical Chinese support for his bid to lead the United Nations as secretary general). The result, despite South Korea's strategic anxieties about China's growing influence on North Korea, was to stimulate a joint Chinese-South Korean proposal to North Korea and the U.S. to resume diplomatic contacts, including bilateral U.S.-DPRK talks to address the missile issue following the resumption of the Six-Party Talks.

China's military diplomacy and the two Koreas

Another development of note was a visit by PRC Defense Minister Cao Guangchan to both North and South Korea during April 2006. Cao's visit to Pyongyang marks the first visit by a Chinese defense minister to North Korea since 2000. Rather than visiting North and South Korea together, however, the two Koreas served as bookends for a trip that also took Cao to Vietnam, Singapore, and Malaysia. Although there is limited public information available about Cao's visit to Pyongyang, there have been rumors that the PRC has agreed to provide spare parts for tanks, armored personnel carriers, and other military equipment following PRC President Hu's visit to Pyongyang last fall. Despite longstanding military-to-military relations, however, many of China's security concerns related to North Korea may now be too sensitive to discuss in Pyongyang, such as China's reinforcement of troops near the border with North Korea and Chinese military concerns and plans for military intervention to maintain “environmental controls,” i.e., to forestall a nuclear accident or bring under control “loose nukes” in North Korea.

The agenda for China-ROK mil-to-mil cooperation is equally sensitive in light of the U.S.-ROK security alliance, but the agenda may have been more substantive than that with the North. During Cao's five-day visit, issues that were addressed include the establishment of a hotline between naval and air force counterparts in order to manage possible incidents in the Yellow Sea and a proposal to hold joint search and rescue exercises. Another matter of concern is joint coordination in response to Chinese fishing

boats that encroach on South Korea's exclusive economic zone or other sea areas yet to be clearly demarcated. In addition, South Korean officials were eager to hear Cao's insights based on his visit to the DPRK. According to some analysts, there is interest in China in developing a dialogue with Seoul as a way of promoting greater South Korean independence from U.S. military strategy. Chinese specialists inquire about the purpose of U.S. realignment on the Korean Peninsula and the implications of Pyongyang as the main base for U.S. forces in Korea.

South Korea's economic opportunity, and worries about dependence on China

The South Korean business sector continues to worry about losing its competitive edge to China. One indication of China's new strength is that reports no longer focus on how long it will take for China to catch up and cut in to South Korea's technological edge. Rather, a report from the Korea International Trade Association (KITA) shows that increased competitiveness of Chinese goods is cutting into South Korea's longstanding bilateral trade surplus with China. Trade statistics from 2005 show that China's imports expanded by over 30 percent in 2005, a rate higher than the growth of South Korea's exports to China. KITA noted that Chinese growth in the share of the Korean high-tech market has increased to over 17.3 percent. The KITA report concludes with a recommendation that South Korea consider negotiating an FTA with China to manage the increasing overlap in competition of industrial products between the two countries.

The appearance of globally competitive Chinese companies such as Haier, Legend, and Chery Automobile marks a new stage of competition for South Korean firms in third country markets, as well as poses stiff challenges to South Korean efforts to make inroads in China's domestic market. South Korean export growth in the first half of 2006 has dropped by over half compared with 2005 to a level of just over 10 percent, reflecting the maturation of high-growth markets in which South Korean products have done well and increasing competition from Chinese domestic production.

Among those Korean companies who have felt the impact of increased Chinese competitiveness are LG Electronics, which dominated the "white goods" sector, and Samsung Electronics: both are facing severe price competition and maturation of the Chinese mobile handset market. Samsung Electronics and LG are likely to record single-digit profit margins this year due to flagging global competitiveness in the telecommunications sector. Likewise, Hyundai Motor Company, quite aside from the troubles it is facing as a result of the incarceration of Chairman Chung Mong-koo shortly after an April trip to China to preside over the opening of Hyundai's second factory in China, is facing price competition from Chinese models that have cut into sales expectations. POSCO is about to open a new 380,000 ton capacity hot-rolled stainless steel mill in Zhang Jia Gang, China (its second plant following an investment in a plant that has a production capacity of 180,000 tons located in Qingdao) in order to compete with Chinese producers Baosteel Group and Tiayuan Iron and Steel Company to supply increasing Chinese demand. Presumably, such an investment provides POSCO with an opportunity to avoid being undercut on labor costs while retaining its management and production experience in China's domestic market and for international production.

In addition to South Korea's increasing trade dependence on China, reflected in the impact on the Korean equities market of recent Chinese interest rate increases last April, there are concerns that South Korea has directed too much of its outward investment to China. China remains South Korea's favorite destination for foreign direct investment, with approximately 60 percent of South Korean overseas investment headed there; by contrast 40 percent of Japan's overseas investment goes to China. Nonetheless, China remains a tempting prospect for Korean firms. SK Telecom is seeking a \$1 billion convertible bond investment in China Unicom, Ltd., in a competition with Sprint Nextel and Japan's KDDI. This is an attempt to build on an existing tie-up in the Chinese wireless/broadband sector, which is projected to continue to grow rapidly. Likewise, SK Petrochemical is looking for opportunities to capitalize on projected growth in the Chinese energy sector. SK is well-suited to enter the China market as one of the major oil refiners in Asia. China's demand for refined and synthesized oil-related products continues to grow. Another growth sector for South Korean firms lies with China's high demand for plasma display panel televisions in which LG Electronics and Samsung SDI are both major competitors.

An ill wind from China

Since 2002, the visitation of spring "yellow dust" from China to South Korea has been a regular occurrence, stimulating new forms of cooperation on transnational environmental issues at the nongovernmental level as well as institutionalizing a tripartite meeting of environmental ministers from China, Japan, and South Korea since 1999. Despite those efforts, the failure to forecast the arrival of more "yellow dust" in Korea last April has stimulated further concern in Seoul about how to accurately predict the occurrence of the dust and has led to additional studies of the toxic elements it contains. Reports this spring suggest that the dust has become more toxic than in 2002, containing 12 times the normal level of iron and nine times the normal level of manganese in the air during a normal spring day. Lead and cadmium in the 2006 dust storm were twice the levels recorded in previous years. The Korea Environment Institute concluded in a 2004 study that damage from the 2002 "yellow dust" amounted to roughly 5.5 trillion won related to poor visibility, respiratory problems, and defective products. The National Institute of Environmental Research released a study showing that 37 percent of the sulfur dioxides that trigger acid rain in South Korea originate in China. These are direct environmental effects that will leave South Korean residents in an increasingly bad mood if they are not addressed effectively by "upwind" neighbors.

Conclusion

The second quarter has ended with strong hints that further Six-Party Talks may be around the corner and that China and South Korea are overcoming Seoul's strategic anxieties about China's leverage on the North in an attempt to encourage China to use that leverage to relieve tensions on the Korean Peninsula. However, the North Korean missile test could mark a paradigm shift in the region's approach toward North Korea, forcing a harsher, more decisive, and more unified approach.

Triangular interaction among the U.S., China, and South Korea related to policy toward North Korea has been increasingly on display. The United States employs coercive diplomacy, stimulating Chinese efforts at cooptation to bring the North under control while ensuring political stability in Pyongyang, and negating American coercive efforts. Meanwhile, South Korea has suffered strategic anxieties and political frustration over its marginalization as it observes China's economic and political influence on the Korean Peninsula while being stiff-armed by the North in inter-Korean relations. The other development of interest to Washington is an internal shift in the policy debate in Beijing over whether the North Korea issue should be viewed in isolation or whether this issue should be considered as part of the management of U.S.-China relations, given that ultimately China has much greater stakes in regional and global stability as a prerequisite for China's growth than it does in extending an unconditional lifeline to Pyongyang.

North Korea's missile launch may change this dynamic. If the six-party process gets back on track and if the U.S. commits to serious diplomacy while China uses its leverage in ways that decisively constrain North Korea's options for crisis escalation, there could be progress in that might lead to the denuclearization of the Korean Peninsula. There is also the possibility that the North Korean missile launch or internal instability in the North could heighten competitive impulses and contradictory policy aims on the part of China, the United States, and South Korea. This could lead to heightened competition or conflict in the event of a change in the status quo on the Korean Peninsula, heightening the costs for all concerned parties.

Chronology of China-Korea Relations April-June 2006

April 3, 2006: *Kyodo* report states that China and North Korea agree to set up a joint economic development zone near Nampo, an east coast port in North Korea.

April 5, 2006: Plans by the Korea Exchange to internationalize the Seoul stock exchange by inviting Chinese companies to list are stalled by roadblocks from Chinese regulators. Shenzhen-based PowerLeader Science and Technology Company, Ltd., was one of the first Chinese companies to apply for a listing on the Korean stock market, but its application remains blocked.

April 4, 2006: A report released by KDI states that China is expected to pose a full-fledged challenge to South Korea's semiconductor, electronic parts, and consumer electronics exports globally.

April 4-6, 2006: PRC Defense Minister Cao Guangchan arrives in Pyongyang for meetings with his counterparts.

April 8-11, 2006: South Korea hit by an unexpected series of "yellow dust" storms from China, leading to calls for more effective forecasting of the storms and heightening concerns about high levels of dangerous elements in the air during those storms.

April 11, 2006: Korea International Trade Association releases a report warning that imports from China are beginning to outpace Korea's exports to China, and calling for a Sino-Korean FTA and industrial dialogues to better manage economic relations.

April 12, 2006: Based on the popularity of Korean-made products in the Middle East, some Chinese counterfeiters have produced products with a "Made in Korea" label, according to a report by GNP Assemblyman Kwak Sung-mun.

April 15-19, 2006: PRC DM Cao arrives in Seoul for meetings with counterparts.

April 27-28, 2006: PRC State Councilor Tang Jiaxuan makes a secret trip to Pyongyang and briefs Chairman Kim Jong-il on the results of Hu Jintao's summit with George Bush.

April 28, 2006: China's unexpected move to lift interest rates by 0.27 percent to 5.85 percent hits markets in Seoul, raising concerns that higher interest rates may dampen prospects for Korean exporters.

May 3, 2006: ROK Ministry of Environment announces that record levels of harmful materials were contained in "yellow dust" from China during this spring season. The dust contained iron levels 12 times higher than that during a normal day in Seoul.

May 8, 2006: PRC Vice Minister of Commerce Ma Xiuhong leads a government economic and trade delegation to Pyongyang for the second meeting of the DPRK-China Economic, Trade, and Scientific and Technological Cooperation Committee.

May 10-14, 2006: Director of the IT bureau of Hainan Province Ma Er Qiang and a delegation from China arrive in Seoul for training in e-governance systems.

May 13, 2006: A delegation of the China Development Bank headed by Gov. Chen Yuan visits Pyongyang and meets with Vice Premier Ro Du-chol.

May 15-18, 2006: China Council for Promotion of International Trade Chairman Wan Jifei leads a Chinese delegation to a four-day international trade fair in Pyongyang.

May 16, 2006: Ministry of the People's Armed Forces gives a reception in honor of a Chinese delegation led by former Deputy Department Director of the Chinese Academy of Military Science Shao Hua, on the occasion of their visit to the gravesite of Mao Anying, son of Mao Zedong, who died in North Korea during the Korean War.

May 19, 2006: Ministry of Justice announces the issuance of a new employment visa, the H-2 visa, from July, enabling ethnic Koreans from China and Russia to freely enter, depart, and work in Korea for up to five years.

May 22, 2006: SK Corporation, South Korea's top refiner, is exploring investments in the Chinese coalmining sector, according to SK's senior vice president for the China division, Kim Sang-kook.

May 27, 2006: ROK Commerce and Industry Minister Chung Sye-kyun meets counterpart Bo Xilai in Seoul to discuss trade issues. Bo calls for progress in bilateral free trade agreement talks and called on Seoul to better manage labor-management disputes, while Chung mentioned difficulties that South Korean businessmen have in managing differences between local and central government policies in China.

May 30-June 6, 2006: DPRK Foreign Minister Paek Nam-sun visits China for consultations with PRC Foreign Minister Li Zhaoxing.

June 14, 2006: The Export-Import Bank of Korea releases report stating that South Korean exporters would be at risk if the PRC further raises interest rates and tightens control on bank loans to cool its overheating economy.

June 21, 2006: SK Telecom Company announces that it will invest \$1 billion to buy convertible bonds in China Unicom Ltd., a strategic investment designed to tap a growing market in China for wireless services and products.

June 27-28, 2006: ROK Foreign Minister Ban Ki-moon visits Beijing to meet counterpart Foreign Minister Li Zhaoxing. They agree on a “concrete and persuasive proposal” to North Korea to return to the Six-Party Talks as a precursor to bilateral talks over North Korea’s missile program with the United States.

June 28, 2006: PRC Premier Wen Jiabao states that “China is paying close attention to news that North Korea is possibly planning a missile-launch . . . I hope all parties will continue their efforts to maintain the stability of the Korean Peninsula.”

Comparative Connections

A Quarterly E-Journal on East Asian Bilateral Relations



Japan-China Relations: Spring Thaw

James J. Przystup
Institute for National Strategic Studies
National Defense University

For the first time in over a year, the foreign ministers of Japan and China met on May 23. Both ministers retreated to well-worn talking points on Yasukuni but agreed to move ahead in expanding exchange programs. Afterward, Foreign Minister Aso Taro announced that Japan's relations with China were moving toward normalcy and in early June, to further warm the atmosphere, the Koizumi government removed the freeze on loans to China. In turn, China's President Hu suggested that under the proper conditions and at an appropriate time, he would like to visit Japan.

The vice ministers of foreign affairs also met in Beijing to conduct the Fifth Japan-China Comprehensive Policy Dialogue. Meanwhile, director general-level discussions continued on the East China Sea. Beyond a desire to keep talking, little progress was evident.

In Japan, political leaders jockeyed for position in the post-Koizumi prime ministerial sweepstakes. Increasingly, foreign policy, Japan's relations with its Asian neighbors, and Yasukuni-related matters assume growing importance in the political debate, with candidates attempting to find their footing on the issues. In meetings with Japanese political figures, China's political leaders and diplomats worked to shape the post-Koizumi environment in Japan.

High-level meetings

Attempting to shape pending post-Koizumi succession politics, China's leadership hosted a number of Japanese political leaders during the first quarter of the year. The list included the LDP's Noda Takeshi, Nakagawa Hidenao, chairman of the LDP's Policy Research Committee, Nikai Toshiro, minister of Economy, Trade and Industry. At the end of March, at the invitation of the China-Japan Friendship Association, heads of seven Japan-China friendship organizations, including former Prime Minister Hashimoto Ryutaro, former Foreign Minister Komura Masahiko and former Home Affairs Minister Noda Takeshi arrived in Beijing on March 30. In anticipation of the trip, the Foreign Ministry on March 29 released the results of a nationwide public opinion survey on foreign policy issues; the survey was conducted Feb. 10-13. The survey revealed that only 6.9 percent of respondents thought Japan's relations with China were "good," while

66.7 percent thought the opposite; overall 77.9 percent thought relations should be improved. Top priority issues were identified as problems related to an understanding of history (58.9 percent); insufficient mutual understanding (32.1 percent); policy disagreements on international politics (30.2 percent) and problems related to international maritime rights (28.7 percent).

On March 31, the delegation met with Hu Jintao in the Great Hall of the People for approximately one hour. Hu made clear that the repeated visits by Japan's political leaders to Yasukuni Shrine, where the spirits of Japan's Class-A war criminals are enshrined, was the source of discord in the bilateral relationship. Such visits deeply wounded the feelings of Asian and Chinese peoples and damaged the political foundations of the China-Japan relationship. Nevertheless, Hu observed that should such visits cease, the door to a heads of government summit would be opened. Hu called for a strengthening and expansion of exchanges across the board. He reassured his guests that, China, as a developing country, was in no position economically to pursue an expansionist course and had no intention to challenge others militarily.

In reply, Hashimoto observed that, for many Japanese, Yasukuni is a personal matter and, noting the necessity of taking concrete actions, called for a frank exchange of views in order to move the relationship forward and overcome political obstacles. Noda turned the discussion to China's own patriotic education and asked that it not be tied to anti-Japanese sentiment.

Back in Tokyo, Koizumi took issue with Hu's Yasukuni-summit linkage, arguing that all countries have their differences on certain issues and asking "wouldn't it be better to get over them and develop friendly relations?" The prime minister did not consider Yasukuni to be a political or diplomatic issue. On April 4, Foreign Minister Aso told reporters that he thought Yasukuni-summit linkage to be "beyond comprehension." Later Aso told the House of Councilors Committee on Foreign and Defense Affairs that he expected the economic rivalry between Japan and China would increase.

In an April 15 speech in Hiroshima, Aso told his audience that, even if there is a resolution to Yasukuni, Japan should not expect smooth sailing in relations with China. In a region in which two economic superpowers live side-by-side, frictions are inevitable. What is important is for political leaders to meet. Turning to Yasukuni, the foreign minister emphasized that visits to the shrine cannot be stopped simply because China says they should be. Moreover, for the government to get involved in de-enshrining of the Class-A war criminals would be to involve itself in religious affairs and violate the constitution. Aso said that another way would have to be found.

On May 1, Vice Foreign Minister Yachi Shotaro announced that the Fifth Japan-China Comprehensive Policy Dialogue would take place in Beijing, May 7-9; China would be represented by Vice Minister for Foreign Affairs, Dai Bingguo. The talks ranged over issues in the bilateral relationship, including oil and gas exploration in the East China Sea, disposition of chemical weapons abandoned in China by the Imperial Army, and

expansion of cultural exchanges. Yachi also used the occasion to advance a foreign ministers' meeting in Qatar at the end of the month.

As the vice ministers met in Beijing, Koizumi, commenting on reports of a possible foreign ministers' meeting, suggested that "China is realizing that it is strange not to hold a summit meeting because of one controversial issue." Chief Cabinet Secretary Abe Shinzo told reporters that both countries would benefit from talks. And, in a May 9 speech in Tokyo, China's ambassador Wang Yi expressed the hope that a foreign ministers' meeting would be realized. "In order to put (Japan-China relations) in a virtuous cycle, dialogue at various levels will be essential," he told his audience. Wang also dismissed the idea of China becoming the leader of Asia as well as the premise that the two countries were destined to compete for leadership.

The foreign ministers met in Qatar May 23, with Aso observing that it would be more convenient to meet closer to home. Li made clear that China's view of the Yasukuni visits was unchanging, telling Aso that they "hurt the feelings of the Chinese people" and "damaged the foundation of political ties" between China and Japan. Aso replied that the prime minister visited the shrine to pay his respects to the war dead and to underscore his commitment that Japan will never again resort to war. Asked his intentions of visiting the shrine should he become prime minister, Aso said that he would "make a proper decision based on my principles and in consideration of my official capacity."

Aso reiterated that Japan welcomed China's peaceful rise but expressed concern about China's continuing military modernization and its lack of transparency. Li replied that the modernization efforts were defensive in nature. The ministers also agreed to resume, by the end of the year, the Japan-China Security Dialogue which has been in abeyance for over two years, to promote dialogue on issues related to the East China Sea, and to expand cultural, economic, and youth exchange activities between the two countries.

Afterward, Aso told reporters that the trend line in the bilateral relationship was moving in a positive direction. As the foreign minister saw it, China, in agreeing to the meeting, recognized the importance of Japan's trade and investment to China's economy, which, he observed, was "starting to show negative growth." Given the Chinese sense of values, "whether there is money to be made or not", it was a "wise" business decision to improve relations with Japan. Chief Cabinet Secretary Abe described the meeting as "extremely important" and the frank exchange of views as "extremely meaningful." That view was shared in Beijing. China's Foreign Ministry's spokesperson told reporters that the meeting was "beneficial," that China had "a positive opinion of Japan's attitude" and considered Aso to be "an important partner for improving and making progress in China-Japan relations."

On June 4, the media reported that Tokyo on June 3 had decided to lift the freeze on yen loans to China for FY 2006, an effort widely interpreted as an attempt to further warm the political environment. On June 6, the Council for Overseas Economic Cooperation approved the lifting of the freeze and extended a total of ¥74 billion to be used principally for environmental projects.

A week later, the atmosphere continued to warm. On June 10, Hu Jintao, meeting with the new Japanese ambassador Miyamoto Yuji, observed that under the proper conditions and at an appropriate time he would hope to visit Japan. Hu noted the current difficult stage of bilateral relations but made no reference to Yasukuni; he also stressed the importance China attaches to relations with Japan. The report was well received in Japan. Abe took it a positive sign that China “regards the relationship with Japan seriously.” Koizumi announced that Japan “is always open” and “ready any time” to engage in dialogue with China. Japan would set no conditions for dialogue – that would depend on China.

East China Sea

In early April, *Kyodo News Service* in a dispatch from Washington reported that Chinese aircraft had conducted reconnaissance across the median line boundary in waters claimed by Japan. Later in the month, it was learned that China’s Maritime Bureau had, on March 1, issued a notification prohibiting ships from entering areas near the median-line boundary while China conducted exploration activities from March 1 through Sept. 30.

In Tokyo concerns were expressed that the prohibition and exploration might extend into waters on the Japanese side of the median-line boundary. On April 16 during a *Fuji Television Sunday Morning* program, LDP Secretary General Takebe Tsutomu labeled the Chinese action “regrettable.” The next day, Chief Cabinet Secretary Abe told reporters that the action violated Japanese sovereignty and was also possibly in violation of the Law of the Sea Treaty, and that the government was considering a protest but that it first wanted to confirm reports.

Meanwhile, Koizumi told reporters that whatever the reality, he wanted to proceed calmly. Late in the evening of April 17, the Chinese Foreign Ministry, citing a “technical error,” explained that the area in which ship traffic was to be prohibited was only on the Chinese side of the median-line boundary. The following morning, Abe accepted the correction as a “simple mistake” but announced that even if the area was on China’s side of the line, Beijing would have to respect the “rights and obligations” of other states.

On April 22, METI Minister Nikai Toshiro met with China’s Vice President Zheng Qinghong in Boao, China; both agreed on the need to seek a peaceful resolution of the issue. Director general-level talks were scheduled to resume in Beijing in mid-May. On May 10, the *Sankei Shimbun* reported that the government had decided to formally reject the proposal for joint development made by China during a March 6-7 meeting and that it would again urge China to adopt Japan’s proposal for joint development on both sides of the median line boundary.

The two sides met May 18 in Beijing, with Sasae Kenichiro, director general for Asian and Oceanic Affairs, and Hu Zhengyue heading the delegations. Again, the talks went nowhere; each side rejected the position of the other and reiterated previous proposals. Both, however, agreed to continue the discussions. Both also agreed to work toward

measures that would prevent or expeditiously deal with unforeseen accidents or incidents in the area.

Post-Koizumi succession, foreign policy, and the debate over Yasukuni

As the September LDP elections draw near, the leading prime ministerial candidates, Chief Cabinet Secretary Abe, Foreign Minister Aso, and former Chief Cabinet Secretary Fukuda Yasuo, face the challenge of developing positions on a number of foreign policy issues; among them, relations with China and the Republic of Korea involve Yasukuni. Although Koizumi and Abe endeavored to fence-off Yasukuni from political discourse, the debate inevitably found a path back to Yasukuni.

Koizumi continued to fault China and South Korea for failing to respond to Japan's calls for a resumption of high-level meetings. Questioned about his visits to Yasukuni Shrine and the state of relations with China, he repeatedly answered that he found it "difficult to understand" or "strange" that China would refuse summit meetings over a single issue. They were, he observed, the only two countries to do so. As for his critics, their position against paying reverence at Yasukuni amounted to saying not to go because China says not to go; this was not the way to do business. The way to resolve differences between countries was through dialogue.

On April 2, both Abe and Aso appeared on Sunday morning talk shows. Both addressed the "Yasukuni for summit" offer made by President Hu to the Friendship delegations on March 31. Both turned it down.

Abe took Hu to task, saying "it's a wrong policy to use the option of not holding a summit meeting as a precondition for achieving political goals." He wondered "if it is a good thing to sacrifice our political and economic assertions to hold a summit meeting." To move the relationship ahead, China needed "to take another step forward." As to whether he would visit the shrine as prime minister, Abe replied that he had "no intention to make Yasukuni a political slogan." Moreover, he believed that it "should be eliminated from the diplomatic agenda."

Nevertheless, the political and policy debate in Japan continued.

On April 23, the New Komeito Party leader Kanzaki Takenori, speaking in Koemgo city in Tottori prefecture, told his audience that relations with China and South Korea "must be stabilized" and that Japan's relations with Asia would be a major issue for Koizumi's successor.

At the end of April, former Chief Cabinet Secretary Fukuda entered the discussion. In an April 25 address delivered in Tokyo, Fukuda, touching on the foreign policy legacy of his father, the 1977 Fukuda Doctrine toward Southeast Asia, called for a new policy toward Asia. In the context of Japan's Asia policy, Fukuda pointed out that Koizumi's visits to Yasukuni "were not a plus." He called attention to the need to improve relations with China and South Korea. Five days later on an NHK talk show, Fukuda expounded on his

foreign policy thinking. Noting the “deterioration of bilateral ties” with China and South Korea, relations which he described as being “in a somewhat abnormal situation,” Fukuda said that Japan “should think about what kind of action we must take. There is no other choice but to make a decision from a broad standpoint, looking at relations in the future.”

The business community entered the debate in early April. On April 4, IBM Japan President and Chairman of the Keizai Doyokai (Japan Association of Corporate Executives), Kitashiro Kakutaro, addressing President Hu’s Yasukuni-summit offer, told a press conference that he found Hu’s remarks “regrettable.” Kitashiro reasoned that stopping the Yasukuni visits would “become even more difficult once this turns into a political issue.”

However, a month later, on May 9, the Keizai Doyokai went public with a document that called for “self-restraint” on the part of the prime minister with regard to Yasukuni visits. Continuing the visits, the organization cautioned, “could lead to undermining what has been achieved in the postwar period” and “not benefit Japan’s national interests.” The document also called for the creation of a secular war memorial, a position earlier advanced by Fukuda. Koizumi dismissed the Doyokai proposal, saying that “business and politics are two separate matters.” He pointed to the fact that economic relations, as well as cultural exchanges, were expanding at an unprecedented pace.

On June 23, Japan’s Supreme Court dismissed an appeal of a 2005 Osaka High Court ruling seeking damages for Koizumi’s visits to Yasukuni which the plaintiffs alleged were unconstitutional. The court failed to find legal grounds to support claims for damages, “even if religious and emotional sentiments were hurt by another person’s visits.” At the same time, the court refrained from ruling on the issue of the constitutionality of the prime minister’s visits. Koizumi told reporters that the thought the decision “appropriate,” reaffirming his views on the nature of his visits.

The following day, the *Yomiuri Shimbun* released results of a June 17-18 public opinion survey. With regard to Yasukuni, 46 percent of respondents supported visits to Yasukuni by Koizumi’s successor and 43 percent opposed. Looking at relations with China, South Korea, and Japan’s Asian neighbors, 79 percent considered them important. But, asked if visits to Yasukuni should be stopped to improve relations with China, 51 percent opposed stopping Yasukuni visits, while 42 percent favored doing so. With regard to disputes with China and South Korea over the East China Sea and Takeshima/Dokdo, 68 percent supported a Japanese diplomacy that would consistently advocate Japan’s national interests, while 24 percent thought consideration should be given to the positions of China and South Korea

Security

On April 14, the Foreign Ministry released its annual Blue Book report on Japan’s diplomacy. The Blue Book called on China to improve transparency with regard to military spending. Although the report has in the past referenced China’s military

spending, the 2006 edition marked the first time that the document called on Beijing to improve transparency. Newly appointed ambassador to China Miyamoto Yuji echoed the call, citing China's lack of transparency as "the reason why China's image, for the most part comes out ... negative." Increased transparency would enhance China's "acceptance by the international community." At the same time, Miyamoto rejected the argument that China posed a threat to Japan.

That said, it was clear that activities of the PLA Air Force were extending into Japan's air space. In Japan's 2005 fiscal year (April-March), the Air Self-Defense Forces scrambled 107 times against Chinese planes as opposed to only 13 times in 2004. The first half of the fiscal year, the scrambles totaled 30, and the second half of the year October-March, the number significantly expanded to 77. The total of 107 scrambles represented the highest total since such statistics began to be recorded. By way of comparison, the number of scrambles in response to Chinese aircraft was 25 in 1997; 30 in 1998; 23 in 1999; 6 in 2000; and 13 in 2004. The Chinese activities were widely regarded as intelligence gathering in nature, particularly in the area of oil and natural gas exploration in the East China Sea.

On May 3, the *Asahi Shimbun* released the results of a public opinion, conducted April, on issues related to Japan's constitution. Sixty-two percent supported revision of the constitution to recognize the Self-Defense Forces (SDF); 28 percent opposed; 23 percent favored defining the SDF as a military, 34 percent opposed. On the right of collective self-defense, 53 percent favored continuation of the prohibition on the exercise of the right, 36 percent thought that Japan should be able to exercise the right.

Earlier on April 29, the Chief Cabinet Office published survey results on the SDF and security issues. Asked whether the respondents thought Japan would be involved in a conflict, 45 percent said yes; 32.6 percent said that it could not be ruled out, and 16.5 percent said no. With a 1.8 percent increase over three years of the affirmative response, the poll suggested increasing attention to security issues, in particular terrorism, the Korean Peninsula, and China's military buildup. On April 12, the Defense Agency presented a legislation outline that would transform the agency into a ministry. The Cabinet approved the legislation June 9 and submitted it to the Diet for consideration and debate. The Diet did not act on the legislation before adjourning June 18.

Business and economics

Even as political relations stagnated, the economic side of the relationship continued to expand. In early April, the Japan External Trade Organization (JETRO) released figures on Japan's 2005 international economic relations. In China, Japanese investment hit a record high of \$6.5 billion, a 19.8 percent increase over 2004. Japan's auto and electronics industries led the way. The report also noted that investment had slowed in response to anti-Japanese demonstrations in April 2005. While recognizing that Japanese companies had "renewed their recognition regarding the risks of investing in China," JETRO expected "no changes in the situation under which China remains Japanese companies' focus of investment."

Outlook

The foreign ministers' meeting in Qatar and President Hu's remarks about visiting Japan point to a thaw in relations. The political forecast calls for continued warming through the LDP's presidential election in September. The post-September forecast will depend in large part on the results of the election and the choices of the new prime minister.

Chronology of Japan-China Relations April-June 2006

March 30, 2006: Group of 40 Chinese sue Japanese government in Tokyo District Court for wounds/loss of life suffered during Japanese bombing of Chongqing.

March 31, 2006: Leaders of seven Japan-China Friendship Associations, including former Prime Minister Hashimoto and former Foreign Minister Komura meet with President Hu; Hu proposes ending Yasukuni visits in exchange for summit.

April 2, 2006: Chief Cabinet Secretary Abe Shinzo and Foreign Minister Aso Taro both reject Hu's linkage proposal.

April 2, 2006: Japan and China sign agreement to simplify customs administration.

April 4, 2006: FM Aso finds Yasukuni-summit linkage "beyond comprehension."

April 6, 2006: China's Smbassador to Japan Wang Yi says Hu's Yasukuni-summit proposal shows desire to improve relations; urges end to Yasukuni visits.

April 14, 2006: Foreign Ministry releases 2006 Diplomatic Blue Book; cites China for lack of transparency about military buildup.

April 15, 2006: Aso in speech at Hiroshima says that resolution of Yasukuni will not resolve all Japan-China issues.

April 16, 2006: LDP Secretary General Takebe expresses displeasure with reports that China has declared exclusion zone in East China Sea.

April 17, 2006: China's Foreign Ministry, citing technical error, says exclusion zone in East China Sea extends only to its side of the median-line boundary; Abe accepts correction as simple mistake on April 18.

April 22, 2006: METI Minister Nikai meets with China's Vice President Zheng in Boao China; both agree on peaceful resolution of East China Sea issues.

April 22, 2006: Ninety-six Diet members visit Yasukuni shrine; 87 from LDP.

April 23, 2006: Komeito party leader Kanzaki calls for stabilizing relations with China.

April 25, 2006: Former Chief Cabinet Secretary Fukuda calls for a new policy toward Asia; expresses negative view of Koizumi's visits to Yasukuni.

May 7-9, 2006: Fifth Japan-China Vice Ministers' Comprehensive Policy Dialogue takes place in Beijing.

May 9, 2006: China's ambassador to Japan Wang in speech in Tokyo calls for improving Japan-China relations; expresses hope that foreign ministers will soon meet.

May 9, 2006: Keizai Doyukai calls for separation of Class-A war criminals from war dead at Yasukuni.

May 10, 2006: Abe says that decision on separation must be made by shrine authorities, not government.

May 11, 2006: Advisor to Democratic Party of Japan Hata Tsutomu meets with PRC State Councilor Tang; Tang invites Ozawa to visit China.

May 18, 2006: Japanese-Chinese delegations meet in Beijing to discuss East China Sea issues; fail to make progress; but agree to meet again.

May 18, 2006: Former LDP Secretary General and head of War Bereaved Association Koga proposes separation of Class-A war criminals from war dead at Yasukuni.

May 23, 2006: Foreign Ministers Aso and Li meet in Qatar.

May 27, 2006: China and South Korea opt out of Japan Coast Guard sponsored six-nation exercise aimed at practicing pursuit of ships suspected of illegal activities.

May 28, 2006: Former PM Mori urges next prime minister not to pay homage at Yasukuni in order to improve Japan-China relations.

May 30, 2006: War Bereaved Association deadlocks on Koga's proposal; restates current policy that the issue must be decided by Yasukuni authorities, not politics.

June 3-4, 2006: Aso says relations with China are returning to normalcy.

June 5, 2006: Japanese and Chinese consular authorities meet in Tokyo; Japan renews protest of May 2004 suicide of Japanese consular official in Shanghai; Chinese officials deny government involvement.

June 6, 2006: Council for Overseas Economic Cooperation approves lifting of freeze on yen loans to China; approves loan package of ¥74 billion.

June 8, 2006: China notifies Japan of discovery of chemical weapons in Heilongjiang province and asks for fact-finding team; June 14, Abe announces plan to send team to China to ascertain if the weapons had been abandoned by the Imperial Army.

June 10, 2006: President Hu expresses interest in visiting Japan under proper conditions to Japanese ambassador.

June 15, 2006: Association to Consider a Secular War Memorial, chaired by Yamasaki Taku, issues report calling for inclusion of funds in coming fiscal year budget to study establishment of secular war memorial dedicated to those who died in war.

June 20, 2006: *Nihon Keizai Shimbun* public opinion poll reveals 37 percent of respondents against Aug. 15 visit to Yasukuni by Koizumi; 32 percent support visit but not on Aug. 15; 17 percent supporting visit on Aug. 15.

June 23, 2006: Japan's Supreme Court upholds Osaka High Court ruling dismissing claims for damages resulting from Koizumi's visits to Yasukuni; avoids ruling on constitutionality of prime minister's visits; Koizumi's finds ruling "appropriate."

June 24, 2006: Fukuda in speech delivered in Jakarta to the Indonesia-Japan-Friendship Association focuses on Asia policy; proposes Economic Partnership among Asian countries; stresses need for Japan, China and South Korea to cooperate in bringing about regional economic integration; again calls for Koizumi to stop visiting Yasukuni.

June 24, 2006: *Yomiuri Shimbun* releases results of June 17-18 public opinion survey.

June 25, 2006: Aso tells NHK broadcast audience that, without political pressure, Yasukuni authorities should reconsider the religious nature of the corporation; calls for government to consider propriety of separating Class-A war criminals from those enshrined at Yasukuni.

June 25, 2006: China-Japan mark 60th anniversary of Japanese repatriation from China; ceremonies held in Huludao, Liaoning province (formerly Japanese occupied Manchuria) and attended by former Foreign Minister Tang and former Ambassador to Japan Wu.



Japan-Korea Relations:
More Squabbling, Little Progress

David Kang, Dartmouth College
Ji-Young Lee, Georgetown University

Japan-Korea relations continued to be tense during the quarter. North Korea and Japan faced off over abductees, history, and the North's presumed preparations for a missile launch. South Korea and Japan came close to a skirmish over the disputed Dokdo/Takeshima islands, and only intensive negotiations avoided a crisis between the two countries. With Japan and both Koreas seemingly locked into their respective foreign policy approaches, it is no surprise that there was little progress and much squabbling.

Japan-North Korea: little dialogue, lots of pressure

Japan-North Korea relations spiraled even further downward throughout the second quarter and are characterized by two words: impasse and pressure. While there was no breakthrough over the abductee or nuclear weapons development program issues, Japan's Diet passed a bill calling for economic sanctions on North Korea if the North fails to cooperate in settling the kidnapping of Japanese citizens amid the heightened political tension over the North's preparations for a test-firing of its *Taepodong 2* missile. Of the three key issues between the two countries – the North's nuclear weapons development program, the abduction of Japanese citizens, and compensation for Japan's colonial rule – none has seen real progress, and Japan seemed to be turning toward pressure rather than dialogue in dealing with North Korea.

It was not a lack of dialogue that prevented the two from normalizing bilateral relations. The quarter started with Japan allowing North Korean delegates to visit Japan for the track II (unofficial) Northeast Asia Cooperation Dialogue (NEACD) April 9 in Tokyo. But meetings on the sidelines of the NEACD between the two chief negotiators of the Six-Party Talks, Japan's Sasae Kenichiro and the North's Kim Gye-Gwan, bore no fruit over the resumption of the Six-Party Talks or the abduction issue. The North reiterated its position that it would not return to the six-party process unless the U.S. lifts the financial sanctions imposed on it, while Japan demanded North Korea to show a more "sincere stance" in investigating the fate of the abductees.

In the meantime, the abductee issue entered a new phase as Japan's Ministry of Foreign Affairs on April 11 officially announced that the DNA test of Kim Hye-kyung, the daughter of Yokota Megumi, and South Korean Kim Young-nam's relatives showed that Yokota's husband is most likely to be Kim Young-nam, a South Korean who was

abducted by North Korea in 1978. The results are at odds with the North's assertion that Yokota married a North Korean named Kim Chol-jun in 1986. When asked about the announcement, North Korea's ambassador in charge of diplomatic normalization talks with Japan, Song Il-ho, rejected Japan's conclusion and called it an attempt to drag South Korea into the abduction debate, reported *The Japan Times* April 14.

Later that month Japan's National Police Agency obtained arrest warrants for North Korean agent Sin Guang-su and a former principal of a North Korean school in Japan for allegedly kidnapping Hara Taddaki and made a request through channels in Beijing to North Korea to extradite Sin. Hara was one of 13 Japanese citizens that the North admitted in 2002 to kidnapping to train its spies in Japanese language and culture.

Outside Japan, efforts by the abductees' relatives and of NGOs have succeeded in getting the abduction issue treated as a North Korean human rights problem, drawing wider, intensive international attention. On April 28, President George Bush met with Yokota Sakie, the mother of Yokota Megumi, who also testified at the House of Representatives with other relatives. U.S. lawmakers and officials are said to have promised to raise the issue at the G-8 Summit in July in Russia; UN Secretary General Kofi Annan said that North Korea must be held to account for the sufferings of the abductees and their families, calling on the North to return every one of those who were abducted; relatives of Japanese and South Korean abductees joined forces to ask their governments to cooperate to bring their loved ones back from North Korea as quickly as possible. According to Shimada Yoichi of the National Association for the Rescue of Japanese Kidnapped by North Korea, who testified at the congressional hearing in Washington, since the end of the Korean War, Pyongyang has abducted more than 500 people from France, Italy, and Malaysia, including 485 South Koreans.

North Korea responded by criticizing Japan and the U.S. over the meeting between President Bush and Yokota calling it an attempt to "stifle" Pyongyang. The DPRK's *Korean Central News Agency* May 2 accused Japanese politicians of using the abduction issue to "achieve their sinister political purpose" when the issue "had already found its settlement thanks to the sincere approach and efforts of the DPRK government." While Pyongyang has been further isolated from the international community over the abduction issue, it continued its campaign of denouncing Japan's "distortion of history," claiming that Japan was becoming more blatant in its moves for militarization and territorial expansion "at the tacit connivance of the U.S. and under its patronage."

Developments during the latter part of the quarter highlighted frustration felt by both countries over the deadlock, finding its expression in a series of hardline stances supported by their respective domestic constituencies. On June 9, Japan's Cabinet endorsed a bill to upgrade the Defense Agency to a full-fledged Defense Ministry to better reflect a growing role of Japan's military at home and abroad. A survey conducted March 11-12 of 3,000 eligible voters across Japan revealed that 71 percent felt that the Constitution should clarify the existence of the Self-Defense Forces, while 56 percent responded the basic law should be revised, the ninth straight year since 1998 that a majority of respondents have favored revising the Constitution. Regarding the war-

renouncing Article 9, 39 percent – the highest total in five years – thought that it should be rewritten. However, 33 percent responded it should be handled as it has been so far, while 21 percent responded that the article should be strictly upheld.

News reports about the North's presumed preparations for the test-firing of the *Taepodong 2* missile are expected to exacerbate an already troubled Japanese public perception of the threat posed by North Korea stemming from the North's 1998 missile test. According to a *Yomiuri Shimbun* report released on April 30, right before news reports about the North's alleged missile test preparations, a Cabinet Office opinion survey revealed that 45 percent of respondents felt that Japan was at risk of being involved in a war and the largest number – 63.7 percent – referred to the situation on the Korean Peninsula as the greatest concern to Japan's peace and security, while 46.2 percent cited international terrorist organizations, 36.3 percent cited China's military buildup, and 29.6 percent cited weapons of mass destruction and missiles.

Tokyo's reaction to the North's test preparations reflected experience with North Korea's 1998 missile test over its territory. While Japanese media, including national broadcaster *NHK* and *Kyodo News*, were on alert to report Pyongyang's movement, the government reconfirmed its close coordination with the U.S. in the event of a test, saying that it would immediately file a "fierce" protest with the UN Security Council and invoke economic sanctions against North Korea – a bill had been approved by the Diet earlier that month. In a televised program, Foreign Minister Aso Taro spoke of the possibility that a *Taepodong* missile launch might accidentally fall on Japan's territory and said that it would be taken as an attack on Japan. Later that day he corrected his remark in a separate TV program, saying that an accidental arrival of the missile would not invoke immediate Japanese retaliation. North Korea claims that it is not bound by its voluntary moratorium on testing long-range missiles, and the missile test crisis looks to further stiffen Japan's hardline policy toward North Korea.

Japan-South Korea: in-laws fight over the Dokdo/Takeshima islets

The quarter also witnessed Japan becoming more assertive in its foreign policy, including its dealings with territorial claims, while South Korea declared that it would give up its "quiet diplomacy" toward Japan's "provocations." The DNA test results that revealed Yokota Megumi married a South Korean abductee Kim Young-nam brought Japan and South Korea together as "in-laws," but their bilateral relations deteriorated over the Dokdo/Takeshima islets. Despite Japan's much hoped-for cooperation from South Korea over the abduction issue, Seoul was lukewarm in its response, preferring not to upset North Korea. Instead, South Korean reaction to Tokyo's plan to launch a maritime exploration project in waters near the Dokdo/Takeshima islets produced heated diplomacy, resulting in negotiations in late April and mid-June. However, by quarter's end, the negotiations showed little progress, leaving many issues unresolved.

With engagement with North Korea at the center of Seoul's diplomatic efforts and the continuing chill between Japan and South Korea over history issues, Japan's DNA test showing that Yokota was married to a missing South Korean did not automatically

translate into any form of bilateral policy coordination between Tokyo and Seoul. In Japan, Chief Cabinet Secretary Abe Shinzo said the Japanese government must embark on a higher level of cooperation with Seoul to resolve the abduction issue, while major Japanese media called on South Korea to join Japanese efforts to resolve the issue.

The South Korean government was much more subdued, aiming to handle the issue directly with Pyongyang rather than pressuring it along with Tokyo. Unification Minister Lee Jong-seok set up a task force to investigate the case and said that Seoul would offer “bold” economic support to Pyongyang in the next inter-Korean ministerial talks to resolve the plight of South Koreans abducted by the North. Kim Seung-kyu, the head of the National Intelligence Service, confirmed at a National Assembly briefing that five teenage South Korean boys including Kim Young-nam were abducted by North Korea in 1978-79 and are still alive in the North, but said that the Service would ask quietly for their return and that it would not “agitate” the North, reported *Joongang Ilbo* April 28. The conservative South Korean daily *Choson Ilbo* April 11 criticized the Roh Moo-hyun government by saying “it takes Japan to find our missing people in North Korea.”

The cycle of tension regarding history issues between Japan and South Korea repeated itself this quarter. Tokyo’s plan to launch a maritime exploration project in waters near the disputed Dokdo/Takeshima islets met “stern” responses from Seoul. Political tension rocketed when the South Korean Coast Guard deployed more than 18 ships, including patrol vessels, in response to the dispatch of two Japan Coast Guard vessels to conduct a survey near the islets. President Roh accused Tokyo of imperial ambition by saying that “some people” were trying to assert territorial rights that they had won through “invasion and war,” while Chief Cabinet Secretary Abe said that there was no problem in terms of international law in conducting a scientific survey within its a country’s own exclusive economic zone (EEZ).

Seoul and Tokyo managed to avoid military confrontation through negotiation on April 21-22 as South Korea agreed to postpone efforts to rename a sea valley in the area and Japan cancelled its marine expedition. However, a televised statement by President Roh April 25 which was intended to “clarify the keynote position of the South Korean government on South Korea-Japan relations” framed Japan’s maritime survey as “an act that insults Korea’s sovereignty and national pride,” and “an act of asserting the legitimacy of Japan’s criminal history of waging wars of aggression.” South Korean daily *Joongang Ilbo* reported April 27 that President Roh’s comments offended even Japanese media that are usually sympathetic to South Korea, including *Asahi*, *Mainichi*, and *Yomiuri*. Tokyo’s general response was rather calm, choosing to interpret Roh’s statement as directed toward South Korean domestic constituencies. Prime Minister Koizumi said that Japan would respond calmly to Roh’s comments and that a bilateral summit could help smooth relations.

A two-day negotiating session on June 12-13 aimed at promoting talks on where the EEZ should be drawn were held in Tokyo, but failed to reach an agreement. Seoul’s position has hardened since the last EEZ talks six years ago. Seoul insists that the boundary should be drawn along the median line between the Dokdo/Takeshima islets and the

island of Okinoshima rather than between Ullung Island and Okinoshima. Japan has argued that the EEZ boundary should be drawn along the median line between the Dokdo/Takeshima islets and Ullung Island. As Seoul refused Japan's call to cancel a maritime survey near the disputed islets that is planned for July, it remains to be seen whether the two countries will find a point of compromise during the next quarter.

The debate within Japan over the prime minister's visits to Yasukuni Shrine continued, this time linked to the September LDP presidential election. Against that backdrop the *Nihon Keizai Shimbun* reported May 8 that Prime Minister Koizumi was considering another visit to Yasukuni Aug. 15. The Japan Association of Corporate Executives, one of four major business federations in Japan, said that it opposed the prime minister's visit to the shrine while Koga Makato, a former secretary general of LDP, was pushing the idea of separating Class-A war criminals from the rest of the war dead.

The *Japan Times* reported May 20 that the question of how to improve Japan's soured relations with China and South Korea topped the agenda for the September election. Of the leading candidates, Fukuda Yasuo, former chief Cabinet secretary, publicly announced that the next prime minister should refrain from visiting Yasukuni Shrine and received backing from business leaders. According to an *Asahi Shimbun* survey between June 1 and 16, which covered 100 major companies and 94 other regional entities including financial institutions, Fukuda was preferred to Chief Cabinet Secretary Abe because they wanted to see Japan's relations with other Asian neighbors improve. However, Abe is running ahead of Fukuda in polls of general voters and is largely expected to follow Koizumi's footsteps and continue visits to the shrine. Foreign Minister Aso Taro, who said he would run if he could collect the required 20 endorsements from party members, drew attention by saying Japan has problems in the current method of honoring the war dead at Yasukuni.

Economic and cultural relations

Japan-North Korea economic relations remained almost nonexistent as Japan continued its tight control on trade with North Korea. According to the Korea Trade Investment Promotion Agency, bilateral trade fell from \$474 million in 2001 to \$193 million in 2005, marking a fall from 18 percent to 5 percent of North Korea's overall trade with foreign countries. The agency said that China's trade with North Korea increased to \$1.58 billion, or 39 percent, followed by South Korea with \$1.06 billion, or 26 percent, reported *Yomiuri Shimbun* June 18.

Japan-South Korea bilateral free trade agreement (FTA) talks made little progress this quarter other than Japanese Ambassador to South Korea Oshima Shotaro's call that Seoul should not insist on too many concessions in the agricultural sector and come to the negotiating table right away. Despite few regional FTA success stories, Japan made an ambitious proposal that the 10-member ASEAN countries, China, South Korea, Japan, Australia, and New Zealand consider an Asia-Oceania FTA pact that could rival the EU and NAFTA. The proposal is a sign that all countries in the region are beginning to examine regional FTAs more seriously.

Japan and South Korea also pushed for more regional integration on the currency side; the finance ministers of China, South Korea, Japan, and the 10 member countries of ASEAN met on the sidelines of the Asian Development Bank's annual meeting and agreed to double the total scale of liquidity support for countries with a foreign exchange crisis. The total value of currency swap arrangements under the Chiang Mai Initiative is expected to expand from \$39.5 billion to \$75 billion, and the initiative would entail collective decision making procedures, which will require intensive coordination. The finance ministers of South Korea, Japan, and China, Han Duck-soo, Tanigaki Sadakazu, and Jin Renqing, met separately and agreed to start joint research at a government level to study a single regional currency.

The increasingly integrated economies of Japan and South Korea continued to cooperate and compete. The quarter witnessed the won continuing to advance against the falling yen. The won gained 13.4 percent against the yen in the past six months, going from about 930 won to ¥100 last September to about 820 won in late March this year, hitting its lowest point in more than eight years in April.

As the Japanese economy expanded by 3.2 percent in the year that ended March 31, its fastest annual rate of growth since 1991, demand for foreign workers in the IT sector coupled with a national project called e-Japan have begun to lure South Korean workers to Japan. *Joongang Ilbo* reported May 22 that compared to the year 2004, when 61 South Korean workers came to Japan to work in the IT sector, the number surged to 315 last year, with 160 in the first four months of 2006.

On April 19, South Korean Samsung Electronics and Japanese Sony Corp. agreed to invest \$234.1 million to expand a joint venture for the production of liquid crystal display panels and to invest about 2 billion won to jointly build an eighth-generation LCD production line.

By quarter's end, an arbitration panel to resolve trade disputes between Japan and South Korea was set up within the World Trade Organization to deal with South Korea's claim over Japan's punitive tariffs levied on imports of computer memory chips made by Hynix Semiconductor Inc. During the panel sessions, the South Korean government said it plans an "aggressive claim" about the unfairness of the Japanese government. On Jan. 27, Japan placed punitive tariffs of 27.2 percent on dynamic random access chips made by Hynix, the world's no. 2 computer memory chip manufacturer.

In cultural relations, a historical reconciliation between the pro-Seoul and pro-Pyongyang Korean resident groups in Japan caught media attention both in South Korea and Japan. Reflecting thawed Seoul-Pyongyang relations in recent years, the pro-Seoul Korean Residents' Union in Japan (Mindan), and the pro-Pyongyang General Association of Korean Residents in Japan (Chongryon), which have been antagonists for the past 50 years, signed a joint statement May 17. The statement includes calls for collaboration and unity of the expatriate community in Japan, co-hosting Liberation Day ceremonial festivals, joint efforts to uphold education and national culture, and cooperation to enhance welfare status of Koreans, among others goals. Prime Minister Koizumi

welcomed the move, saying that reconciliation would be a good thing and hoped the developments would have a positive influence on Japan's relations with North and South Korea. However, by the end of June the pro-Seoul group Mindan leaders faced stern challenges from its local chapters over the May 17 agreement and were accused of signing the deal with the pro-Pyongyang group without first discussing the matter with local organizations.

The next quarter's outlook

Prime Minister Koizumi has overseen a much-strengthened U.S.-Japan alliance, to the detriment of Japan's relations with its neighbors. With a new Japanese prime minister likely to take power in September, it remains to be seen how Japan's foreign policy will evolve. Negotiations between South Korea and Japan over the Dokdo/Takeshima islands are scheduled for July, as are discussions about the FTA. No negotiations between Japan and North Korea are currently scheduled, although it is quite likely that one of the issues will become relevant this summer.

Chronology of Japan-Korea Relations April-June 2006

April 4, 2006: Japan Trade Minister Nikai Toshihiro says that Tokyo will ask China, South Korea, India, Australia, New Zealand, and ASEAN to consider a regional free trade zone.

April 6, 2006: *Japan Times* reports that a documentary portraying Yokota Megumi, *Abduction: the Megumi Yokota Story* won the July Prize for the Best Documentary at the 24th annual San Francisco International Asian American Film and the Audience Award for Best Documentary at the Omaha Film Festival.

April 10, 2006: Representatives from Japan and North Korea have informal dialogue on the sidelines of the NEACD conference over deadlocked negotiations over the North's nuclear weapons development program and the abduction issue without any progress.

April 10-11, 2006: Northeast Asia Cooperation Dialogue (NEACD) is held in Tokyo with delegates also from North Korea in attendance.

April 11, 2006: Japan's Ministry of Foreign Affairs announces that DNA tests show that South Korean Kim Young-nam is likely to be the husband of abductee Yokota Megumi.

April 12, 2006: Japan's Chief Cabinet Secretary Abe Shinzo says that the Japanese government must embark on a high level of cooperation with the South Korean government to resolve the abduction issue.

April 13, 2006: North Korea rejects Japan's DNA test conclusion that the husband of Megumi Yokota is a South Korean.

April 13, 2006: ROK Vice Unification Minister Shin Un-sang says that Seoul will demand the repatriation of a South Korean man living in North Korea if DNA tests prove he really is Kim Young-nam who was abducted by North Korea in 1978.

April 14, 2006: North Korea's Vice Foreign Minister Kim Gye-gwan says that North Korea could use the standoff in the Six-Party Talks to bolster its military "deterrent force" and demands the return of the funds in the Banco Delta Asia as a precondition for the resumption of the Six-Party Talks.

April 14, 2006: Seoul summons the Japanese ambassador to Seoul to question Tokyo's plan to launch a maritime exploration project near the disputed Dokdo/Takeshima islets.

April 19, 2006: Samsung Electronics and Sony Corp. signed a deal to invest \$234.1 million to expand a joint venture for the production of liquid crystal display panels.

April 20, 2006: *Choson Ilbo* reports that the South Korean government plans to launch an agency that will expropriate possessions of Japanese occupation collaborators.

April 22, 2006: Two-day negotiations conclude as Japan suspends its plan to send survey ships toward the disputed Dokdo/Takeshima islets area and South Korea agrees to postpone its efforts to rename a sea valley in the area.

April 25, 2006: ROK President Roh Moo-hyun makes a televised statement and blames Japan for having imperial territorial ambitions over the Dokdo/Takeshima islets.

April 26, 2006: Japan asks North Korea to extradite former agent Sin Guang-su.

April 27, 2006: Shimada Yoichi, vice chairman of the National Association of the Rescue of Japanese Kidnapped by North Korea, testifies before a congressional hearing in Washington, D.C. saying that Pyongyang abducted 485 South Koreans since the end of the Korean War.

April 27, 2006: Tokyo places former DPRK spy Sin and a suspected accomplice on an international wanted list through Interpol on charges of abducting Japanese national Hara Tadaaki in the 1970s.

April 27, 2006: South Korea's National Intelligence Service Director Kim Seung-gyu testifies in a closed-door meeting with the National Assembly Intelligence Committee that the husband of the Japanese abductee Yokota Megumi, Kim Young-nam and other four high school boys kidnapped in 1977-8, are still alive in North Korea.

April 28, 2006: President George Bush meets with Yokota Sakie, mother of Yokota Megumi.

April 30, 2006: *Yomiuri Shimbun* reports that 45 percent of respondents felt that Japan was at risk of being involved in a war and that 63.7 percent referred to the situation on the Korean Peninsula as a great concern for Japan's peace and security.

May 1, 2006: *Yomiuri Shimbun* reports that additional data-collecting satellites will be launched to watch the Korean Peninsula in July.

May 4, 2006: Finance ministers of Japan, South Korea, China, and ASEAN release a joint statement that they will double the liquidity support for countries within the group facing a foreign exchange crisis and promote research on a single Asian currency.

May 13, 2006: Parents of Yokota Megumi meet Thai Foreign Minister Kantathi Suphamongkhon in Tokyo to discuss the suspected abduction by Pyongyang of a Thai woman.

May 16, 2006: Japan's Foreign Minister Aso Taro says that he sees problems in the current method of honoring the war dead at Yasukuni Shrine.

May 17, 2006: Yokota Shigeru, Megumi's father, returns to Japan after a three-day visit to South Korea. During this trip, he met relatives of Kim Young-nam and Park Geun-hye, the leader of South Korea's Grand National Party.

May 17, 2006: North Korea criticizes Japan and the U.S. over the meeting between President Bush and the mother of Yokota Megumi, calling it part of the countries' campaign to "stifle" Pyongyang.

May 17, 2006: The leaders of the pro-Seoul group, Mindan and the pro-Pyongyang group, Chongryon of Japan hold their first meeting to resolve longstanding differences.

June 8, 2006: DPRK's *Korean Central News Agency* reports that Pyongyang offered to allow Kim Young-nam, a South Korean abductee married to Yokota Megumi, to meet his South Korean family at a special reunion scheduled for late June.

June 13, 2006: Seoul and Tokyo conclude two-day EEZ talks with no agreement.

June 13, 2006: Japan's Lower House passes legislation that calls for economic sanctions on North Korea if the North does not cooperate in settling issues regarding the abductions of Japanese citizens.

June 16, 2006: Japan's Upper House approves bill that would allow for economic sanctions against North Korea.

June 16, 2006: Tokyo requests Pyongyang to stop preparations to launch a *Taepodong 2* missile through the North Korean embassy in Beijing.

June 17, 2006: FM Aso meets with U.S. Ambassador to Japan Thomas Schieffer. They agree that Japan and the U.S. should keep in close contact to dissuade Pyongyang from test-firing a *Taepodong 2*.

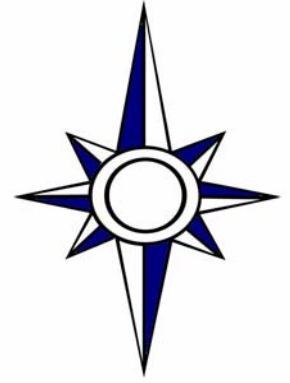
June 18, 2006: FM Aso says Tokyo will seek an immediate meeting of the United National Security Council if North Korea fires the missile and that a consideration of sanctions is “inevitable.”

June 19, 2006: South Korea’s Ministry of Foreign Affairs and Trade says that the WTO has set up an arbitration panel to resolve a trade dispute with Japan over punitive tariffs levied on imports of computer memory chips by Hynix Semiconductor Inc.

June 20, 2006: Japan’s Ambassador to South Korea Oshima Shotaro urges the resumption of bilateral FTA talks and argues that Seoul should not demand too much in a sensitive area from the start.

June 24, 2006: *Asahi Shimbun* reports that business leaders prefer Fukuda Yasuo as the next prime minister in consideration of his views that take Japan’s relations with other Asian neighbors seriously.

June 24, 2006: The pro-Seoul group Mindan backs off from grand reconciliation due to protests from local chapters.



China-Russia Relations:
SCO Five Years On: Progress and Growing Pains

Yu Bin
Wittenberg University

Five years after its inception, the Shanghai Cooperation Organization (SCO) held its sixth summit meeting in Shanghai in mid-June to celebrate its steady growth as a “mature” regional security body. In many respects, the SCO is also at a crossroads at both operational and philosophical levels: achieving internal cohesion without interfering in member states’ internal affairs, and increasing its international profile without appearing intrusive, at least in the eyes of the U.S. While the key for the SCO’s sustainability is a stable Sino-Russian “strategic” partnership, Moscow and Beijing in the second quarter worked hard to coordinate their respective approaches to the Iranian nuclear issue, both inside and outside the SCO framework.

The SCO summit

The one-day SCO summit in Shanghai June 15 appeared to be business as usual. It featured roundtable sessions and formal speeches by heads of states of members and observers. This was followed by the official signing of the Declaration on the Fifth Anniversary of the SCO, one of the 10 documents endorsed at the summit.

Among these agreements were a document for international information security, a resolution on fighting terrorism, separatism, and extremism from 2007 to 2009, an agreement on joint antiterrorism actions among member countries, and an agreement on cutting off the infiltration channels of terrorists, separatists and extremists. The summit also approved Bolat K. Nurgaliyev (from Kazakhstan) as secretary general from 2007 to 2009.

Judging from the language of the documents paraded before the SCO heads of states, the regional security group seemed to be at the threshold of a higher level and more comprehensive stage of development. In their formal speeches, the heads of states recalled the previous five years with a considerable level of confidence, while envisioning a more promising, albeit challenging, future for the regional security group. There was, however, a sense of uneasiness regarding both the current and future orientation of the SCO.

Chinese President Hu Jintao recognized the difficulties and challenges facing the SCO, particularly the destabilizing activities and forces (the “three evils”: terrorism, separatism, and extremism), poverty, drug trafficking, etc. He therefore called for stepping up coordination among SCO member states in regional and international affairs, particularly in intelligence sharing and joint anti-terror operations. In addition to security issues, Hu highlighted the need for actions on economic development, humanistic exchange, and striving for a more just and democratic international order.

Russian President Vladimir Putin proposed initiating a multilateral agreement between the SCO member states that would express “common responsibility for the region’s fate.” For that goal, the SCO defense ministries should be more actively engaged in combating terrorism and extremism. The Russian leader also spoke in favor of setting up a coordinating mechanism to combat drug trafficking and invited the relevant agencies to conclude such an agreement “as soon as possible.”

Despite their different takes on the SCO’s problems, both Hu and Putin seemed ready to push the organization to develop more capable security mechanisms for regional stability and more effective policy coordination on major regional and international issues. Indeed, both initiatives – Hu’s call for a multilateral legal document on long-term good-neighborly relations, friendship and cooperation, and Putin’s suggestions for a study on establishing a regional conflict prevention mechanism within the SCO framework – were written into the summit declaration (Section IV. Regional Stability).

SCO growing pains

At its fifth anniversary and 10 years after the initiation of its predecessor the Shanghai Five, the SCO is on the fast track to develop an institutional network. Two weeks before the annual summit in Shanghai, the SCO kicked off its first parliamentary speakers meeting in Moscow. In the economic area, the SCO Business Council and its Interbank Association were inaugurated on the eve of the summit in Shanghai. The potential to create more inter-governmental coordinating mechanisms seems unlimited as the SCO members are willing and able to move into cultural and humanistic exchanges and given the perceived need for outreach to more international organizations, as envisioned by the summit declaration. (Sections II and III).

Despite its tremendous achievements, the regional security organization faces difficult choices. At the operational level, the SCO needs to translate many of its declared principles and approved policies into specific and effective policies. Obviously, implementation takes time, and some of these goals will be reached eventually. At the more philosophical level, however, the SCO seems to be at a crossroads with more difficult, if not impossible, alternatives ranging from:

- maintaining a group of equal partners and being an effective instrument for the purpose of security and development;

- balancing the principle of noninterference in internal affairs of member states and the imperative of the SCO's security and stability as a whole;
- reaching out to new member states and linking with other multilateral groups, and the anticipated complications in decision making and policy implementation; and
- deflecting, if not resisting, U.S. pressure collectively while engaging with the lone superpower individually, etc.

These issues and dilemmas are not new. A few months after its birth (June 2001), terrorist attacks in the U.S. led to the U.S. strategic return to Central Asia, including establishing a military presence in several SCO member states, and the "eclipse" of the new regional organization, at least for the time being. Perhaps the SCO's biggest achievement is the fact that it survived the "paradigm change" of international relations after Sept. 11, and then emerged with more elaborate institutions and even enlarged with several observer members.

The development, however, reveals two tasks or dilemmas at the operational level. One is how to balance the need for regional stability and maintaining the principle of non-interference in the domestic affairs of the member states. In 2005, several member states were severely affected by the "color revolution," while the SCO as an institution remained on the sideline. Although certain SCO members (Russia and China) later reacted to the perceived deterioration of the situation individually with either political-security means (from Russia) or economic measures (from China), their approaches were limited by the very principles of equality and non-interference. The same principles may also lead to complications and/or inaction when SCO member states experience instability and upheavals in the future, with or without foreign factors.

In these not-unlikely scenarios, doing nothing remains a choice, but at the expense of the SCO's integrity and credibility. The likely outcome may not be terribly negative if Russia and China continue to maintain consensus and coordinate approaches. Before the SCO develops its own crisis management principles and rapid reaction mechanism, cooperation between Moscow and Beijing remains an indispensable "anchor" for the SCO.

The second dilemma for the SCO is the U.S. Although the U.S. after Sept. 11 maintained a military presence in some SCO member states (Kyrgyzstan and Uzbekistan), the SCO, which covers a vast area of the Eurasian continent, is the only regional security organization without direct U.S. participation. Meanwhile, each of the SCO's member states prefers to have a normal working relationship with Washington. For these reasons, among others, relations with the U.S. remain the most delicate and sensitive issue for both the SCO as a whole and for individual member states. The SCO's current relations with the U.S., therefore, are ambiguous at best. This state of affairs may also reflect disagreement within the SCO. Nonetheless, SCO members may have to work out a way to "engage" Washington. Absent this, Washington remains suspicious of the intention of the SCO.

Iran and SCO

While the U.S. is a long-term issue for the SCO, the presence of Iranian President Mahmoud Ahmadinejad at the Shanghai summit was guaranteed to upset Washington.

The U.S. defines Iran as a “terrorist” state. The timing of Ahmadinejad’s visit to Shanghai, too, was also an irritant for Washington because the “5+1” talks (five permanent members of the UN Security Council plus Germany) offered in early June a package of incentives for Iran, including assistance in developing a peaceful nuclear program (guaranteed deliveries of light-water reactors and fuel for nuclear power stations and to carry out uranium enrichment activities in its own country). In exchange, Iran had to stop its ongoing nuclear activities and the International Atomic Energy Agency (IAEA) needed to determine that Iran’s nuclear activities are for peaceful purposes. Finally, Washington was concerned with the possibility that Iran would be admitted as a full member of the SCO, which would complicate Washington’s own approach to the Iranian issue, whether it is handled peacefully or not.

Despite strong reactions from the U.S., the Iranian president was invited because all SCO heads of states were invited. Washington’s pressure, however, was not entirely irrelevant. The very fact that Iran’s participation seems to have overshadowed almost all other issues during the conference indicates the U.S. influence. While the Iranian president was in Shanghai anyway, the absence of India’s head of state – who was substituted for by Indian Minister for Petroleum and Natural Gas Murli Deora – highlighted the salience of the U.S. factor in the operation of the SCO.

Both Russian and Chinese presidents met with Ahmadinejad on the sidelines of the summit. “All countries including Iran have the right to use high technology but they need to do it in a way that does not arouse concerns on the part of the international community,” Putin was quoted as saying while meeting the Iranian president. For his part, Hu said “China understands Iran’s concern over its right to the peaceful use of nuclear power, upholds the international nonproliferation system, and insists the Iranian nuclear issue should be settled properly through talks.” Meanwhile, Hu pointed out that the critical point in the Iranian nuclear issue is to build mutual trust between Iran and the international community.

For both Russia and China, Iran presents a difficult case: they have to protect their own interests in Iran while minimizing the possible negative impact in their relations with the U.S. In this regard, a nonnuclear Iran is perhaps the only way to meet both goals. The strong, if not uncompromising, stance of both Tehran and Washington, however, may lead to an outcome that is in no one’s interest. To avoid this, Chinese and Russian officials at various levels frequently met and coordinated policies. When the “5+1” offered in early June a package of incentives for Iran, a brief window of opportunity appeared. For this, the chairman of the Duma’s international affairs committee Konstantin Kosachev claimed that Moscow and Beijing had prevented “a worst-case scenario” in the issue of Iran’s nuclear program. It remains to be seen how Iran will respond to the offer.

Progress in mil-mil relations

Iran nuclear issues aside, the ongoing “Year of Russia” in China continued to unfold. Overlapping the SCO summit in Shanghai was the “Moscow Week” in Beijing (June 12-18), featuring Russian arts, seminars, performances, and exhibitions by several hundred Russians led by Moscow Mayor Yuri Luzhkov.

Less noticed, however, was notable progress in military-military relations between the People’s Liberation Army and its Russian counterpart. In late April, Russian Vice Premier and Defense Minister Sergei Ivanov visited Beijing to co-chair the Russian-Chinese Commission on Military-Technical Cooperation. A month later, PLA Chief of Staff Col. Gen. Liang Guanglie visited Moscow. His itinerary included a visit to the GLONASS control and communications center at the Main Spacecraft Test and Control Center in Krasnoznamensk outside Moscow, a sign of Russia’s willingness to share with China more of its satellite-based global positioning and communication systems for both commercial and military purposes. Before the end of May, Deputy chief of Russian General Staff Aleksandr Rukshin traveled to Beijing for the 10th round of consultations between the two general staffs. After his talk with President Hu during the June 15 summit in Shanghai, Putin told reporters that Russia intends to maintain the current level of cooperation with China in the military-technological sphere. “We talked about improving military-technological cooperation, ... The volumes are big, amounting to billions of dollars, and we intend to maintain them,” said the Russian president.

Just before the SCO summit, the Russian Admiralty Shipyards in St. Petersburg transferred the last of eight *Kilo*-Class submarines to China under a contract of \$1.5 billion. Meanwhile, several hundreds of *AL-31F* and *AL-31FN* aircraft engines (\$1.5-2 billion) started to be delivered to the Chinese Air Force for its indigenously developed *JF-10* fighter-bombers. Russian Defense Minister Ivanov, while in Beijing for the annual Russian-Chinese Commission on Military-Technical Cooperation, toyed with exporting to China the latest “4-plus class” *Su-34* front-line bombers, and China’s participation in developing Russia’s fifth-generation fighter.

A long article in the *People’s Liberation Army Daily* noted that Sino-Russian military security cooperation in recent years “has gradually expanded and deepened, achieving substantial, eye-catching results” in three areas: high-level reciprocal visits, businesslike and in-depth exchanges at every level and in every area, and growing cooperation in the area of military technology.

The near future

Perhaps more than any other SCO summit, the annual gathering this year was a milestone. For this special occasion, the city of Shanghai staged an art festival for SCO member states with performing artists from all SCO member and observer states. This was followed by an extravagant fireworks display that lit up the Bund and the new business district of Pu Dong. The voyage ahead for the SCO, however, remains both uncertain and uncharted. One recalls that there were less than three months before the newly formed SCO, as well as the rest of the world, was jolted by Sept. 11, and the world has never been the same.

The “moment of truth” regarding Iran is approaching, be it war or peace, reports the influential French newspaper *Le Monde*. While Iran is seen as gaining time for its nuclear program, Washington’s patience is not unlimited. The next few months will be crucial for Moscow, Beijing, and the SCO, as the Bush administration may choose to tighten the screws for both geostrategic reasons and political considerations at home (mid-term elections in November).

Chronology of China-Russia Relations

April-June 2006

April 3-4, 2006: Chairman of the China’s Supreme People’s Court Xiao Yang visits Moscow and meets Head of the Russian Supreme Court Vyacheslav Lebedev, State Duma Speaker Boris Gryzlov, and Chairman of the Russian Constitutional Court Valery Zorkin.

April 17-20, 2006: Delegation of the Border Department of the Chinese Public Security Ministry, led by Deputy Chief of the Chinese Border Department Zhang Chongde, visits Moscow, St. Petersburg, and the Leningrad Region in Russia.

April 17, 2006: Russian Foreign Minister Sergei Lavrov meets in Moscow Cui Tiankai, assistant to the Chinese foreign minister, to discuss Iran’s nuclear issue.

April 24-27, 2006: Russian Vice Premier and Defense Minister Sergei Ivanov visits Beijing to co-chair the Russian-Chinese Commission on Military-Technical Cooperation with Chinese counterpart Defense Minister Cao Gangchuan and then joins the annual meeting of the Shanghai Cooperation Organization (SCO) defense ministers. Ivanov also met Chinese Premier Wen Jiabao. A decision was made for the six SCO member states to conduct a joint anti-terrorist military exercise in Russia in 2007.

May 9-10, 2006: Delegation of the Federation Council of Russian Federal Assembly, led by Chairman Victor Glukhikh, visits China. The group was met by Jia Qinglin and Li Guixian, chairman and vice chairman of the National Committee of the Chinese People's Political Consultative Conference (CPPCC).

May 15, 2006: Foreign ministers meet in Shanghai to prepare for the SCO summit scheduled for mid-June in Shanghai.

May 16, 2006: Russian FM Sergei Lavrov travels to Beijing for an official visit after the SCO foreign ministerial meeting. Lavrov and Chinese FM Li Zhaoxing sign two documents to set up a working group to deal with migration issues and on constructing a bridge across the river Argun. He also meets Chinese President Hu.

May 22-24, 2006: PLA Chief of staff Col. Gen. Liang Guanglie visits Moscow and meets Russian General Chief of Staff Yury Baluyevsky, Russian Deputy Prime Minister and DM Ivanov, and secretary of the Russian Security Council Igor Ivanov. Liang also visits the GLONASS control and communications center at the Main Spacecraft Test and Control Center in Krasnoznamensk outside Moscow.

May 26-30, 2006: Wu Bangguo, chairman of the Standing Committee of China's National People's Congress (NPC), makes a four-day visit to Russia, at the co-invitation of Federation Council Chairman Sergei Mironov and State Duma Chairman Boris Gryzlov. In addition to meeting President Putin and Prime Minister Mikhail Fradkov, Wu joins the first meeting of the Russian-Chinese Committee on Cooperation between Russia's State Duma and China's NPC and the first meeting of the SCO parliamentary speakers in Moscow on May 30.

May 30, 2006: Deputy Chief of Russian General Staff Aleksandr Rukshin and Assistant Chief of the Chinese General Staff Zhang Qinsheng hold 10th round of consultations between the two general staffs in Beijing. Rukshin later meets Chief of Staff Col. Gen. Liang Guanglie.

June 7-11, 2006: Delegation of Russia's State Duma Committee on International Affairs, led by Committee head Konstantin Kosachev, visits Beijing. They are received by Chairman of the Standing Committee of the National People's Congress Wu Bangguo and First Deputy Foreign Minister Dai Bingguo.

June 12, 2006: President Hu sends congratulatory message to Putin on Russia's National Day.

June 12-18, 2006: Moscow Mayor Yuri Luzhkov visits with a delegation of 249 for Moscow Week in Beijing, which includes roundtables, a concert, an arts exhibition, and an industrial and architectural exhibition. He meets Beijing Mayor Wang Qishan.

June 15, 2006: Sixth annual summit meeting of the SCO Council of Heads of State held in Shanghai. Ten documents are signed including the Declaration on the Fifth Anniversary of the SCO. Iranian President Mahmoud Ahmadinejad joins the meeting.

June 16-17, 2006: President Hu attends the second summit of the member states of the Conference on Interaction and Confidence-Building Measures in Asia (CICA) in Kazakhstan. In his speech, Hu called for building a harmonious Asia of enduring peace and common prosperity. The CICA, a regional security forum created in June 2002, has 17 members: Afghanistan, Azerbaijan, China, Egypt, Iran, India, Israel, Kazakhstan, Kyrgyzstan, Mongolia, Pakistan, Palestine, Russia, Tajikistan, Thailand, Turkey, and Uzbekistan; and nine observer members: Australia, Vietnam, Indonesia, South Korea, Lebanon, Malaysia, the United States, Ukraine, and Japan.

June 17, 2006: President Putin holds informal meeting with Hu during the CICA summit meeting.

About The Contributors

David G. Brown is associate director of the Asian Studies Department at The Johns Hopkins School of Advanced International Studies. His 30-year diplomatic career focused on Asia and included assignments in Tokyo, Beijing, Taipei, Hong Kong, and Saigon as well as tours in Vienna and Oslo. After leaving government, Mr. Brown served as senior associate at the Asia Pacific Policy Center, a nonprofit institution in Washington. Mr. Brown serves concurrently as the Chair of the East Asian Area Studies course at the State Department's Foreign Service Institute. He has a degree in East Asian Studies from Princeton University.

Ralph A. Cossa is president of Pacific Forum CSIS in Honolulu. He sits on the steering committee of the multinational Council for Security Cooperation in the Asia Pacific and serves as executive director of the U.S. Committee of CSCAP. He is also a board member of the Council on U.S.-Korean Security Studies. Cossa is a political-military affairs and national security strategy specialist with over 25 years of experience in formulating, articulating, and implementing U.S. security policy in the Asia-Pacific and Near East-South Asia regions. He is a retired USAF colonel and a former National Security Affairs Fellow at the Hoover Institution. He holds a B.A. in International Relations from Syracuse University, an M.B.A. in Management from Pepperdine University, and an M.S. in Strategic Studies from the Defense Intelligence College.

Joseph Ferguson is vice president at the National Council for Eurasian and East European Research. He was previously a visiting fellow at Princeton University. Before that he served as director of Northeast Asia Studies at the National Bureau of Asian Research. Previously, he was a fellow at the Johns Hopkins University Nitze School of Advanced International Studies (SAIS) in Washington, D.C. and a visiting Fulbright fellow at the Russian Academy of Sciences' Institute of World Economy and International Relations. He received a *Monbusho* Fellowship from the Japanese government to research Japanese-Russian relations in Tokyo. From 1995-99, he worked as an analyst with the Strategic Assessment Center of Science Applications International Corporation (SAIC) in McLean, VA. He holds a Ph.D. in International Relations from SAIS, and a B.A. from Pomona College.

Aidan Foster-Carter is an honorary senior research fellow in Sociology and Modern Korea at Leeds. He is also a freelance analyst and consultant: covering the politics and economics of both South and North Korea for, amongst others, the *Economist Intelligence Unit*, *Oxford Analytica*, and *BBC World Service*. Between 1991 and 1997 he lectured on sociology at the universities of Hull, Dar es Salaam (Tanzania), and Leeds. A prolific writer on and frequent visitor to the Korean Peninsula, he has lectured on Korean and kindred topics to varied audiences in 20 countries on every continent. He studied Classics at Eton, Philosophy, Politics, and Economics at Balliol College Oxford, and Sociology at Hull.

Bonnie S. Glaser has served as a consultant on Asian affairs since 1982 for the Department of Defense, the Department of State, Sandia National Laboratories, and other agencies of the U.S. government. She is concurrently a senior associate with CSIS in Washington, D.C., and Pacific Forum CSIS in Honolulu. Ms. Glaser has written extensively on China's foreign and security policy, U.S.-China relations and military ties, cross-Strait relations, and other topics related to Asian security. She has published extensively in leading scholarly journals, newsweeklies, and newspapers. She is currently a board member of the U.S. Committee of the Council for Security Cooperation in the Asia Pacific and a member of the Council on Foreign Relations, and she served as a member of the Defense Department's Defense Policy Board China Panel in 1997. Ms. Glaser received her B.A. in Political Science from Boston University and her M.A. from the Johns Hopkins School of Advanced International Studies.

Brad Glosserman is executive director at Pacific Forum CSIS and co-editor of *Comparative Connections*. He is also the director of the Pacific Forum's Young Leaders Program. Mr. Glosserman is the former director of research at Pacific Forum. He has authored several monographs on topics related to U.S. foreign policy and Asian security relations. His opinion articles and commentary have appeared in newspapers and journals throughout the Asia Pacific. Prior to joining Pacific Forum, he was, for 10 years, a member of The Japan Times editorial board, and continues to serve as a contributing editor for the newspaper. Mr. Glosserman has a J.D. from George Washington University, an M.A. from Johns Hopkins University's School of Advanced International Studies (SAIS) and a B.A. from Reed College.

Donald G. Gross is a nonresident senior fellow at the Atlantic Council of the United States and a consultant on Asian affairs in Washington D.C. He previously worked as an international lawyer in Washington and Seoul, where he also served as adjunct professor in the Graduate School of International Studies at Yonsei University. Mr. Gross served as counselor to the Office of the Under Secretary for Arms Control and International Security Affairs in the State Department (1997-2000) and the U.S. Arms Control and Disarmament Agency. He was director of Legislative Affairs at the National Security Council. He served as counsel to a congressional subcommittee and was an adjunct professor of Law at American University. He graduated magna cum laude from Cornell University and holds a law and a political science degree from the University of Chicago.

Chin-Hao Huang is a research assistant with the Freeman Chair in China Studies at CSIS. He served as executive director for the Georgetown International Relations Association, a non-profit organization based in Washington, D.C. His research interests include East Asian security issues and Chinese foreign policy. He grew up in Bangkok, Thailand. Mr. Huang is fluent in Mandarin, French, Thai, and has basic conversational skills in Japanese. He graduated magna cum laude and received a B.S. in Foreign Service from Georgetown University, majoring in International Law, Organizations, and Ethics and a certificate in Asian Studies.

David C. Kang is associate professor of Government, and adjunct associate professor and research director at the Center for International Business at the Tuck School of Business, Dartmouth College. Dr. Kang consults for U.S. and Asian firms across the Pacific and various government agencies on Asian international economics and politics. He received an A.B. with honors from Stanford University (1988) and his Ph.D. from Berkeley (1995). He is finishing a book on China's rise and East Asia's response. His recent publications include: *Crony Capitalism: Corruption and Development in South Korea and the Philippines* (Cambridge University Press, 2002), which was named by *Choice* as one of the 2003 "Outstanding Academic Titles" and *Nuclear North Korea: A Debate on Engagement Strategies* (co-authored with Victor Cha).

Ji-Young Lee is a Ph.D. candidate in International Relations at Georgetown University's Department of Government. Her research interests include East Asian Security, International Political Economy and International Relations theory. Prior to Georgetown, she worked as a special assistant at Seoul National University's Korea Unification Forum while she was completing her M.A. in Political Science at Seoul National University (2002). She received an M.A. in Security Studies from Georgetown University (2004) and a B.A. in Political Science and Diplomacy at Ewha Women's University, Seoul, Korea (2000).

Sun Namkung is a research assistant at Pacific Forum CSIS and a co-editor of *Comparative Connections*. She holds an M.B.A. from the College of Business Administration at the University of Hawaii Manoa and received her B.A. in art history from Wellesley College in Wellesley, Massachusetts. She has also studied international relations at the Graduate School of International Studies at Korea University in Seoul, Korea. She has previously worked for DFS Hawaii and the American Red Cross.

James J. Przystup is senior fellow and research professor in the Institute of National Strategic Studies at the National Defense University. Previously, he was Director of the Asian Studies Center at The Heritage Foundation, a staff member on the U.S. House of Representatives' Subcommittee on Asian and Pacific Affairs, and director for Regional Security Strategies on the Policy Planning Staff in the Office of the Secretary of Defense. He also worked in the private sector at Itochu and IBM. Dr. Przystup graduated from the University of Detroit and holds an M.A. in International Relations and a Ph.D. in Diplomatic History from the University of Chicago.

Sheldon W. Simon is professor of Political Science and faculty associate of the Center for Asian Studies and Program in Southeast Asian Studies at Arizona State University. He also serves as Chairman of Southeast Asian projects at The National Bureau of Asian Research in Seattle, Washington. Dr. Simon has served as a consultant for the Departments of State and Defense. He holds an M.A. in International Affairs from Princeton University and a Ph.D. from the University of Minnesota. His most recent book was published in 2001, an edited volume, titled *The Many Faces of Asian Security*.

Scott Snyder is a Pantech Fellow at Stanford University's Shorenstein Asia-Pacific Research Center (2005-2006) and is concurrently a senior associate in the International Relations program of The Asia Foundation and Pacific Forum CSIS. He spent four years in Seoul as Korea Representative of The Asia Foundation (2000-2004). Previously, he has served as a program officer in the Research and Studies Program of the U.S. Institute of Peace, and as acting director of The Asia Society's Contemporary Affairs Program. Past publications include *Paved With Good Intentions: The NGO Experience in North Korea* (2003), (co-editor with L. Gordon Flake) and *Negotiating on the Edge: North Korean Negotiating Behavior* (1999). Mr. Snyder received his B.A. from Rice University and an M.A. from the Regional Studies East Asia Program at Harvard University.

Robert G. Sutter is a visiting professor in the School of Foreign Service at Georgetown University from August 2001. He specialized in Asian and Pacific affairs and U.S. foreign policy in a U.S. government career of 33 years, working with the Central Intelligence Agency, the State Department, the Senate Foreign Relations Committee, and the Library of Congress. Dr. Sutter served for two years as the National Intelligence Officer for East Asia and the Pacific at the National Intelligence Council. He received a Ph.D. in History and East Asian Languages from Harvard University. He has published 15 books, numerous articles, and several hundred government reports. His most recent books are *China's Rise in Asia: Promises and Perils* (Rowman and Littlefield, 2005) and *Historical Dictionary of United States Diplomacy with China* (Scarecrow Press, 2006).

Yu Bin is professor of Political Science at Wittenberg University and concurrently a faculty associate of the Mershon Center of the Ohio State University. Previously, he was a fellow at the East-West Center in Honolulu and president of Chinese Scholars of Political Science and International Studies. He was a MacArthur fellow at the Center of International Security and Arms Control at Stanford University and a research fellow at the Center of International Studies of the State Council in Beijing. Dr. Yu earned a B.A. degree from the Beijing Institute of Foreign Studies, M.A. at the Chinese Academy of Social Sciences, and Ph.D. at Stanford University.

1001 Bishop Street, Pauahi Tower, Suite 1150, Honolulu, Hawaii 96813
Phone: (808) 521-6745 Facsimile: (808) 599-8690
Email: pacforum@hawaii.rr.com Web: <http://www.csis.org/pacfor/>